



IRG Technology, Media and Telecommunications Weekly Market Review

Week of 11 April 2011 - April 17 2011

For more information on IRG, please email communications@irg.biz or visit www.irg.biz.

IRG Technology, Media and Telecommunications Weekly Market Review



Week of 11 April 2011 - April 17 2011

Table of Contents

Equity Market Indicators	3
Technology, Media, and Telecommunications Market Activity	4
Weekly Highlights	5
International	5
Japan	6
Korea	6
China	7
Taiwan	8
Singapore/Malaysia/Philippines/Indonesia/India/Australia	9
United States/Canada	12
Europe	16
South Africa/Middle East/Latin America	18
Other Economic Data	19
Currency Exchange Rates	19
Fixed Income Prices and Yields	19

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, f/k/a iReality Group Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document. For more information on IRG call (852) 2237 6000 or visit www.irg.biz.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Equity Market Indicators					
Index	Closing Level (4/15/2011)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2010	% Change 12/31/2009
S&P 500	1,319.68	-0.6%	1.8%	4.9%	18.3%
Dow Jones Industrial Avg.	12,341.83	-0.3%	2.9%	6.6%	18.4%
Dow Jones Tech. Index	454.27	-1.2%	0.2%	0.9%	12.8%
Dow Jones Telecom. Index	249.78	-0.3%	4.7%	6.5%	13.8%
NASDAQ Composite	2,764.65	-0.6%	2.4%	4.2%	21.8%
Japan Nikkei 225	9,591.52	-1.8%	-0.3%	-6.2%	-9.1%
JASDAQ	50.47	-0.2%	1.6%	-3.5%	4.4%
Japan Mothers	436.38	0.0%	6.5%	0.6%	4.8%
Korea KOSPI Composite	2,140.50	0.6%	8.6%	4.4%	27.2%
Korea Kosdaq	534.58	0.1%	6.3%	4.7%	4.1%
Taiwan Stock Exchange	8,718.12	-2.0%	2.3%	-2.8%	6.5%
Singapore Strait Times	3,646.90	-0.5%	2.2%	-6.7%	21.9%
Hong Kong Hang Seng	24,008.07	-1.6%	2.8%	4.2%	9.8%
Hong Kong GEM	785.23	0.4%	4.0%	-3.1%	16.0%
China Shanghai (A-Share)	3,194.30	0.7%	3.9%	8.6%	-7.1%
China Shenzhen (A-Share)	1,340.83	-0.4%	-2.3%	-0.8%	6.3%
China Shanghai (B-Share)	326.87	0.5%	2.1%	7.4%	29.5%
China Shenzhen (B-Share)	840.89	0.9%	1.6%	1.9%	34.3%

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Technology, Media, and Telecommunications Market Activity

NASDAQ/NYSE TMT IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
4/15/11	Renren Inc. [NYSE: RENN]	Internet	584.0	Chinese social-networking website	Morgan Stanley / Deutsche Bank AG / Credit Suisse Group AG	NA

NASDAQ/NYSE Equity Markets: TMT IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 4/15/11	% Change From Offer
4/14/11	Ellie Mae [NYSE: ELLI]	Provides a software platform that streamlines the mortgage origination process.	45.0	6.00	6.77	12.8%
4/15/11	Sequans Communications S.A. [NYSE : SQNS]	Fabless supplier of next generation (4G) wireless broadband chipsets	77.0	10.00	8.25	-17.5%

Asian Equity Markets: TMT PO Filings

Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT 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 Convertibles

Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
N/A						

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Weekly Highlights

International

Mobile/ Wireless

- **Shipments of devices embedded with wireless local area network modules will top 1 billion for the first time in 2011 and reach 1.2 billion by the end of the year, predicted IHS iSuppli.** The figure represents 25.8 percent growth compared to 2010, when 880.4 million products with built-in WLAN technology were shipped. Handsets represent the largest category for embedded WLAN, with 512.8 million units seen to ship this year. IHS expects shipments of embedded WLAN devices to rise to 2 billion by 2015 as new device categories are equipped with WLAN modules. The two categories with the fastest growth are in-car entertainment and navigation systems, which will see a compound annual growth rate of 98.2 percent between 2010 and 2015, and TVs, with a CAGR of 77.8 percent over the same period.

Hardware

- **Global shipments of personal computers declined for the first time since the end of the recent recession as consumers remained more attracted to tablets and business spending was still muted.** IDC said global PC shipments declined 3.2 percent in the first quarter, and Gartner had a 1.1 percent drop. Both firms previously had forecast slight growth for the quarter. Gartner said the last time sales had fallen was in the second quarter of 2009. The disappointing results underscore challenges facing top computer manufacturers as tablet computers such as iPad attract the interest of consumers and corporations alike. Equally significant has been the advancement of computer components. Those parts have extended the usable lifetime of a computer and allowed consumers and businesses to stall what once were essential upgrades.

Telecommunications

- **A consortium of major Asian operators have commenced construction of the over US\$400 million Southeast Asia-Japan cable (SJC).** The SJC will link Brunei, mainland China, Hong Kong, the Philippines, Japan and Singapore, with an option to extend it to Indonesia and Thailand. It is being built by NEC and SubCom for the SJC Consortium, which has members including China Mobile, China Telecom, Google, Japan's KDDI and Singapore's SingTel. Also involved are Google, Indonesia's PT Telkom, Thailand's TOT, the Philippines' Globe, Brunei International Gateway, Telemedia Pacific and Chunghwa subsidiary Donghwa Telecom. The cable will span 8,900km – longer than the planned 8,300km route from when the project was first revealed in late 2009 – and will increase to 10,700km if the Indonesian and Thai connections are added. Announcing the start of construction, the companies said the cable is on track to be operational in the second half of 2013. SJC will have an initial design capacity of over 15Tbps. The consortium has previously stated that this capacity could be upgraded to 23Tbps in the future, making it potentially the highest-capacity subsea cable. Multiple operators had joined the consortium since its inception, but some have also left – Reliance Globalcom and SingTel-Bharti joint venture Network i2i had both previously been named as members.
- **Satellite broadband services revenues will boost 15 percent annually over the coming ten years, according to a study by NSR.** The total satellite broadband market is expected to generate US\$9 billion in revenues by 2020, mainly increased by satellite broadband internet access and VSAT

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

networking to enterprises. The report also forecasts that satellite broadband access services will be over a US\$5.1 billion industry by 2020. This is a fourfold revenue increase compared to 2010. The VSAT industry is expected to see its installed and operational base increase by over 750,000 sites in the coming ten years. Satellite backhaul services mainly for mobile extension continued to make good gains in 2010 and will see at least a 175 percent growth in installed backhaul sites around the globe in the coming ten years.

