

IRG WMR



**IRG Technology, Media and Telecommunications
and
Life Sciences Weekly Market Review**

Week of 21 June 2010 - 27 June 2010

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IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



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Equity Market Indicators					
Index	Closing Level (6/25/2010)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2009	% Change 12/31/2008
S&P 500	1,076.76	-3.6%	0.3%	-3.4%	19.2%
Dow Jones Industrial Avg.	10,143.81	-2.9%	0.8%	-2.7%	15.6%
Dow Jones Tech. Index	379.27	-4.2%	0.4%	-5.8%	50.9%
Dow Jones Telecom. Index	198.60	-1.3%	4.8%	-9.5%	-0.6%
NASDAQ Composite	2,223.48	-3.7%	0.4%	-2.0%	41.0%
Japan Nikkei 225	9,737.48	-2.6%	-0.2%	-7.7%	9.9%
JASDAQ	51.97	0.4%	3.7%	7.5%	7.8%
Japan Mothers	402.88	-1.4%	0.8%	-3.2%	24.5%
Korea KOSPI Composite	1,729.84	1.0%	7.8%	2.8%	53.8%
Korea Kosdaq	498.12	0.6%	4.6%	-3.0%	50.0%
Taiwan Stock Exchange	7,474.71	-0.2%	2.1%	-8.7%	62.8%
Singapore Straight Times	3,461.23	0.8%	6.7%	15.7%	96.5%
Hong Kong Hang Seng	20,690.79	2.0%	5.2%	-5.4%	43.8%
Hong Kong GEM	788.43	-1.5%	3.9%	16.5%	104.5%
China Shanghai (A-Share)	2,675.86	1.6%	-4.6%	-22.2%	40.0%
China Shenzhen (A-Share)	1,078.73	1.6%	-2.3%	-14.5%	85.5%
China Shanghai (B-Share)	225.65	5.6%	5.5%	-10.6%	103.4%
China Shenzhen (B-Share)	578.17	5.3%	5.2%	-7.6%	113.1%

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Technology, Media, Telecommunications and Life Sciences Market Activity						
NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Markets: TMT and Life Sciences Convertibles						
Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

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Weekly Highlights

International

Telecommunications

- **According to analyst Wireless Intelligence, MVNOs will outnumber mobile network operators by 2013.** The number of mobile virtual network operators in the world currently exceeds 600. With the current growth rates, MVNOs will surpass the numbers of mobile network operators by mid-2013. 35 new MVNOs launched globally in the first half of this year, in addition to the 76 market newcomers that sprang up in 2009. The number of network operator sub-brands is also growing; 14 operator-owned brands came to market last year and a further five this year as telcos increasingly aim to target specific market segments. The U.S. and the Middle East and Africa have only a handful of MVNOs between them due to regulatory restrictions, lack of available spectrum, and lack of support from mobile network operators. The Middle East got its first MVNOs just last year when four launched in Oman. 57 percent of its net mobile customer additions in 2009 came through its MVNO partners.

Japan

Hardware

- **Casio Computer Co. is expanding its electronic dictionary sales territory and product lineup in the Chinese market with the aim of increasing sales there by 60 percent this fiscal year.** Casio will expand its sales network into such major inland cities as Chongqing; Kunming, Yunnan Province; Guiyang, Guizhou Province; and Urumqi in the Xinjiang Uyghur Autonomous Region. It has sold electronic dictionaries in 27 cities, primarily in such coastal cities as Beijing and Shanghai. The company will raise the figure to 35 this fiscal year, with future plans to build a network covering the largest cities in each province. Casio began selling monochrome electronic dictionaries in the Chinese market back in 2005. It recently introduced four expensive color models to tap the rapidly growing ranks of the affluent and middle class. Equipped with LCD screens viewable even in bright light, the devices can withstand being dropped from 1 meter.
- **Samsung Electronics Co. might ship 19 million units of smartphones this year, strengthening its presence in the iPhone-dominated market.** Samsung Electronics has been introducing its own line-up of smartphones, which offer advanced computing ability and connectivity. The South Korean maker launched its latest Galaxy S. Samsung Electronics could ship 6 million units of smartphones in the first half and 13 million units in the second half, including 5 million units of Galaxy S. Samsung only trails behind Nokia Corp. in terms of handset shipments and controls over 20 percent of the global market share. But it has not produced thus far a smartphone model that can compete against the iPhone. Apple had sold 51.15 million units of the iPhone worldwide since its launch in January 2007.

Telecommunications

- **NTT DoCoMo will introduce LTE femtocells between 2011 and 2012 as a means of supporting the rollout of its next-generation mobile network.** Following its upcoming LTE network launch, the Japanese mobile operator will deploy LTE femtocells to provide an interim solution to gaps in network coverage; the timing will also encourage early adoption of LTE femtocells.

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DoCoMo first launched its 3G-based femtocell offering, under the FOMA brand, in 2007. By the time DoCoMo launches LTE femtocells, its LTE network will be able to provide coverage to around 30 percent of the population. Yasuda will provide an update on DoCoMo's LTE rollout plans.

