



## IRG Technology, Media and Telecommunications Weekly Market Review

***Week of 29 August 2011 - 4 September 2011***

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Equity Market Indicators					
Index	Closing Level (9/2/2011)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2010	% Change 12/31/2009
S&P 500	1,173.97	-0.2%	-8.8%	-6.7%	5.3%
Dow Jones Industrial Avg.	11,240.26	-0.4%	-7.4%	-2.9%	7.8%
Dow Jones Tech. Index	402.97	0.7%	-10.0%	-10.5%	0.1%
Dow Jones Telecom. Index	230.22	1.1%	-4.9%	-1.8%	4.9%
NASDAQ Composite	2,480.33	0.0%	-9.6%	-6.5%	9.3%
Japan Nikkei 225	8,950.74	1.7%	-10.2%	-12.5%	-15.1%
JASDAQ	50.13	2.7%	-4.1%	-4.1%	3.7%
Japan Mothers	446.05	2.9%	-3.8%	2.9%	7.2%
Korea KOSPI Composite	1,867.75	5.0%	-14.0%	-8.9%	11.0%
Korea Kosdaq	494.47	4.5%	-9.2%	-3.2%	-3.7%
Taiwan Stock Exchange	7,757.06	4.2%	-10.9%	-13.5%	-5.3%
Singapore Straights Times	3,452.42	5.1%	-10.8%	-11.7%	15.4%
Hong Kong Hang Seng	20,212.91	3.2%	-10.8%	-12.3%	-7.6%
Hong Kong GEM	538.61	2.4%	-17.4%	-33.5%	-20.4%
China Shanghai (A-Share)	2,648.10	-3.2%	-6.5%	-9.9%	-23.0%
China Shenzhen (A-Share)	1,177.91	-3.9%	-5.0%	-12.8%	-6.6%
China Shanghai (B-Share)	257.96	-2.1%	-8.6%	-15.2%	2.2%
China Shenzhen (B-Share)	668.31	0.3%	-9.4%	-19.0%	6.8%

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Technology, Media, and Telecommunications Market Activity						
NASDAQ/NYSE TMT IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
9/2/11	Guidewire Software [GWRE]	Software	100.0	Provider of core system software to the global property and casualty insurance industry	J.P. Morgan Securities LLC, Deutsche Bank Securities and Citigroup	Stifel Nicolaus Weisel and Pacific Crest Securities

NASDAQ/NYSE Equity Markets: TMT IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/18/11	% Change From Offer
N/A						

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						

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### Weekly Highlights

#### International

##### *Mobile/ Wireless*

- **Around 400 million smartphones will be sold around the world this year according to the latest GfK Retail and Technology report prepared for IFA 2011 in Berlin.** Currently, one in three phones sold in Europe is a smartphone with the number set to increase further in the future. The global mobile communications market is currently in a period of transition from standard mobile phones to multimedia devices. In H1 2011, the number of smartphones sold noticeably increased in Western industrialized countries and Asia in particular. The share of overall sales of these devices in South-East Asia and China already stands at 22 percent and 29 percent respectively. As a result of lower purchasing power and the focus of infrastructure networks on vocal transmission, the share of sales attributable to smartphones in emerging and developing states is lower, at less than 10 percent in India and below 15 percent in sub-Saharan African countries.

##### *Telecommunications*

- **In Q2, worldwide WLAN revenue rose 29.7 percent year-over-year reaching US\$1.52 billion, excluding WLAN NICs, according to IDC.** The global WLAN market also experienced sequential growth, with total revenue increasing 13.4 percent over Q1. The enterprise WLAN market segment revenues rose 43.4 percent to nearly US\$725 million, and also growing sequentially by 21.9 percent. Specifically, 802.11n deployments in the enterprise reached 79.1 percent of revenues and 66.6 percent of unit shipments, showing high continued uptake in some geographic and other segments for legacy 802.11 devices. The retail-class WLAN market rose 19.4 percent to reach US\$800 million and growing 6.6 percent sequentially. Netgear was a strong performer in this segment, doubling its revenue year over year to reach nearly US\$200 million, as D-Link also rose by 18.6 percent. Cisco's Linksys underperformed in this segment, with a year over year decline of 21.4 percent.

##### *Semiconductor*

- **The market for microelectromechanical systems in consumer electronics and mobile communications devices is set to generate record growth this year, according to a study by IHS iSuppli.** Revenue for consumer and mobile MEMS will hit US\$2.25 billion this year, up by a best-ever annual expansion rate of 37 percent. This compares to the previous mark of 27 percent in 2010 when revenue reached US\$1.64 billion. Overall, the five-year revenue forecast starting from 2010 calls for growth by a factor of nearly three to US\$4.54 billion in 2015, equivalent to a compound annual growth rate of 22.5 percent. Beyond the 3-axis gyroscopes, accelerometers, microphones and bulk acoustic wave filters already found in tablets and smartphones, a new class of emerging MEMS sensors is stimulating growth.