Investments/ Ventures

- **Mergers and acquisitions will remain strong in 2011 because of an abundance of attractive targets and valuation, Bloomberg Tradebook executives said.** At least 150 buy-side and sell-side executives attended Bloomberg Tradebook's conference, Mergers & Acquisition Outlook in the New Economy. The abundance of attractive targets and valuations will be the primary drivers of M&A activity in 2011, according to 35 percent of those surveyed.

Japan

Telecommunications

- **Japan's Softbank Mobile has no plans to launch an operator-branded Android storefront, but the carrier is instead open to the possibility of launching a WAC-based app store in time to come, Softbank's Executive VP Ted Matsumoto told TelecomAsia.** The carrier already plans to release widgets based on the WAC-2 standard by the second half of this year. Softbank is one of the four mobile operators backing the WAC initiative, which is being touted as operators' answer to end Apple and Google's dominance in the mobile apps space.

Hardware

- **Sony Corporation is considering shutting down some of its company premises in Japan because of the continuing power shortages.** In order to save energy, the company said it was planning to give its staff two weeks off during the summer months.

Semiconductors

- **Toshiba Corp.'s President Norio Sasaki said the company's net income for the year ended March 31 may exceed Toshiba's January estimate.** The March 11 earthquake and tsunami in Japan will have a limited impact on earnings for the fiscal year just ended, Sasaki said. The company is sticking with its goal of winning 39 reactor orders by 2015. Toshiba expected full-year net income of 100 billion yen (US\$1.2 billion). Revenue and operating profit may fall short of Toshiba's January estimates.

Korea

Telecommunications

- **SK Telecom Co. will join hands with Groupon Korea, which released a local daily deal service, to give various discounts to its mobile service subscribers.** Social commerce, or group acquiring, has grown immensely in South Korea in the last year as consumers flocked to Web sites offering half-priced deals for local restaurants, cafes, concerts and other retail shops amid soaring consumer prices. Part of the discount deals for SK Telecom subscribers will be pulled from Groupon Korea as well as from SK Telecom's subsidiaries and partners, including its online sales Web site. SK Telecom controls half of the country's wireless industry, which has about 51 million mobile phone users. The social

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

commerce sector, estimated at 60 billion won (US\$55.2 million) in 2010, is forecast to increase to 500 billion won (US\$6 billion) this year.

Internet

- **Google's mobile advertising arm AdMob has released a mobile metrics report for South Korea.** The traffic from South Korea increased faster than any other country in Asia last year as AdMob received 2.1 billion ad requests from Korea in December 2010. Furthermore, 97 percent of South Korean traffic came from smartphones in December 2010, up from 75 percent a year earlier. The report also says that Korean mobile internet users are highly engaged and accelerating consumers of entertainment. Some 58 percent of respondents access the mobile internet at least five times a day and 29 percent of respondents spend at least one hour a day using mobile internet. Mobile internet users are middle aged, middle-income and male.

China

Internet

- **Facebook reached agreement with Baidu to set up a new social networking site in China.** The new website will not be linked to Facebook's global service, which is currently blocked in China. The agreement follows several meetings between Facebook founder Mark Zuckerberg and Baidu's chief executive Robin Li. Facebook had opened a Hong Kong office, its third in Asia, as Zuckerberg visited China in December, prompting suggestions that Beijing may eventually welcome the company. Zuckerberg met with Charles Chao, chief executive of popular web portal Sina.com, as well as Li to discuss the world's biggest web market, a hugely lucrative landscape. Sina.com is owned by Sina Corp.
- **Sina Corp. will not spin off its microblog business Sina Weibo, Sina Chief Executive Charles Chao said.** Sina is interested in making investments in companies in the e-commerce and mobile areas. Sina has no market share goal for its online search service in the near future. Sina will focus first on differentiating its search service, and in the long term the company could add real-time search functions to it.
- **The Alibaba Group will expand in the e-reading market and may even release its own e-readers eventually.** Alibaba will soon offer e-reading software that will run on Apple's iPhones, said TaoRan, senior director of public relations at Alibaba Group. The company hopes that the success of its online retail site Taobao.com will benefit its e-reading business. By expanding into the e-reading market, Alibaba will go head-to-head with companies that have already made a significant investment in the market, such as the Shanda Interactive, which said its online bookstore had about 2.5 million books uploaded by the end of last month. A trial version of the software is available on Weiphone.com, a major bulletin board system for Apple product users, and had been downloaded around 900 times.
- **Renren Inc. filed to raise as much as US\$584 million in an initial public offering to fund expansion.** Renren will sell 53.1 million American depositary receipts for US\$9 to US\$11 each in an initial public offering, according to a filing with the U.S. Securities and Exchange Commission. No U.S. social-networking sites have gone public, even as their popularity and advertising revenue soar. That's created pent-up demand among investors. LinkedIn Corp., which announced plans in January to raise US\$175 million in an IPO, may become the first. Renren has at least 160 million registered users, according to Analysys International in Beijing. Advertising has at least doubled each year since the site started selling space in 2008, the company has said. The online advertising market will triple to

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

almost US\$13 billion in China by 2014, estimates Susquehanna International Group LLP. Morgan Stanley, Deutsche Bank AG and Credit Suisse Group AG will lead the IPO. The ADRs will be listed on the New York Stock Exchange under the ticker RENN, the prospectus showed.