- **KDDI shareholders are complaining that the market reacted badly to the move of Jcom investment as it damaged KDDI's share price.** VP Hirofumi Morozumi said KDDI should aim to improve the corporate value of KDDI and Jcom by carrying out what the company need to do to realize synergies through the investment. KDDI also said the offer price for Jcom shares was reasonable as it was based on a stock value fairly evaluated by third-party experts.

Semiconductor

- **Japan's Elpida Memory Inc. and Taiwan's United Microelectronics Corp. will merge with Powertech Technology Inc to produce semiconductor-related production technology.** The three parties will be signing an integrated circuit technology cooperation agreement at UMC headquarters in Hsinchu, northern Taiwan. The three companies will co-develop cutting edge through silicon via (TSV) chip production technology, focusing on vertically stacked chips to occupy less space. The three partners will produce the technology for dynamic random access memory (DRAM) chips and logic memory chips targeting the cell phone, gaming console and home appliance markets.

Media, Entertainment and Gaming

- **The most popular social game in Japan is not developed by local companies, but Sunshine Ranch, a game themed with vegetable planting and stealing and animal feeding developed by Chinese game developer and operator Reko.** Nearly half users are playing Sunshine Ranch, whose registered gamers topped 5 million in early June. Reko could obtain revenues of more than 1 million yuan (US\$147, 230) from the operation of the game per month. Sunshine Ranch was launched on China's dozens of SNS platforms. Its active users exceeded 10 million in renren.com. Reko made little money from the immature domestic market. Sunshine Ranch gets average revenue per user of US\$47 on the platform of Mixi. Sunshine Ranch also debuted on the platform of DeNA.

Korea

Telecommunications

- **SK Telecom Co. will acquire a 25.77 percent stake in the Malaysian broadband network operator Packet One Networks worth US\$100 million.** The tie-up is considered a mutually beneficial move that will give Packet One the funds to expand its network while giving the South Korean firm a strong presence in a lucrative emerging market.
- **Etisalat signed a strategic partnership agreement with Korea Telecom to jointly develop new age telecomm solutions and collaborative services for customers.** Etisalat and Korea Telecom will establish respective administrative offices to supervise and execute the key milestones of the MoU by sharing skill-set, intellectual capital and industry expertise, towards developing cutting edge products and services. This collaboration will focus on creating innovative solutions for global roaming on Wi-Fi, machine to machine telecommunication (M2M), IPTV and managed services, benefiting domestic as well as international business customers of both companies.

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China

Internet

- **Alibaba.com acquires Vendio Services Inc. to widen its overseas operations by allowing Alibaba to access more than 80,000 merchants of Vendio's e-commerce services.** Alibaba is challenging eBay and Amazon.com for international online buyers and sellers after dominating the e-commerce market in China. Chief Executive Officer David Wei will accelerate overseas revenue to a third of Alibaba's total within five years, from about 2 percent as of May 2009. The transaction is expected to be completed next month. Mike Effle will be the chief executive officer of the business. The acquisition is part of a US\$100 million investment plan for Alibaba's AliExpress.

Mobile/Wireless

- **Huayi Brothers Media Co. Ltd. has invested 149 million yuan (US\$21.9 million) to purchase a 22 percent stake in Beijing Ourpalm Co. Ltd., a mobile phone game developer and distributor in China.** After the deal, Huayi Brothers will become the second-largest shareholder of Beijing Ourpalm. Beijing Ourpalm, which was set up with a registered capital of 10 million yuan (US\$1.5 million) in 2004, is engaged in developing mobile phone games, web games and community online games. The company's revenue was 25.2 million yuan (US\$3.7 million) from January to March this year, and net profit was 8.7 million yuan (US\$1.3 million). Beijing Ourpalm has developed some mobile phone games based on famous domestic TV dramas.
- **Mobile handsets shipments by Chinese manufacturers are forecast to hit 380 million units this year.** ZTE will account for 75 million units, Huawei Technologies will account for 41 million, and TCL will account for 15 million units. Overseas markets represent the majority of the three companies' shipments.

Telecommunications

- **China Unicom garnered new 3G service subscribers of 1.02 million in May, adding the total of the 3G users of the telecom operator to 6.528 million.** China Unicom's 3G service subscribers in January-May. China Unicom's 2G users boosted 763,000 to 148.76 million. The carrier's fixed-line service subscribers declined 510,000 to 101.13 million, and its broadband users boosted 828,000 to 42.93 million.
- **Public Mobile and ZTE have secured a US\$350-million financing deal with the Export-Import Bank of China, paving the way for an expanded wireless network in the Windsor to Quebec City corridor.** The deal will fund equipment and services provided by ZTE Corp. to Toronto-based Public Mobile, adding new capital to a pre-existing vendor financing agreement the two parties hold. Public Mobile launched its initial services last month. The new carrier is targeting the lower-end of the market place with its US\$24-a-month entry-level plan for local calling. The company partnered with ZTE, a major Chinese telecom equipment maker, in its bid to expand its wireless network. Constructing that network has already generated 100 high-tech jobs in Ontario and Quebec.
- **Nepal Telecom (NT) has announced to establish optical fiber connection with China by mid-July 2011.** Officials at the state-owned telecom giant are currently holding negotiations with China Telecom to establish optical fiber connection between the two telecom operators as per the Memorandum of Understanding (MoU) signed two years ago. NT is also working out economic aspect of share and use of the optical fiber network. NT has already established optical fiber connection with the southern neighbor India. This has enabled the NT to send and receive data