#### Japan

##### *Telecommunications*

- **Softbank announced that it was selling its holdings in Yahoo! to Citibank in repayment of a 2004 loan.** Softbank currently owns around four percent of Yahoo! Softbank said that the transaction

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will have no effect on the current co-operation between Yahoo! and Softbank, which also owns more than 40 percent of the independently managed Yahoo! Japan. After the transaction, Softbank will not only pay down its debts to Citibank but will also pocket a profit of approximately 76.4 billion yen (\$1 billion).

- **NTT Data Corp. has launched an initiative to fund R&D projects at overseas subsidiaries.** The NTT group member will invest a total of 100 million yen (US\$1.3 million) to support six projects, selected from among 32 proposals, through the end of March 2012. It expects this R&D effort to boost sales by 3 billion yen (US\$39 million) over the next five years. A project to standardize methodologies for developing and implementing enterprise resource planning systems is among the six selected by a team of NTT Data technology development headquarters staffers and engineering executives at foreign units. U.S. subsidiary NTT Data AgileNet LLC will serve as secretariat of the projects.

### *Hardware*

- **Sony, Hitachi, and Toshiba have agreed to merge their small and medium-size display businesses into a joint venture that will have a government-backed investment company, Innovation Network Corporation of Japan, as the largest shareholder.** The move comes as Japan tries to protect its companies from the rising Yen and competition from other Asian players. INCJ, Hitachi, Sony, and Toshiba have signed a non-binding Memorandum of Understanding to integrate their display businesses, currently operated by subsidiaries, in a new company to be established and operated by INCJ. The display companies make LCDs including ones using TFT technology that are used in computing devices and television sets. All of the issued shares of subsidiaries Hitachi Displays, Sony Mobile Display and Toshiba Mobile Display and other assets are to be transferred to the new company which is to be called Japan Display. INCJ, which provides financial, technological, and management support for next-generation businesses, plans to invest 200 billion yen (US\$2.6 billion) in the joint venture in exchange for shares to be newly issued by it as a third-party allotment, the companies said.
- **Hitachi Kokusai Electric said its sales in its video and wireless network segment drop by 24 percent in the first quarter ended 30 June.** Sales in the segment totaled 12.40 billion yen (US\$161 million). The operating loss for the video and wireless network segment widened to 2.26 billion yen (US\$29 million). Net sales for the whole company went up 7 percent to 30.82 billion yen (US\$401 million) and the company moved to a net profit of 184 million yen (US\$2.4 million).

## Korea

### *Telecommunications*

- **KT is investing 4 billion won (US\$3.7 million) in a fund to boost the development of applications.** The Econovation Fund for the Active Development of Superior Applications follows the company's Econovation Application Developer Competition, Smart School for education app developers, the Global Frontier app development project, and OASIS, a programme for supporting application developers' advancement into the global market.
- **SK Telecom Co. has been awarded a license to operate services using the 1.8 GHz spectrum in South Korea after placing a bid of 995 billion won (US\$934 million) in an auction for the bandwidth.** SK outbid KT which said separately it acquired a license for the 800 megahertz spectrum

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for 261 billion won (US\$245 million). KT already has a license to operate using 1.8 GHz bandwidth. Offering services over high-speed networks is seen as a key development for South Korea's cellphone operators. SK Telecom and KT both bid for the 1.8 GHz spectrum, which was being auctioned by the Korea Communications Commission telecommunication regulator.

### *Hardware*

- **LG Electronics Inc. aims to raise its market share for 3-D TVs fivefold this year by pushing its technology for lightweight, battery-free glasses.** The company will reach 20 percent of the market for the devices by the end of 2011, up from 4 percent at the beginning of the year, said Lee Kwan Sup, head of marketing for LG's home entertainment unit. LG aims to pass Samsung Electronics Co. and become the world's top seller of 3-D televisions next year. LG and competitors including Samsung and Toshiba are pushing 3-D to revive falling demand in major markets. TV shipments will decline through 2015 in Western Europe and Japan and stagnate in the U.S., market researcher IMS Research said. The market will total about 200 million TVs this year, with 3-D accounting for some 10 percent, from 1 percent last year. Sony Corp. cut the sales forecast for its Bravia televisions by 19 percent to 22 million units worldwide this year. Royal Philips Electronics NV said in April it would divest its 80-year-old TV unit to a Hong Kong contract manufacturer.