- **Tencent will invest 500 million yuan (US\$76.5 million) in film and TV production over an unspecified time period.** It has contacted sector giants including China Film Group Corporation and Huayi Brothers Media and may set up a subsidiary for the business specifically. The investment will comprise a part of the company's 5 billion yuan (US\$765 million) new media investment fund established in January.
- **Tencent marked a new peak concurrent users record of 2.7 million for its licensed first-person shooter game Cross Fire on April 15.** Tencent's last PCU record for the game, of at least 2.3 million, was reached in mid-January.
- **Baidu Union expects to give a revenue share of up to 1 billion yuan (US\$153 million) to its partnering sites, 163.com cited.** The company gave out 700 million yuan (US\$107.2 million) and 760 million yuan (US\$116 million) to its partners in 2009 and 2010, respectively. The company has also released an online recruitment platform at rencai.baidu.com, offering online job postings and resume services.

Media, Entertainment and Gaming

- **The9's net loss increased by 322.3 percent q-o-q and 40.8 percent y-o-y to 289.5 million yuan (US\$44.3 million) in the last quarter of 2010, due to investment loss in a Korean online game company.** Its net revenue increased 8.2 percent q-o-q and 37.7 percent y-o-y to 28.8 million yuan (US\$4.4 million) during the period. The company expects to release its in-house developed 2.5D Chinese fantasy MMORPG ShenXianZhuan for domestic market in Q3 this year and a first-person shooter Firefall for the U.S. market in the fourth quarter.

Semiconductors

- **Zoom Technologies Inc. will develop new mobile phones for the global market after chip maker Qualcomm granted the China-based manufacturer new wireless patent licenses.** The latest deal will allow Zoom and subsidiary Nollec Wireless to make new mobile devices using the code division multiple access technology that Qualcomm helped popularize. Specifically, Zoom has its licensed to develop WCDMA and TD-SCDMA subscriber units.

Alternative Energy

- **LDK Solar has officially opened a new solar cell manufacturing site in Hefei, capital of Anhui Province, bringing the company's total annualized cell production capacity to 570MW.** LDK Solar expects its module manufacturing costs will be significantly reduced beginning in the second quarter of 2011, as a result of the new facility. The company had finalized the acquisition of a 70 percent stake in Solar Power, Inc. for approximately US\$33 million.

Taiwan

Telecommunications

- **Chunghwa Telecom Co.'s first-quarter net profit increased 12.5 percent from a year earlier to NT\$3.86 billion (US\$133 million) due to a lower tax rate and higher revenue.** The Taiwanese telecom operator said its revenue for the three months ended March 31 increased 4.9 percent to NT\$15.34 billion (US\$528 million).

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Semiconductors

- **MediaTek has internally revised downward its revenue estimate for the second quarter, due to a combination of factors including price competition in the mature 2.5G market.** MediaTek has internally estimated that Q2 revenues will boost by only a single-digit rate sequentially, from the originally set target of over 10 percent growth quarter-on-quarter.

Mobile/ Wireless

- **Hon Hai Precision Industry Co. is exploring investment opportunities in Brazil.** The company is conducting a substantive analysis of Brazil's overall investment environment but that it can't comment on any specific investment project until it receives approvals from its board and relevant authorities. Hon Hai is the world's largest contract manufacturer of electronic products and a major supplier to U.S. companies such as Apple and Dell. The firm is now accelerating an automation program to reduce its reliance on labor, as also gearing up to relocate its production lines to China's inland cities to cut labor costs. In China, Hon Hai has production facilities in Shenzhen, Langfang, Taiyuan, Tianjin and Beijing. It also has facilities in India, Vietnam, Brazil, Finland and Mexico.

Singapore/Malaysia/Philippines/Indonesia/India/Australia

Telecommunications

- **India's Tata Teleservices is reportedly planning to buy UK-based Virgin Group's 50% stake in Virgin Mobile India.** Virgin Mobile India is an MVNO that has been operating using Tata Teleservices' network for the past three years. The planned buyout is not expected to affect the current branding arrangement in the near future, according to sources that the Hindu Business Line spoke to. Tata Teleservices is expected to continue paying royalties for the use of Virgin branding for at least three years. The Virgin Group and the Tata Group had signed two deals in 2008, a 50:50 JV for mobile connections on a revenue share basis and a branding arrangement that allowed Tata Teleservices to use the Virgin brand for a royalty payment.
- **India will consider easing rules on mergers and acquisitions in the telecommunications sector as part of a new policy that could trigger a wave of consolidation in an industry hit by stiff competition.** The rules could be relaxed provided there are at least six players after any deal in a specific service area, Communications Minister Kapil Sibal said. The new policy will replace the one formulated in 1999. The telecom industry has between nine and 14 mobile-phone operators in each of the 22 service areas that India is divided into, and many operators expect consolidation to be imminent. The profit margins of many operators have eroded in the past year as a price war unfolded, with incumbent companies being forced to respond to steep rate cuts by smaller rivals, mostly new entrants.
- **The upcoming direct India-US cable link planned by Hong Kong-based Pacnet and India's Bharti Airtel will be completed by year-end, said a Pacnet executive.** Pacnet and Bharti are expected to spend a combined total of US\$120 million on capacity acquisition for the Chennai-Los Angeles link, Pacnet VP of product strategy John Garrett told Telecom Asia.. The India-US direct link will be formed by linking portions of Pacnet's EAC-C2C cable with Bharti's i2i cable in Singapore, according to Garrett. The enhanced connectivity is expected to serve carriers and businesses in India, Asia and the US, said Garrett.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