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toward Hong Kong, Korea, Japan and other countries through India. The cost of telecommunication service in Nepal will drop significantly once the optical fiber connection with China comes into operation as this will provide NT an alternative route to send and receive data through physical network of China Telecom.

- **China Mobile boosted new mobile customers by 4.77 million as it brought its total to 548.9 million subscribers.** There were 9.32 million subscribers who used 3G network services in May. Cumulative net additions were 26.7 million.
- **China Telecom Co Ltd added 3.02 million CDMA users, same as in April.** By the end of May, the Chinese carrier's CDMA subscribers totaled 71.5 million. The number of broadband subscribers last month increased by 800,000 to 57.45 million, after adding 810,000 in April. The total number of fixed-line users decreased by 1.07 million to 181.96 million in May. The number of fixed-line users dropped 1.2 million.

Media, Entertainment and Gaming

- **China's seven state-backed media companies including People's Daily, China Film Group Corp. and Shanghai Media Group merged with People's Daily online news portal people.com.cn to operate and the newly-launched news-focused search engine goso.cn.** The portal belongs to the 10 news websites that the government aims to publicly float on domestic markets.
- **China clamps down on online gaming market.** Web users in China will have to register their names before playing games online as part of the nation's first official set of rules governing the booming market. The regulations, which also require online game companies to self-censor, will come into force on Aug. 1 and apply to all domestic and imported role-playing and social networking games. The measures, launched by the Ministry of Culture, aim to curb soaring rates of Internet addiction in China, particularly among minors. China's online games sector is booming thanks to the growth of the nation's web community. Cheap computer products and relatively inexpensive Internet access have also fuelled the trend. Analysys International predicts that by 2012, the market will nearly triple from 2009 levels to about 73 billion yuan (US\$11 billion), with more than 270 million players. Online users who want to play a game will have to go through a registration process with a valid ID, and game providers will also be banned from offering unsuitable games to minors.
- **China Central Television (CCTV) has secured more than 1 billion yuan (US\$147 million) in advertising revenues related to its broadcasts of the 2010 soccer World Cup in South Africa.** Of the total, more than 800 million yuan (US\$117.8 million) came from its TV broadcasting while 100 million yuan (US\$ million) was generated by online broadcasting. The station spent around US\$120 million to acquire broadcasting rights to the game from Federation Internationale de Football Association. The State Administration of Radio, Film and Television (SARFT) issued a notice in January 2000 limiting the broadcasting license negotiation and purchase rights of international sports games to CCTV only.
- **Tencent Inc. and Shanda Interactive welcomed China's new game regulatory measures that are aimed for healthier industry development.** China Ministry of Cultural released a temporary regulation file concerning the qualification, contents assessment, operation supervision, legal liabilities for online game firms. A 10 million yuan registered-capital bottom is required for online game runners. While taking up 25.3 percent and 21 percent market shares, the two sector giants took it easy for the new rules, but for the numerous mid- and small-sized game developers, which relies much on

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joint-operation, the higher threshold does weigh on their entry into the sector. The tough threshold is surmountable as over the long run, it could encourage cooperation between under-scale game involvers and reduce competition of highly-homogenized products. China's online game market has generated 7.819 billion yuan of incomes for relative firms, up 4.1 percent since quarter four of 2009.

Hardware

- **The sales of electronic books in China might go beyond 3 million units in this year.** Hanwang Technology and international companies such as Amazon, Sony, Lenovo have stepped into the e-book market. Some middle- and low-end domestic manufacturers entered the market with their relative lower prices. It is not the price that determines the sales of e-book but the content. China's total e-booker reader sales volume was 249,100 units in the first quarter this year, and 66.04 percent of them were sold by Hanwang Technology.
- **China's electronic manufacturing industry grew by 17.7 percent year-on-year in May 2010 with the output of mobile phones in the country increasing by 36.7 percent year-on-year in the first five months of 2010.** From January to May 2010, the Chinese electronic manufacturing industry grew by 20.8 percent year-on-year. Of major electronic products, the output of microcomputer devices increased by 45.3 percent; the output of notebooks increased by 44.8 percent; the output of mobile phones increased by 36.7 percent; the output of integrated circuits increased by 85.6 percent; the output of color TVs increased by 20.2 percent; and the output of LCD TVs increased by 41 percent. The delivery value of export electronic products made in China continued to grow. Of major electronic products, the export of integrated circuits increased by 90.2 percent year-on-year; the export of color TVs increased by 36.9 percent; and the export of automatic data processing devices increased by 41.8 percent.