### **China**

#### *Internet*

- **Dell announced that it will partner with China's top search engine Baidu to develop tablet computers and mobile handsets.** Baidu declined to comment. Baidu launched a mobile software platform recently that would be a prelude to an operating system.
- **Sina Corp. has paid US\$66.4 million to acquire a 9 percent stake in Chinese online video company Tudou Holdings Ltd., as the Internet portal operator looks to boost its advertisement revenue from video content.** Intensifying competition in China's online video market is pushing up licensing costs for video content and making it harder to retain users, leading executives to predict consolidation in the industry. However portal operators, including companies like Sohu.com Inc. as well as Sina, are looking to video ads as a new potential growth driver. Sina bought about 1.08 million of Tudou's American depositary shares in connection with the company's initial public offering this month, and between Aug. 17-Aug. 25 Sina bought about 1.49 million more ADS for US\$35.2 million.
- **Tencent-invested business-to-consumer e-commerce footwear retailer Okbuy.com is in talks with venture capital and private equity firms with hopes to raise over US\$50 million in pre-IPO financing, Sohu reports citing company CEO Li Shubin.** The site will start building its logistics capabilities in the fourth quarter, first focusing on Beijing, Shanghai, Guangzhou and Chengdu. The site completed third-round financing in June, with Tencent investing US\$50 million and is targeted to go IPO at end of 2012.
- **360buy.com has ended its cooperation with online payment services provider Alipay.com as of 24 August, reports China Tech News.** According to 360buy.com, the reason for its termination of the cooperation with Alipay.com is the service fees charged by the latter are too high. These are four times higher than 99bill.com, another Chinese internet payment service provider. 360buy.com said



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that from now on users will not be able to login to 360buy.com or pay for their orders with their Alipay accounts.

### *Telecommunications*

- **China Telecom Europe confirmed its plan to switch on its latest fibre cable linking Europe and Asia before the end of the year.** The cable system has been in the works since July 2010, and will expand the company's Euro-Asia Network Solution, becoming the fourth of its terrestrial routes to span the two continents. CTE's three other fibre networks include the Transit Europe-Asia (TEA) cable built in partnership with Rostelecom; the China-Russia 2 in partnership with Transtelecom; and the Transit-Mongolia cable that connects Beijing to the other two systems. The fourth cable will connect China to the TEA and CR2 fibre links via Kazakhstan, forming what CTE refers to as an Information Silk Road, enabling the operator to support the latest-generation of IP services on behalf of its enterprise and telecoms customers either based in the region, or eyeing potential growth opportunities there.
- **ZTE Corporation announced a 21.52 percent increase in operating revenue to 37.34 billion yuan (US\$5.8 billion) for the six months ended June 30, 2011.** Based on HKFRS, interim net profit declined 12.3 percent to 769 million yuan (US\$120.4 million). Applying PRC ASBEs, operating revenue for the first half also grew 21.52 percent to 37.34 billion yuan (US\$5.8 billion). Net profit declined 12.3 percent to 769 million yuan (US\$120 million). In China, the Group had operating revenue to 16.53 billion yuan (US\$2.6 billion), accounting for 44.3 percent of the Group's total operating revenue for the first half. Although there was a slowdown in overall investments in the domestic telecommunications industry, the Group ensured growth in operating revenue by improving the competitiveness of its products and by expanding the market share for wireless, data communication, terminal and other products. Strength from the international market was the key driver for the rapid growth in the first half of 2011.
- **China Comservice's first half net profit increase 16.3 percent to 1.05 billion yuan (US\$164 million).** Revenues went up 16 percent to 25.19 billion yuan (US\$3.9 billion). Revenues from telecommunications infrastructure services were 12.19 billion yuan (US\$1.9 billion), up 17.7 percent and accounting for 48.4 percent of total revenues, as revenues from business process outsourcing were 10.48 billion yuan (US\$1.6 billion), up 13.2 percent and accounting for 41.6 percent of total revenues. Furthermore, revenues from applications, content and other services rose by 19.6 percent and totaled 2.52 billion yuan (US\$394 million), representing 10 percent of total revenues. Gross profit totaled 3.95 billion yuan (US\$618 million), up 17.3 percent. The company continued to optimize its revenue structure and cost management, which helped to improve the gross profit margin to 15.7 percent from 15.5 percent in H1 2010.
- **Huawei Technologies expects to see a strong growth in its Southeast Asia business as mobile operators across Southeast Asia upgrade their networks to HSPA and LTE.** The ten markets, namely Hong Kong, Macau, Taiwan, the Philippines, Thailand, Cambodia, Vietnam, Laos, Myanmar, and Sri Lanka are seen to generate revenues of over US\$1.39 billion for the company this year, Telecomasia.net reports citing Yang Shu, Huawei's President and CEO for Southeast Asia region. Last year, Huawei recorded Southeast Asia revenues of US\$1.34 billion, up 17.7 percent year-on-year and accounting for 8 to 10 percent of the company's total revenues.
- **A court in China sentenced a top official working with the country's leading telecom operator to death with two years' probation for accepting bribes of over US\$2 million.** Li Hua, former