- **With broadband wireless access and 3G network roll outs, India's mobile value added services market is expected to generate over 55,000 crore rupees (US\$12.4 billion) in the next four years, according to PricewaterhouseCoopers.** India must evolve from the well-established mobile messaging and commoditized voice play to focus on customer segmentation-based data play. The report said by 2015 the total revenue from communication services is seen to cross 20,000 crore rupees (US\$452 million), as the total revenues from entertainment services is would reach 25,000 crore rupees (US\$565 million) and the information services vertical would contribute 7,900 crore rupees (US\$179 million).
- **Indian telecom operators offering services under the global system for mobile communications technology added 14.50 million users in March, taking the total number to 569.56 million.** The number of new users added in March is a tad lower than February's 14.69 million, according to the Cellular Operators Association of India, which represents GSM service providers. The data provided by companies to the industry body is voluntary and isn't verified by any government or regulatory agency. The association didn't give any reason for the fall in user additions, but an analyst with a local brokerage who didn't wish to be named said he was expecting growth to be slower as the subscriber base is very high.
- **SingTel has paid 934 million rupees (US\$21.1 million) to increase its shareholding in India's Bharti Airtel to 32.25 percent.** SingTel had a 2.2 percent decline in year-on-year profit for Q4 of 2010, due in part to poor performance from Bharti, whose balance sheet had been affected by its S\$9.7 billion (US\$7.71 billion) acquisition of its Africa business last June. SingTel's earnings for Q2 last year had also fallen 3.5 percent because of poor showings by its regional affiliates. Bharti had a 27 percent slump in profit for that same period due to intense competition in the Indian market.
- **PT Telkomsel will offer 10,000 units of its telecommunication towers for rent.** Currently Telkomsel has 16,000 units of telecommunications towers and 6,000 units of which are for own use. The subsidiary of the country's largest telecommunication company PT Telkom already rented out 2,000 units of the towers, company's president Sarwono Atmosutarno said. Sarwono said tower rental contributed only 2 percent of Telkomsel's total income of 45 trillion rupees (US\$5 billion) last year.
- **PT Telkom will build fiber optic submarine cables in eastern Indonesia with cost up to US\$70,000 per kilometers.** The project is estimated to cost at least US\$55 million, the amount Telkom had spent on similar project in Nusatenggara, said Rinaldi Firmansyah. Rinaldi said construction is seen to start in the second half of this year. Telkom just completed a 400-day work of building 1,100 kilometers fiber optic submarine cables between Mataram and Kupang in Nusatenggara to cost US\$55 million, Rinaldi said. Telkom and its partners will spend up to 151 trillion rupees (US\$17.5 billion) in the next five years to build fiber optic submarine cables.
- **Singapore ended February with 7.320 million mobile subscribers, up from 7.307 million in January. The mobile penetration rate stood at 144.2 percent.** Of the total mobile subscribers in Singapore, 273,700 are 2G postpaid subscribers, 2.178 million are 2G prepaid subscribers, 3.514 million are 3G postpaid subscribers, and 1.355 million are 3G prepaid customers. The number of broadband subscribers increased to 8.053 million from 7.957 million in January and the broadband penetration rate stood at 195.3 percent, up from 193.4 percent. Of the total, 564,800 use xDSL, 677,900 subscribers access the internet via cable, 6.792 million use wireless broadband, and 18,900 subscribers use other access technologies. Furthermore, some 65,700 people still used dial-up technology in February, down from 66,400 in January.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

- **Globe Telecom says that rival PLDT has yet to achieve full interconnection with its competitors.** Globe is only interconnected with PLDT in Davao City, Batangas, Cavite, Cebu, Bohol, Leyte, Negros Occidental, Negros Oriental, and Cotabato City. The two companies have yet to interconnect in at least twenty provinces where both have operations, the Manila Times said. The networks of Globe, BayanTel and Digitel are 100 percent interconnected in all areas of common presence and operations.
- **Globe Telecom Inc. consolidated revenue in the October to December quarter increased 5 percent from the year-earlier period or 7 percent q-o-q to 16.2 billion pesos (US\$377 million), after contracting in the previous three quarters of last year.** Globe President Ernest Cu said competition in the country's telecom sector will only get tougher, especially with the impending merger of rivals PLDT and Digitel. Cu has declared that US\$180 million of the proposed US\$500 million capital expenditure for the year would be assigned to 3G broadband. The remaining US\$320 million of capital expenditure will go toward 2G upgrades, cable investments, corporate expense and the company's enterprise unit Globe Business. The company will foot US\$60 million of the total cost of the Southeast Asia-Japan (SJC) cable that is due for completion in two years. The cable is expected to help Globe service its broadband customers. Globe would also be looking toward acquiring rights to more bandwidth from the government. Globe's investment decision comes after rival PLDT's earlier announcement that the latter would focus on the mobile broadband business after its acquisition of Sun, the country's third largest cellular provider, is completed.
- **PLDT's pending takeover of Digital Telecommunications Philippines Inc. doesn't require approval from the country's Congress, PLDT Chairman Manuel Pangilinan said.** At least two senators have said Congress has the right to review the deal because the franchise the legislature granted to Digitel and PLDT requires that a transfer, sale or assignment of that franchise must be approved by Congress, as well as regulators including the Securities and Exchange Commission and the National Telecommunications Commission. The acquisition by PLDT of around 88 percent of Digitel from JG Summit Holdings Inc., which PLDT aims to complete this quarter, is likely to solidify PLDT's already dominant position in the Philippine telecommunications industry.
- **Telecom NZ has sold its 49% shares in Yahoo!Xtra to Yahoo!7.** Yahoo!7 now owns 100 percent of Yahoo!Xtra. The current commercial partnership for Yahoo!7 to support Telecom NZ's broadband customer base will continue. The Yahoo!Xtra business will rebrand to Yahoo! New Zealand with all Yahoo!Xtra staff remaining employed by Yahoo! New Zealand. Yahoo! New Zealand will continue to deliver Telecom NZ customers the same services such as Yahoo! Mail, Flickr and My Yahoo!