Software

- **Kingdee International Software Group announced the acquisition of Shenzhen based professional collaborative software provider Firstsoft for 10 million yuan (US\$1.5 million).** Collaborative software refers to application software that can help individuals or organizations realize communication and collaboration. Its coverage is far beyond the range of previous office automation software. The Chinese collaborative software market increased by 48.7 percent year-on-year.

Taiwan

Hardware

- **Taiwan is targeting to run 30 percent of Indonesia's personal computer and notebook market share.** Taiwan's notebook computer carrying the Acer brand topped the sale list in Indonesia. Other Taiwanese products that have been well known in Indonesia include Asus and BenQ brands. The sales of personal computer with trademark Acer was at 25 percent and notebooks 38 percent.
- **Taiwan's export orders posted their third highest monthly total on record in May, unaffected by Europe's debt crisis or the weakening euro.** Export orders in May totaled US\$33.73 billion, up 34.03 percent from a year earlier, but they were declined slightly from the US\$33.96 billion in orders received in April. Huang Ji-shih, the statistics department head of the Ministry of Economic Affairs, forecast at a press briefing that Taiwan's export order value in June was also expected to rise slightly from a year earlier as Europe's debt crisis eases and demand from emerging markets grows. Taiwan's export orders from Europe totaled US\$5.57 billion in May, up 42.17 percent from last year. despite the high annual growth, the value was not high, indicating slow economic recovery in Europe. Acer's

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performance reflected the strong general environment for information and communications products, orders for which grew 39.25 percent in May from last year, the third biggest increase on record. Huang attributed the growth to stable demand for notebook computers, rising sales of smartphones and last year's relatively low baseline for export orders.

Semiconductor

- **Taiwan Semiconductor Manufacturing Co. (TSMC) will operate its plants in the Southern Taiwan Science Park in Tainan County on solar power with the objective of reducing carbon emissions.** The use of solar energy in the Tainan facilities will be a good and critical start in cutting carbon emissions. TSMC currently operates one 8-inch wafer fab and one 12-inch fab in the Southern Taiwan Science Park. Globally speaking, the semiconductor sector has done a good job in reducing carbon emissions to preserve the environment. The electricity consumption for the production of each wafer unit has fallen 30 percent since 2001. TSMC is targeting the huge green energy market in China and will try to seize business opportunities arising from the clean energy business there. The feasibility requires further evaluation.
- **TSMC said that its merging company, VentureTech Alliance, will acquire a 21 percent stake in Stion Corp. allowing TSMC to expand into the solar sector.** The consideration of the transaction will total US\$50 million. The U.S. partner will license and transfer its thin-film technology to TSMC.
- **TSMC had capital spending may be more than forecast this year, although it did not give a new figure.** The global semiconductor market would remain in good shape in the second half of 2010 and saw global chip sales rising 7 percent annually for the next six years. Global chip sales would grow about 30 percent this year, higher than his forecast for a 22 percent rise in April.

Hong Kong

Mobile/ Wireless

- **SunCorp Technologies Ltd. signed a memorandum of understanding with Wealth Grange to purchase the entire equities of Top Match Holdings Ltd for HK\$4.98 billion (US\$640 million) to have an exclusive operating right on a optical fiber network in mainland China for 50 years.** The firm plans to pay for the purchase in cash and by issuing convertible bonds and notes. SunCorp Technologies reaped HK\$50.45 million (US\$6.5 million) in revenue last year, reflecting a year-on-year plunge of 77.1 percent, and it suffered a net loss of HK\$145 million (US\$18.6 million), whereas it earned HK\$78.81 million (US\$10.1 million) in 2009. The company was assigned to be the Motorola official licensee for cordless and corded phones for the European, Russian, Middle East, African, Asian and Australian markets.

Telecommunications

- **Hutchison Whampoa (HWL), and not Vodafone, might be liable for a US\$2b tax bill from the Indian government on the deal in which sister firm Hutchison Telecoms International (HTIL) sold a majority stake in Indian cellco Hutchison Essar to Vodafone.** According to Hong Kong shareholder David Webb, HTIL indemnified Vodafone against tax claims when HTIL unit CGP Investments agreed to sell its 67% stake in Hutchison Essar to Vodafone International for US\$11.1 billion in 2007. CGP was incorporated in the Cayman Islands, so the sale of CGP was entirely offshore. In the event that the Indian government is successful in its tax claim, Webb says

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Vodafone may struggle to recover the tax from HTIL under the tax indemnity clause, since HTIL is now a 100% HWL subsidiary following its privatization in May.

Hardware

- **Sunlink International had its net loss narrowed from HK\$535.4 million (US\$68.8 million) in to HK\$33.27 million (US\$4.3 million) for the year ended December 2009.** Its basic and diluted loss per share was HK\$1.78 cents (US\$.228). The revenue dropped by 96.1 percent; with a gross profit plunged 98.1 percent.