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chairman and general manager of the China Mobile Communications Corporation's Sichuan branch, was convicted on the first instance of taking bribes totaling 16.48 million yuan (US\$2.58 million), a spokesman with the Intermediate People's Court of Panzhihua City said. The official turned himself in and returned all bribes, which were confiscated and turned over to the state treasury.

### Taiwan

#### *Mobile/ Wireless*

- **Taiwan ended the second quarter with 28.29 million mobile subscribers, up by 160,000 in the quarter.** The number of 2G subscribers has fallen to 7.69 million as PHS users have dropped to 860,000. The number of 3G users now represents 69.8 percent of all mobile users and totals 17.31 million. Of the total, some 70.8 percent have a mobile data service activated, according to government-backed research institute III-Find. The number of mobile broadband subscriptions went up 15.4 percent to 5.73 million and the number of mobile internet subscriptions totals 20.59 million. A project commissioned by the Taipei City government that combines Wimax and Wi-Fi and is offered free of charge has boosted the number of wireless broadband subscribers to 550,000 from 58,317 in the previous quarter.
- **Foxconn International Holdings Ltd.'s first half net loss narrowed from a year earlier, due mainly to a reduction in impairment losses and improved gross profit margins.** Foxconn International, which makes mobile phones for companies such as Motorola Solutions and Nokia had a net loss of US\$17.6 million for the six months ended June 30, compared with a net loss of US\$142.6 million in the corresponding period of 2010. Revenue for the period declined 7.3 percent to US\$2.99 billion from US\$3.23 billion a year earlier.
- **Hon Hai Precision Industry Co. said second-quarter net profit declined 23 percent from a year earlier mainly due to higher taxes.** Hon Hai, which assembles products for companies including Apple and Sony said net profit for the three months ended June 30 declined to NT\$12.98 billion (US\$447 million). Revenue grew 23 percent to NT\$633.90 billion (US\$21.8 billion). The profit figure came in slightly higher than the average NT\$12.0 billion (US\$414 million) forecast in a Dow Jones Newswires poll of six analysts. Hon Hai shares grew 7 percent to NT\$68.60 (US\$2.4) as investors focused on the better-than-expected results and as the company's operating profit margin improved to 2 percent in the second quarter from 1.7 percent in the first quarter.

### Hong Kong

#### *Telecommunications*

- **SmarTone Telecommunications at least doubled its profits in the financial year ended 30 June.** Revenues went up 68 percent to HK\$6.63 billion (US\$851 million). Service revenues were HK\$4.60 billion (US\$591 million), up 33 percent year-on-year, as data service revenue increased by 81 percent and represents 49 percent of service revenue. SmarTone had an EBITDA of HK\$2.13 billion (US\$273 million), and net profit grew 157 percent to HK\$754 million (US\$96.8 million). The customer base increased by 17 percent to 1.54 million, of which 71 percent were higher value postpaid customers. Average postpaid churn further improved to 1 percent in the second half of the financial year.

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- **PCCW will list its telecommunications assets as a business trust in late October to raise up to US\$2 billion.** The company is seeking approval for the initial public offering from Hong Kong's stock exchange shortly, Bloomberg reports citing unnamed sources with knowledge of the matter. PCCW will sell a stake in the trust, which includes fixed-line, broadband internet, and mobile phone services, as the company will retain its pay-TV and computer services operations.

### *Mobile/Wireless*

- **Hong Kong mobile user base reached 14.2 million in June, up from 14.01 million in May, according to Ofta.** Of the total, 7.207 million were prepaid users and the number of postpaid users reached 6.983 million. The number of 3G users grew to 6.674 million in June from 6.457 million in the previous month. Furthermore 970,187 mobile users connected through an MVNO, up from 953,535 MVNO users in May. Total SMS sent reached 620.695, or 50 per subscriber, down from 639.450 million, or 52 per subscriber, a month earlier. The mobile data usage grew to 365.9MB per 2.5G/3G customer from 358.5MB in the prior month.