Internet

- **Internet usage in Malaysia increased to 41 percent in 2010 from 25 percent in the previous year, reports the Bernama citing a study by Nielsen.** The highest internet usage was among the youth group aged 20-24 years old, where six out of ten were internet users. This group has grown up with internet and spent an average of 22.3 hours online per week. Seven out of ten, about 72 percent, subscribers said better coverage was the most important factor in determining their overall satisfaction with the internet service providers, followed by better speed, accounting for 54 percent, better quality service accounting for 40 percent and better rates accounting for 39 percent. Mobility was the main consideration for subscribing to mobile broadband, where market share for this channel of internet connection has doubled from 20 percent in 2009 to 54 percent in 2010.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Information Technology

- **Infosys's profit in the three months ended March missed analysts' estimate, the third time in four quarters, after clients shortened the length of orders and the rupee appreciated.** Growth in contracts for information technology- services in the U.S., the company's biggest market, could hit a roadblock if legislators pass rules that would make it more expensive to bring skilled workers to the country for work.
- **Infosys Technologies Ltd. forecast higher wages will erode profitability as India's second-largest software developer grapples with its highest annual rate of employee turnover in at least 13 years.** The operating profit margin will probably drop by 2.9 percentage points this fiscal year after it declined to 29.5 percent last year, Chief Operating Officer S. Dinesh Shibulal said. That would result in the company's lowest annual margin since at least 2003, according to Bloomberg. Employee attrition accelerated to 17 percent last year as competitors including Tata Consultancy Services Ltd. stepped up hiring efforts. Profits at Indian software exporters will be under pressure as they boost wages to attract talent in the world's second-fastest growing major economy. Infosys had its biggest intraday plunge in almost two years after forecasting sales that lagged behind analysts' estimates and fourth-quarter profit that missed expectations. Earnings will also be damped by a accelerating rupee, Shibulal said.

United States/Canada

Internet

- **Web advertising in the U.S. resumed double-digit growth in 2010, outpacing traditional media and surpassing newspaper ad revenue for the first time, according to the Interactive Advertising Bureau.** The industry group said total web ad revenue in the U.S. increased 15 percent to US\$26 billion last year, rebounding from a 3 percent decline in 2009 caused by an economic recession. However, last year's growth rate is roughly half the growth the web was posting before the global financial crisis of 2008. Nonetheless, the rebound will likely build confidence in the digital media business, which has emerged as a cultural phenomenon as consumers embrace web services like Facebook Inc. and Netflix Inc. with enthusiasm even as the media industry has struggled to forge solid business models from online content. The IAB estimates that Internet ad revenue in 2010 surpassed that of newspapers, which amounted to US\$22.8 billion, as well as US\$22.5 billion from cable TV networks, US\$17.6 billion from broadcast TV networks and US\$15.3 billion from radio.
- **VideoSurf has raised US\$16 million in series C financing from Pitango Venture Capital and additional strategic investors.** The company has now raised a total of US\$28 million. VideoSurf has been awarded a patent for its proprietary computer vision technology that enables computers to 'see' frames inside videos providing search relevancy and an enhanced user experience.
- **Google Inc.'s share of U.S. Internet searches slid to 64.4 percent for the four weeks ended April 2, declined from February's 66.7 percent, according to Experian Hitwise.** Yahoo and Microsoft's Bing received market share of about 15.7 percent and 14.3 percent, respectively. Yahoo's figure increased from 15 percent, as Bing's was up from 13.5 percent. The remaining 69 search engines in the Hitwise report accounted for about 5.6 percent of searches. Hitwise said Bing and Yahoo achieved the highest success rates during the month, meaning that for both search engines, at least 80 percent of searches executed resulted in a visit to a website. Google's rate was about 66 percent.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Meanwhile, longer search queries, those averaging five to eight words, were in decline 3 percent on a sequential basis. Shorter searches, those averaging one to four words, increased 1 percent.

- **Google Inc. had a disappointing 18 percent increase in first-quarter earnings as the company continues to invest heavily in its core search business as well as in emerging technologies, something that new Chief Executive Larry Page has made a priority.** First-quarter net income climbed 18 percent to US\$2.3 billion from US\$1.96 billion a year earlier. Profit excluding some items was US\$8.08 a share, below the average US\$8.12 analyst estimate compiled by Bloomberg. Excluding revenue passed on to partner sites, sales rose 29 percent to US\$6.54 billion, topping the \$6.32 billion average of estimates. Still, that growth was shadowed by a 54 percent jump in operating expenses. Google said that in the first quarter, its operating expenses represented a third of its revenue, its highest percentage since at least 2007. That number could stay high as co-founder Page has indicated a willingness to invest in perceived growth areas. Google argued that investments are keys to future results.
- **Facebook stakeholder Alisher Usmanov said he is cautious to invest more money into Internet companies as prices may have peaked.** The US\$500 million March acquisition of a 5 percent stake in Chinese Web retailer 360buy.com through Usmanov and Milner's DST Global may have been his last big direct Web investment for some time. Usmanov and Milner are among Internet investors that have been backing some of Silicon Valley's fastest growing businesses. Their firm led a US\$135 million investment in daily-deals site Groupon Inc. last year and was part of a group that put US\$180 million into Zynga Game Network Inc., a social-gaming service, in 2009. When Usmanov and Milner acquired 1.96 percent of Facebook in 2009, the deal valued the company at as much as US\$10 billion. Nypex LLC values the world's most-used social networking site at US\$65 billion.
- **Steve Case, who helped start AOL in 1985, founded Revolution 20 years later to invest his own money in consumer, health, real estate and hospitality companies.** He dedicated US\$200 million to a unit called Revolution Growth, where he's made six investments. With his investment in Zipcar Inc., he's now made that cash back. After Zipcar's first day of trading, the car-sharing company has a market value of US\$1.12 billion. Steve's Revolution LLC owns about 18 percent of the company, valuing its stake at US\$199 million. That adds to his earlier gains from Revolution Money. Revolution Money, which provides credit-card and online money-transfer services, was one of the six startups in the Growth portfolio. It was sold to American Express in 2010 for US\$300 million. LivingSocial, an online-coupon service taking on market leader Groupon, is the next shot at profit for Case's fund. Like his other investments, he got in early enough to help transform the ambitious startup into a business with broader consumer appeal. Steve also has a related entity called Revolution Ventures that invests in less mature companies. Steve runs Revolution Growth with former AOL executives Ted Leonsis and Donn Davis are now trying to raise about US\$400 million from outside investors for a fund, according to two people with knowledge of the plan. The AllThingsDigital blog reported on the effort last month.
- **Zixi has secured US\$4 million via an investment led by private investment firm Schooner Capital.** Former chairman and CEO of Scientific Atlanta Sidney Topol, and co-founder and first chief executive of CNN and the founder and former president of Food Network Maurice 'Reese' Schonfeld have also invested. This financing enables Zixi to further establish a team and complete the delivery of its infrastructure SaaS system to companies that need to broadcast and deliver HD content securely over the internet. The investment further validates the Zixi software service to enable broadcast-quality HDTV globally over the public internet.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