Singapore/Malaysia/Philippines/Indonesia/India

Mobile/ Wireless

- **Homegrown handset makers like Spice, Micromax and Karbonn captured 14 percent of the mobile phone market in India in FY 2009-10, thanks to the burgeoning growth in cellular telephony.** These manufacturers had just 3-4 percent market share in the previous fiscal year. These Indian brands strengthened their presence in the domestic handset market in 2009-10, growing at the expense of multinationals like Nokia and Samsung. While Micromax had a 4.1 percent market share by revenue, Spice and Karbonn had a share of 3.9 percent and 3 percent in FY 2009-10, respectively. Lava had a share of 1.1 percent, Lemon 1 percent and Max had a 0.9 percent share. The Voice&Data100 annual survey on handsets is based on the revenue of telecom equipment suppliers, including GSM and CDMA handset vendors.

Telecommunications

- **Telstra Corp. struck an A\$11 billion (US\$9.6 billion) agreement on the Australian government's planned A\$43 billion (US\$37.3 billion) national broadband network, which analysts said creates more certainty for the group and potentially removes a key regulatory risk.** Telstra shares were up 12 cents or 3.7 percent cents, off an earlier high of A\$3.46 (US\$3). Telstra will allow NBN Co. to utilize its copper and cable network assets, such as its pits and ducts, as NBN Co. rolls out the government's nationwide new fiber to the home network. It will roll over its fixed voice customers to the new network. The company had the assurances of the government that if the deal goes ahead, it won't be barred from buying new mobile spectrum and won't be forced to divest its half stake in pay television group Foxtel.
- **NBN Co. chose Alcatel-Lucent as a supplier for key equipment.** The move follows NBN's securing of a critical agreement with Telstra Corp. which will make the implementation of the network much easier for the government. NBN just reached an A\$11 billion (US\$9.6 billion) agreement allowing the state-owned broadband provider to use its copper and cable network assets, such as pits and ducts, as NBN rolls out the new fiber-to-the-home network to extend internet services to remote parts of Australia. Securing that agreement should save the government money in the development of its A\$43 billion (US\$37.6 billion) network. NBN is moving ahead with its roll-out of the network that it has secured this key agreement with Telstra. NBN will spend up to A\$1.5 billion (US\$1.3 billion) on the highly specialized network equipment during the life of the project.
- **MTNL has raised 70 billion rupees (US\$1.5 million) from loans to pay the government for the third generation and broadband wireless internet radio bandwidth it received recently.** MTNL and Bharat Sanchar Nigam Ltd. were allocated bandwidth for 3G and broadband wireless internet services ahead of private operators, who had to go through an auction. The condition was that both

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companies would have to match the winning bid price for each service area. MTNL, which offers services in Delhi and Mumbai, owes 110.98 billion rupees (US\$2.39 billion) to the government for the 3G and broadband wireless internet radio bandwidth. The company raised funds via short-term and bridge loans from Central Bank of India, ICICI Bank, Axis Bank and Yes Bank. The loans will partly be repaid this year and the remaining converted to long-term debt. The company was in the process of raising funds from the domestic capital market through mixed instruments, including commercial paper, short-term debt, long-term debt and bonds-to pay for the 3G and broadband licenses.

- **Bharti Airtel Ltd. will invest up to US\$100 million in Uganda in the next two years.** Part of the US\$100 million investment will be sunk into network expansion, distribution, infrastructure and broadband extension. Bharti has recently completed the US\$9 billion takeover of Kuwait-based Mobile Telecommunications Co.'s Zain Africa assets in 15 African countries.
- **The Reliance Anil Dhirubhai Ambani Group will reduce its stake in its telecom tower business, Reliance Infratel Ltd., to 20-25 percent from 95 percent, through sales of stakes to GTL Infrastructure Ltd. and a private equity investor.** The transactions will combine cash and stock, on condition of anonymity. The sale will take place in three stages: 54,000 telecom towers operated by Reliance Infratel and 32,000 GTL Infrastructure towers will be hived off into a special purpose vehicle; the SPV will then sell a stake to a private equity investor. The SPV will then issue shares to Reliance Communications Ltd. and GTL Infrastructure shareholders, and subsequently seek a stock market listing.
- **PT Bakrie Telecom will invest up to US\$100 million this year to expand its high-speed internet and data services.** The potential for the data services market in Indonesia is massive. Bakrie Telecom set up PT Bakrie Connectivity to tap on the demand for such services. Indonesian telecom firms will boost market share in data and internet services as profit margins from voice services have been dwindling in recent years.

Internet

- **Google said Internet use in Indonesia was expanding at a fast pace and was the leading emerging economy in terms of growth.** Google is collaborating with a local wireless broadband Internet company Bakrie Connectivity, whose new modem will come with Google Chrome web browser as a standard feature. Indonesia's population of more than 230 million people and low market penetration have made the Indonesia attractive for Internet companies. The country has about 40 million Internet users, while it is also ranked third with the most registered Facebook users, after the U.S. and U.K., with more than 22 million users. Indonesia is the largest and fastest growing online market in Southeast Asia. It marked a growth of 48 percent in 2010 of online usage.