- **Zencoder has secured US\$2 million in funding to enhance its growth and technology leadership.** Participants in this round include Andreessen-Horowitz, Ignition Partners, SV Angel, Lowercase Capital, Founder's Collective, 500 Startups, and a host of individuals from cloud computing, including Matt Cutts, James Lindenbaum, Orion Henry, Adam Wiggins, Wolfgang Buehler, Mike Bollinger and Neil McClements.
- **San Jose, California based Capella Intelligent Subsystems has closed a US\$20 million financing led by Black Diamond Ventures.** Other participants in the investment include SingTel Innov8, the corporate venture arm of the SingTel Group, Levensohn Partners, Formative Ventures, Lucas Venture Group and Rustic Canyon Ventures. Capella makes wavelength selective switches for use in reconfigurable optical add/drop multiplexer and optical cross connects. The money will be used for growth, new products and operational improvements, the company said.
- **Revenue from online television in the U.S. jumped sharply in 2010, reflecting the leap in popularity of online streaming video content.** Revenue climbed 34 percent last year, totaling US\$1.6 billion, according to IHS Screen Digest. The firm noted that growth was driven by a reinvigorated online advertising market that expanded by 65 percent last year from 2009. It said growth also was propelled by more effective monetization of online-television content. Streaming video content has gained in popularity recently as more consumers turn to watching video on their computers, many of them shunning cable service in favor of doing so. Still, the number of views of advertising-funded clips and shows from broadcasters' services expanded by only 10 percent.

Telecommunications

- **Level 3 acquired Tier 1 network operator Global Crossing in an all-stock deal worth US\$3 billion.** The deal will create an operator with fiber and other networks in around 50 countries throughout North America, Latin America and Europe, and subsea cable network connections to at least 70. The combined company would have had 2010 revenues of US\$6.2 billion. Colorado-based Level 3 will pay US\$1.9 billion worth of stock Global Crossing shareholders, and assume US\$1.1 billion in debt. Global Crossing's 60 percent shareholder, Singapore's ST Telemedia will become the largest shareholder in a combined entity with a presence on the board. Global Crossing owns a number of international subsea cables, including rights of use on the PC-1 and EAC cable systems, focusing on operators based in Asia.
- **Shaw Communications Inc.'s earnings and revenue increased in the fiscal second quarter but the company said revenue growth is moderating in its core business due to the competitive environment, adding an increased level of risk to its outlook.** The Calgary-based cable-television, Internet and satellite-television operator recently took steps to boost efficiency, including eliminating about 550 positions. Annual savings from the move will exceed C\$50 million (US\$52 million), with the associated restructuring cost at C\$25 million (US\$26 million) to C\$30 million (US\$31.2 million). It said it's still on track to achieve consolidated fiscal 2011 free cash flow of about C\$600 million (US\$625 million), and will continue to make adjustments in our business as necessary to meet the changing circumstances. In the second quarter, free cash flow increased to C\$167 million (US\$174 million), reflecting the contribution from its new Shaw Media division and higher free cash flow from its cable division. Shaw acquired the television assets of Canwest Global Communications Corp. in late October.
- **Alfa SAB will acquire partner AT&T Inc.'s 49 percent stake in telecommunications company Alestra, lifting Alfa's stake to 100 percent.** Alestra is the smallest of Alfa's four businesses, which also include petrochemicals, auto parts and processed foods. Alestra offers data transmission, Internet,

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

IT security, hosting and other services along with local and long-distance telephony, serving 200 cities in Mexico. Its main focus is on value-added corporate services, where growth has been compensating for declines in traditional phone use. Alestra had revenue of US\$96 million for the first quarter of this year, and US\$361 million for all of 2010.

Mobile/Wireless

- **Mobilicity, one of Canada's new wireless operators, is on track to raise at least C\$205 million (US\$214 million) from an issue of debt securities.** The debt offering will bolster Mobilicity's competitive position as it battles to gain market share against other wireless start-ups and the incumbents. Mobilicity raised C\$75 million (US\$78 million) from the sale of payment in kind, or PIK, bonds to a group of Canadian institutional investors. PIK securities allow the issuer to forgo paying down the bond's principal and interest until the bonds mature or are refinanced. From the latest fundraising effort, Mobilicity is expected to raise C\$185 million (US\$193 million) from an issue of high-yield bonds, paying a 9.5 percent coupon and another C\$20 million (US\$20.8 million) from a reopening of the PIK bond first issued in December 2009.
- **Riverbed Technology Inc., the U.S. IT performance company, issued a preliminary first-quarter outlook that topped the company's already rosy January expectations, as sales increased across all major geographies on strong spending on wide area network optimization.** Riverbed expects to report adjusted earnings of 19 cents to 20 cents a share on revenue of US\$163 million to US\$164 million, up from the already strong January targets of earnings of about 18 cents a share on revenue of US\$159 million to US\$161 million. The company has benefited from increased interest in cloud and storage services. It has been in acquisition mode as competition heats up in its core business.

Software

- **Intuit Inc. is boosting sales of its financial-management and tax-preparation programs with online and mobile versions, helping make up for a slowdown in desktop software, Chief Executive Officer Brad Smith said.** The company is expanding its Mint.com website and QuickBooks Online financial software internationally, and a new iPhone tax-prep application has garnered at least half a million downloads. Smith has been transforming the company from a maker of financial software for personal computers to a provider of websites, services and software that let consumers and small businesses manage money more efficiently. Intuit shares have gained 52 percent in the past year.

Media, Entertainment and Gaming

- **Grupo Televisa SAB said its net profit declined 18 percent in the first quarter because of higher financial costs, as sales increased from a year earlier.** Net profit was 870.7 million pesos (US\$73.1 million) in the January-March period. Televisa had sales in the quarter increased 8.7 percent to MXN13.2 billion (US\$1.1 billion). Operating profit was MXN2.55 billion (US\$219 million), as depreciation and amortization increased 20 percent to MXN1.78 billion (US\$153 million). Financing costs were MXN780.6 million (US\$66.9 million) due to lower interest income and bigger foreign-exchange losses. Broadcast revenue slipped 1.8 percent from a year earlier to MXN4.11 billion (US\$352 billion), largely as a result of companies controlled by telecommunications magnate Carlos Slim--America Movil unit Telcel, Telefonos de Mexico and Grupo Carso--pulling out in a dispute over advertising rates. Sky Mexico saw sales rise as it added 268,000 subscribers to reach 3.3 million. The

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

cable and telecom division ended the quarter with around 3.4 million subscriptions to its TV, Internet and phone services, up from 3.3 million at the end of 2010.

Hardware

- **Apple Inc. is expected to maintain its dominance of the tablet market for the next five years, though will cede some market share to Google's Android operating system during that period, according to Gartner.** The market research firm predicted Apple's iOS platform will represent 69 percent of the tablet market this year and slip to 47 percent by 2015. Android is seen to have about 39 percent of the market by 2015. The QNX operating system by Research In Motion Ltd. is seen to have about 10 percent of the tablet market by 2015. The webOS platform developed by Palm and now owned by Hewlett-Packard Co. will have about 3 percent of the market as the MeeGo platform developed by chip maker Intel Corp. will have about 1 percent of the tablet market by 2015.
- **Best Buy wants to double its current US\$2 billion online business in the U.S. and at least double revenues in China to US\$4 billion within five years.** The goals are part of a larger plan to focus on accessing a larger market, profitable new growth opportunities and structural opportunities. The multinational retailer is holding an investor and analyst day on 14 April at its corporate campus in Minnesota, where it intends to lay out strategic growth plans for its domestic and international businesses. Best Buy expects significant incremental opportunity in accessories, content, connections and services. The total current industry opportunity, estimated at US\$420 billion, is at least 2.5x the traditional consumer electronics hardware market. The retailer will seek to bring its Best Buy Mobile stand-alone stores in the U.S. to 600-800 within five years. Best Buy will also invest in Chinese brand Five Star, and will expand the number of Five Star stores to 400- 500 in the next five years.

Europe

Telecommunications

- **Finland-based Nokia Siemens Networks (NSN), a provider of fixed and wireless telecom gear, is considering selling a controlling stake in the four-year-old venture, which could be worth about US\$2 billion based on a 51% stake, said WSJ.** Private equity firms have been circling the joint venture for a year, reckoning that they can help turn NSN around. Last summer, NSN had conversations with buyout firms including Gores Group, KKR, TPG and Blackstone Group, about taking a minority stake of up to 30% in exchange for a cash infusion of at least US\$1 billion.
- **VimpelCom Ltd. completed its merger with Wind Telecom SpA to create the world's sixth-largest phone company by subscriber numbers.** Operations in Egypt and North Korea will be spun off to shareholders in Wind's Orascom Telecom Holding SAE (ORTE) unit, North Africa's biggest mobile network operator, as the company will work to keep Orascom Telecom's Djezzy unit in Algeria, Amsterdam-based VimpelCom said. Wind Chief Executive Officer Khaled Bichara will become president and coordinate actions aimed at cost savings of US\$2.5 billion. VimpelCom announced its plan to acquire assets from Egyptian billionaire Naguib Sawiris on Oct. 4. The deal, valued at about US\$6.5 billion at the time, doubles VimpelCom's mobile-customer base to about 181 million in 20 countries, adding subscribers in Italy, Pakistan, Bangladesh and Zimbabwe, as well as a shareholding in Globalive Wireless Canada.
- **Telefonica SA is targeting annual revenue growth of 1 percent - 4 percent and slightly lower margins through 2013, as declining consumption in Spanish home market remains a concern for Europe's second-largest telecom operator by market value.** During the company's investor

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

day in London, Madrid-based Telefonica said its operating margin will likely decline slightly from the 2010 level of 38 percent in the period, but remain in the upper half of the 30 percent-40 percent range.