Hardware

- **Lenovo Group Limited will soon snatch a double-digit market share in India, hoping that the burgeoning market will bolster up its growth.** Pushed up by the rebounding demand of individual and corporate customers, Lenovo is expected to witness a growth of more than 2.5 percent for its market share in the country in this fiscal year. Lenovo's share in the Indian personal computer market has risen to 7.2 percent, ranking number five. Lenovo took a 4.7 percent market share in India. The top four personal computer makers in the country are HP, Dell, Acer and HCL Infosystems respectively.

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United States/Canada

Mobile/Wireless

- **RIM's first-quarter sales increased by 24 percent to US\$4.24 billion.** RIM had a hard time in producing a touch-screen device which can join with Apple's iPhone or Motorola's Droid as consumers use phones to watch video and surf the Web. RIM shall acquire at least 31 million shares. The Waterloo brought in 11.2 million phones last quarter. The average selling price of BlackBerrys to carriers was about US\$300. RIM shall launch two devices around the end of the current quarter and beginning of the next. One of those new devices may be a touch-screen BlackBerry with a Qwerty keyboard that slides out vertically. RIM's OS 6 operating system will be available before the end of September.

Telecommunications

- **AT&T has completed the nationwide rollout of femtocells aimed at consumers and small businesses and is now looking to address its enterprise customers.** AT&T's femtocell proposition, called MicroCell 3G has so far been positioned as an indoor coverage solution aimed at consumers and small businesses. The femtocell itself retails for US\$149.99, but customers have the option to take out a dedicated US\$19.99 monthly plan that provides unlimited voice minutes when users are connected to the mini base station in return for a US\$100 rebate. Existing AT&T broadband customers receive an additional US\$49.99 rebate, making it possible to acquire a femtocell free of charge. AT&T has concentrated on making MicroCell 3G a 'zero touch' service, meaning customers can install and use the femtocell without the need for an engineer to visit their home to set up the device unless it is strictly necessary.
- **Compal Communications Inc. had a shipment goal of 10 million handsets this year, down from last year's 16 million units but smartphone models are expected to account for more than 50 percent.** The average selling prices (ASP) of CCI's handsets exceeded US\$100. The market has been changing rapidly but without changing CCI's targeted direction toward smartphone development. CCI's shipments of smartphones in 2011 are expected to grow to 10 million or even 15 million units. CCI delivered only about 1.24 million smartphones in the first quarter, lower than its original expectation, due to lackluster sales by major customers in the U.S. The first half is the bottom of CCI's shipments and deliveries in the third and fourth quarters would gradually increase. Most of CCI's smartphones are based on Android platform.

Internet

- **Facebook's growth in users and advertisers on its social networking site pumped between US\$700 million and US\$800 million in revenue to the privately held company.** Facebook also earned a net profit in the tens of millions of dollars last year. The company said it had become free cash-flow positive that is, generating enough revenue to cover operating expenses as well as capital-spending needs. It is guarded in releasing information about its finances, but news of solid earnings will likely heighten investors' interest in an initial public offering, despite the company's insistence that an IPO isn't a near-term priority.
- **Facebook is paying more attention to markets like China, Russia, Japan and South Korea, where it has not obtained a leading status, hoping that they will help Facebook stop its growth slowdown.** Although Facebook has had more than 500 million registered users, it is still difficult for the company to maintain a fast growth. Facebook will take special measures in the above four countries to bolster up its regional growth. Facebook might launch localized service in these

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markets and it is still unknown what actions the company will take. The company will be able to provide social networking service for 1 billion users if its plans are successfully carried out. Facebook will meet severe competition in these markets. It has to fight with local archrivals like Tencent Holdings Limited from China, Mixi from Japan and Vkontakte from Russia.

- **EBay Inc. will purchase RedLaser.** The firm will integrate RedLaser's barcode-scanning technology into its iPhone applications, including its eBay Marketplace, eBay Selling, StubHub and Shopping.com apps, to aid consumers find better deals online. Shoppers can use RedLaser to scan any barcoded item at a brick-and-mortar shop and discover whether they can buy the same item online at a lower price, or perhaps with additional accessories. eBay will integrate more than 200 million eBay listings to RedLaser's product catalogue, which also includes inventory listed on TheFind., Google and Amazon.com. The acquisition comes as mobile e-commerce, a small but high-growth area in retail, becomes more popular as the number of users that have access to the Internet with their smartphone devices grows. Shoppers are projected to order US\$2.2 billion of physical goods from websites via cellphones this year, US\$1 billion more than last year and five times more than 2008, projects ABI Research Inc., a technology research firm.
- **Google will produce a music download service tied to its search engine later this year, followed by a cloud-based subscription service in 2011.** The launch of Google's download music store will be coming soon. The discussions come as the Mountain View, Calif.-based search giant looks to push deeper into entertainment content. Google is also moving to add professional content on its YouTube video site, and it is planning to roll out a digital bookstore this year. The launch of a Google music store would heighten tensions with Apple, whose iTunes store is the leading U.S. digital music seller. It also recently began selling digital books.