- **Telefonica SA will focus on high-growth markets like Brazil and Germany, and may cut staff in its underperforming Spanish home market by up to 20 percent by 2013.** Telefonica, Europe's second largest telecom operator by market value after the U.K.'s Vodafone PLC, said it will sell off Spanish assets worth around 600 million euros (US\$866 million), including real estate. The company also aims to increase the number of mobile high-speed Internet customers in Brazil to around 5.5 million by the end of 2013. Brazil is Latin America's largest market and accounts for almost a fifth of Telefonica's revenue. Telefonica is looking to boost its share of mobile telephony revenue, to 18 percent from 15 percent.
- **Telefon AB L.M. Ericsson expects the number of mobile broadband subscriptions worldwide to rise to 5 billion by 2016 from around 1 billion by the end of the current year, Chief Executive Hans Vestberg said.** Mobile broadband will be a key growth driver for Ericsson as voice telephony growth declines, Vestberg said, addressing the shareholders at Ericsson's Annual General Meeting. Ericsson expects that there will be 50 billion connections by 2020, including machine-to-machine connections. Although Ericsson doesn't give any financial guidance, the company's board has expressed ambitions for the management to reach 4 percent-10 percent sales growth and 5 percent-15 percent profitability improvement per year during the coming years, and as these goals are challenging, the management team aims to reach them.
- **Huawei Technologies Co. will double its work force in the U.K. to 1,000 over the next three years, highlighting its boosting ambitions to expand in developed markets in the face of political obstacles.** Huawei has faced local government concerns over its business in Europe as well as the U.S. and India. It has been accused of having close ties to the Chinese government and military but has repeatedly denied such links. Huawei will create about 500 new jobs in the U.K. over the next three years. Late last year, the firm also opened a cyber security evaluation center in the U.K. to improve telecom network security based on international standards. The European Commission believes ZTE and Huawei benefit from massive credit lines from Chinese state-owned banks and other significant government support, according to a confidential commission document circulated to EU national governments early this year.
- **Telecom Italia SpA's Chief Executive Franco Bernabe said that the company's goal is to reduce debt to 25 billion euros (US\$36 billion) by 2013, MF-Dow Jones reports.** Bernabe added that the group aims to reduce debt by at least 2 billion euros (US\$2.9 billion) a year for the next three years. The debt target is part of the company's strategic plan announced in February, which also aims to cut costs by 1 billion euros (US\$1.4 billion) by 2013.

Information Technology

- **Russia's leading search engine and contextual advertising company Yandex LLC has been given a preliminary valuation of between US\$6 billion and US\$9 billion ahead of its initial public offering on the U.S.'s Nasdaq exchange, said WSJ.** The company plans to sell 10% to 20% stake at IPO. Yandex expects its shares to start floating in late May or early June. Yandex management and employees own 24% shares in the company. The private equity funds managed by Baring Vostok Capital Partners (BVCP), Tiger Global, Runet II, Almaz Capital and UFG own 61% shares in Yandex. In April 2000, Ru-Net Holdings, consortium of investors led by BVCP and UFG, invested US\$5.3 million for 35.7% shares in Yandex. Yandex has mandated Deutsche Bank AG, Morgan Stanley and Goldman Sachs Group Inc. for the IPO. Founded in 2000, Yandex has 64%

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

search market share in Russia. Yandex also operates in Ukraine and Kazakhstan. In 2010, Yandex revenue increased 43% year-on-year to 12.5 billion Roubles (US\$ 410 million). The contextual advertising accounted for 88% of Yandex revenue. The number of Yandex advertisers was up 40% y-o-y to over 180,000. Yandex' monthly audience reached over 50 million users. Russia's Internet search market is one of only a few in Europe that aren't dominated by Google. In November 2010, the Russian internet company Mail.ru Group completed US\$1 billion IPO in London, valuing Mail.ru Group at US\$5.7 billion.

South Africa/Middle East/Latin America

Telecommunications

- **ZTE Corp. is setting its sights on Brazil, targeting US\$1 billion in sales from the country this year as the company continues to look for growth outside its home market.** The Chinese telecommunications equipment maker is seeking to take advantage of rapidly growing global demand for next-generation high-speed wireless networks and devices such as tablets. ZTE will spend US\$200 million over the next four to five years to build an industrial park in Hortolandia, Sao Paulo, which will house a research and development facility for ZTE in Latin America, Eliandro Ávila, chief executive of ZTE's Brazil operations cited. ZTE first set up operations in Brazil in 2001 and sales currently amount to about US\$600 million.

IRG Technology, Media and Telecommunications

Weekly Market Review



Week of 11 April 2011 - April 17 2011

Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 4/15/11)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2011	% Change 1/1/2010
Japanese yen	¥/US\$	83.1100	-1.9%	1.8%	2.4%	-10.5%
Hong Kong dollar	HK\$/ US\$	7.7737	0.03%	-0.2%	0.02%	0.3%
Chinese renmenbi	RMB/ US\$	6.5317	-0.1%	-0.6%	-0.9%	-4.3%
Singapore dollar	S\$/ US\$	1.2428	-1.1%	-1.9%	-3.1%	-11.6%
South Korean won	KRW/ US\$	1,087.0000	0.5%	-3.2%	-3.0%	-6.6%
New Taiwan dollar	NT\$/ US\$	28.9700	0.2%	-1.7%	-0.7%	-9.3%
Australian dollar	US\$/A\$	1.0565	0.0%	4.7%	3.5%	17.8%
New Zealand dollar	US\$/NZ\$	0.7984	2.0%	8.1%	2.5%	10.2%
Philippine peso	PHP/ US\$	43.2100	0.8%	-0.7%	-1.0%	-7.0%
Euro	US\$/€	1.4429	-0.3%	3.1%	7.9%	0.8%
British pound	US\$/£	1.6320	-0.4%	0.9%	4.6%	1.0%

Fixed Income Prices and Yields

Note	Currency	Current (on 4/15/11)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	104.56	4.47%	101.70	4.64%	103.39	4.54%
Japan 30-year	¥	99.53	2.23%	98.81	2.27%	100.62	2.17%
Hong Kong 10-year	HK\$	96.08	2.80%	95.51	2.87%	97.57	2.73%
China (06/16)	US\$	105.44	3.52%	105.18	3.58%	104.94	3.64%
Singapore 10-year	S\$	107.10	2.40%	106.60	2.46%	107.40	2.37%
South Korea 20-year	KRW	10,346.86	4.61%	10,350.76	4.60%	10,447.41	4.50%
Australia 15-year	A\$	101.01	5.63%	100.49	5.69%	102.56	5.44%
New Zealand (12/17)	NZ\$	101.58	5.77%	101.73	5.77%	103.37	5.53%
Philippines 20-year	PHP	130.49	8.12%	130.39	8.13%	125.07	8.59%
India 30-year	INR	98.47	8.44%	98.58	8.43%	99.18	8.37%
UK 30-year	£	99.42	4.28%	97.03	4.44%	99.02	4.32%
Germany 30-year	€	115.21	3.87%	112.92	3.98%	119.45	3.67%

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document.