Investments/ Ventures

- **Weinstein Co. cooperated with Goldman Sachs Group Inc. to cut its US\$450 million in debt.** Goldman was paid US\$115 million and took ownership of 250 films with US\$225 million in receivables and future cash flow that should retire Weinstein's debt. Weinstein will be paid to manage the movies and can buy them back before 2016. The agreement frees Weinstein of US\$30 million a year in interest payments. The closely held studio retains 150 titles.

Software

- **Oracle's acquisition of Sun Microsystems garnered a boosting profit.** Fourth-quarter earnings excluding acquisition costs and other expenses reached US\$0.60 a share. Chief Executive Officer Larry Ellison acquired 67 companies since early 2005, including this year's US\$7.3 billion acquisition of Sun Microsystems Inc. Sales of new software licenses boosted 14 percent to US\$3.14 billion in the period ended May 31. Oracle had US\$1.23 billion in new hardware sales. Net income in fourth-quarter boosted 25 percent to US\$2.36 billion. Sales of new licenses shall boost from 2 percent to 12 percent. Sun added more than US\$400 million to earnings excluding some items. Oracle shall accelerate the size of its Sun sales force.

Europe

Telecommunications

- **Nokia lessened 2Q 2010 sales as it got weaker-than-expected high-end smartphone shipments impacting product mix.** It also lessened 2010 operating margin guidance. HTC is the biggest beneficiary, with good sell-through for Android phones in the U.S. and new carriers being added with

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AT&T coming on the band- wagon. The house is on track for 20 percent quarter per quarter sales growth in 2Q 10. BYD Electronics and FIH which derive 40~50 percent sales from Nokia will be impacted. That said, BYDE is relatively better placed, given its exposure mainly to low-end handsets where Nokia continues to execute well.

- **France Telecom will invest over 700 million Swiss francs (US\$632 million) over the next five years on its Orange mobile network in Switzerland, after shelving will merge its Swiss mobile operations with those of Danish telecom group TDC A/S.** The investment will upgrade Orange's 3G network coverage in Switzerland and offer new digital entertainment services such as television, music and games. Orange will launch a series of new smartphones that will be sold under the Orange brand, with the aim to increase the number of smartphone customers from the current 15 percent to 50 percent within three years. France Telecom and TDC abandoned a proposed deal to merge their Swiss operations to take on market leader Swisscom AG after competition regulators rejected it as bad for consumers.
- **Telefonica SA sold 8 percent of Portugal Telecom SGPS S/A, in the latest signal of widening rifts between the two Iberian telecommunications companies.** A company spokesman confirmed Portuguese media reports about the sale to international investors, such as hedge funds and asset managers. Both companies have been locked in a power struggle over Brazil's coveted telecommunications market. The Spanish giant still owns another 2 percent in the Portuguese company, representing more than 18 million PT shares. The sale of PT shares comes as Telefonica is trying to gain control of Brazilian mobile company Vivo Participacoes SA, which is jointly owned by the two companies. PT has also rejected a proposal from Telefonica to discuss the distribution of an extraordinary dividend if the Portuguese company's shareholders agreed to sell Vivo's stake. Hedge fund TPG-Axon Capital Management LP owns 4.24 percent of PT, or 38 million shares. Several asset management units of Swiss bank UBS AG own a combined 5.8 percent stake in PT, or more than 52 million shares.
- **Daisy Group PLC will likely make more acquisitions this fiscal year as it plans to acquire MurphX Innovative Solutions for an initial cash payment of 4.8 million pounds (US\$7.2 million).** The firm sealed a new 75 million pounds (US\$112.2 million) banking facility to fund deals. The integration of acquisitions already made will provide significant cost savings in the current fiscal year, while buying MurphX will strengthen its presence in data sales and offers a significant opportunity to cross-sell unified communications. Daisy made a pretax loss of 16 million pounds (US\$23.9 million). Revenue in the 15 months totaled 134.4 million pounds (US\$201.2 million).
- **Telekomunikacja Polska will earn savings of 150 million zloty (US\$45.5 million) within five years by transferring 5,000 of its employees to a new customer service company.** The new company will take over customer service employees currently working for TPSA's landline and mobile arms. TPSA is working on the details of the planned savings, and is in talks with its trade unions. The transfer of the employees will begin in October. TPSA will keep all the employees that it will transfer for one and a half years, guaranteeing the terms of their employment and compensation, and doesn't plan group layoffs at the new customer service firm after that period.
- **France Telecom's board of directors approved a bid for French daily Le Monde and its website.** France Telecom has formed a consortium with Groupe SFA PAR to try to buy a majority stake in Le Monde SA. The bid comes after Le Monde's management put a majority stake in the company up for sale to repay debt of 100 million (US\$123.4 million). The decision will bring to an end

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nearly 60 years during which Le Monde has been controlled by its journalists through a shareholding structure.

- **Investors are now focusing in entering the mobile markets with the strongest ARPU growth potential.** The Russian investment group published the seventh edition of its biannual index which ranks the world's mobile markets based on investment opportunity, claiming that it is no longer the case that penetration levels are the biggest value driver of telecom assets. Investors are concentrating globally on the attractions of developing the quality of earnings. Investors want to fund the development of new technologies and advanced non-voice mobile services that will support ARPU and margin growth.
- **Telecom Egypt will pay a dividend payout of 0.55 Egyptian Pounds (US\$0.10) per share for 2009.** Telecom Egypt shares trade 2.4 percent higher at EGP17.71 (US\$3.1) in a broadly positive market. Telecom Egypt's net profit for 2009 reached EGP3.1 billion (US\$546 million). The company's net profit for the first quarter of 2010 boosted 3 percent. Telecom Egypt plans to boost its 45 percent stake in Vodafone Egypt. Negotiations between two companies ended without results.

South Africa/Middle East/Latin America

Telecommunications

- **Telkom SA Ltd. declined its operating earnings by 15 percent on the year had revenue growth, intensifying competition and higher operating costs.** EBITDA totaled 9.8 billion rand (US\$1.3 billion) while operating revenue boosted 0.7 percent. Earnings per share from continuing operations declined 11 percent. The group boosted its normal dividend by 8.7 percent. Revenue growth was stumbling due to short tariff increases, boosting competition and accelerating operating costs due to inventory write-offs and an 11.2 percent increase in salaries as a result of a new agreement with unions. Telkom will have reposition despite the tough operating environment. It aims to concentrate in growing alternative revenue streams including data centre operation, mobile telecommunications and its Africa operations to compensate for the decline in fixed-line revenue.
- **ChinaTel is looking at a number of ways to expand its presence in the Latin American broadband market.** The company already has a presence in Peru where it is building out a wireless broadband network to the country's largest cities, excluding Lima. Rather than pursue the route of a new entrant into the market through acquiring spectrum, the company is mulling the advantages of M&A in the region to augment its presence. ChinaTel has already spent time looking into M&A opportunities in Argentina, Brazil, Chile, Dominican Republic and Guatemala, alongside its acquisition of Perusat in March 2009. América Móvil and Telefónica, both of which are in the process of consolidating their operations with a view to gaining economies of scale. The company looks set to become even fiercer competitors. Latin America's highest growth telecoms sector, through M&A rather than face the high expenditure of a new setup. An established brand name can mean a company starts ahead when it comes to rolling out new services.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 6/25/10)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2010	% Change 1/1/2009
Japanese yen	¥/US\$	89.2800	-1.5%	-0.9%	-3.9%	-3.2%
Hong Kong dollar	HK\$/ US\$	7.7774	-0.1%	-0.3%	0.3%	0.4%
Chinese renmenbi	RMB/ US\$	6.7911	-0.5%	-0.5%	-0.5%	-0.5%
Singapore dollar	S\$/ US\$	1.3866	0.2%	-1.5%	-1.3%	-5.1%
South Korean won	KRW/ US\$	1,215.0000	1.0%	0.1%	4.4%	-7.7%
New Taiwan dollar	NT\$/ US\$	32.0500	-0.2%	-0.2%	0.3%	-2.2%
Australian dollar	US\$/A\$	0.8748	0.3%	6.2%	-2.5%	23.2%
New Zealand dollar	US\$/NZ\$	0.7138	1.0%	6.6%	-1.4%	22.0%
Philippine peso	PHP/ US\$	46.0500	0.6%	-1.2%	-0.9%	-2.4%
Euro	US\$/€	1.2377	-0.1%	0.2%	-13.5%	-10.8%
British pound	US\$/£	1.5072	1.7%	4.5%	-6.7%	3.8%

Fixed Income Prices and Yields

Note	Currency	Current (on 6/25/10)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	105.34	4.11%	103.88	4.19%	105.02	4.08%
Japan 30-year	¥	106.65	2.01%	104.52	2.11%	103.34	2.12%
Hong Kong 10-year	HK\$	99.10	2.65%	98.75	2.69%	96.75	2.57%
China (06/16)	US\$	109.38	3.05%	109.38	3.05%	109.38	3.05%
Singapore 10-year	S\$	106.90	2.49%	106.45	2.54%	99.30	2.56%
South Korea 20-year	KRW	10,365.95	5.29%	10,380.71	5.27%	10,603.17	5.21%
Australia 15-year	A\$	103.42	5.36%	102.78	5.41%	102.42	5.45%
New Zealand (12/17)	NZ\$	103.84	5.58%	103.72	5.62%	103.08	5.58%
Philippines 20-year	PHP	98.89	9.07%	98.87	9.07%	103.30	9.13%
India 30-year	INR	83.18	8.57%	83.10	8.57%	82.24	8.49%
UK 30-year	£	100.30	4.28%	99.33	4.33%	100.65	4.21%
Germany 30-year	€	126.12	3.36%	124.20	3.44%	125.72	3.38%

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