### **Singapore/Malaysia/Philippines/Indonesia/India/Australia**

#### *Telecommunications*

- **The Philippines' National Telecommunications Commission has revised a circular requiring internet service providers to link their domestic IP peering to lower the costs of internet access in the country.** In a revised draft circular on Domestic IP Peering, the regulator said all ISPs with direct interconnection to a foreign ISP should negotiate and agree to interconnect their Internet Protocol exchanges. The NTC proposed that ISPs in the country with a direct connection to a foreign ISP must connect to the IP exchange of the Advance Science and Technology Institute of the Department of Science and Technology. The regulator's move came after telecom companies raised concern over data security and the proliferation of viruses and spam in the network. The Philippine Long Distance Telephone Co. said that interconnecting ISPs to the DOST-ASTI merely seeks to promote the interests of a few private individuals and violates existing confidentiality agreements with their customers and with other ISPs.
- **Philippine Long Distance Telephone is ready to begin construction of a segment of the Asia Submarine-cable Express.** The National Telecommunications Commission recently approved PLDT's participation in the ASE submarine cable project, the Philippine Daily Inquirer reports. PLDT is the landing party for the cable in the Philippines. The other landing parties are NTT Communications in Japan, StarHub in Singapore, and Telekom Malaysia. The cable system will connect Japan, the Philippines, Hong Kong, Malaysia, and Singapore to mainland China as well as other Southeast Asian countries.
- **Tata Communications had net loss of 215.4 crore rupees (US\$47 million) for the quarter ended June 30.** The company had a net loss of 236 crore rupees (US\$52 million) for the same quarter last year. Total income of the company reached 3,294.33 crore rupees (US\$720 million) for the April-June quarter.
- **The Reliance Anil Dhirubhai Ambani Group will sell a stake of up to 49 percent in the direct-to-home and Internet television unit of Reliance Communications Ltd. in a deal which could raise up to 25 billion rupees (US\$546 million), the Financial Express website reported.** The likely buyers include overseas private equity investors and broadcast and cable companies, including

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Comcast Corp., the report said. A team from Comcast has already held talks with Reliance Big TV in Mumbai.

- **Mahanagar Telephone Nigam Ltd. has given contracts worth a total of 67.57 million rupees (US\$1.5 million) to Tata Communications Ltd. and Vodafone-Essar Ltd., the Indian unit of Vodafone Group PLC.** According to the terms of the contract, given in July, the two companies will carry international calls originating from MTNL's Delhi network to other destinations across the world. The contract is for three months ending Sept. 30, 2011. MTNL provides telecom and related services in the Delhi and Mumbai service areas.
- **The New Zealand government has approved Telecom Corp. of New Zealand's plan on how it will split its assets if it demerges into retail and infrastructure businesses, Minister for Communications and Information Technology Steven Joyce said.** The separation of its infrastructure unit Chorus is part of the requirements laid down by the New Zealand government when it awarded Telecom a deal to build the majority of the new nationwide NZ\$3 billion (US\$2.6 billion) fiber network.

### *Mobile/ Wireless*

- **A slowdown seems to be setting in on India's telecom sector as GSM operators have been able to add merely 7.64 million subscribers in July compared to 8.58 million in the previous month.** With this, the GSM subscriber base stood at 606.41 million at the end of July 2011. For the third month in a row, subscriber addition continued to decline. In May this year, for the first time since October 2009, the subscriber addition was below the 10-million mark when 9.53 million GSM users. In June, the rate of addition dipped further and only 8.58 million GSM users were added. The GSM subscriber base stood at 598.77 million at the end of June, 2011. Bharti Airtel, the largest GSM player, added 1.5 million users in July, taking its total subscriber base to 170.69 million, data released by the Cellular Operators Association of India showed. It had a 28.15 percent market share as of the end of July, 2011. Rival Vodafone Essar, with a 23.58 percent market share, notched up 1.49 million new subscribers during the month. Its subscriber base stood at 143.01 million at the end of the reporting month. Aditya Birla group firm Idea Cellular added 1 million users during the month to take its total user base to 96.11 million, as Aircel added 0.60 million customers to take its subscriber base to 58.58 million.

### *Internet*

- **The U.S., the U.K. and Australia rank as the top three destinations for export of Indian goods at the online marketplace, eBay, says a study.** Sales from large Indian exporters on eBay has grown by 85 percent year-on-year, the second fastest across the Asia Pacific region. Canada, Germany, France and Italy are some other major destinations for exporters using eBay for transactions. In terms of products shipped, books, fashion earrings, pendants and Indian stamps were the top categories, followed by PC games, movie DVDs and belly dancing apparel. China leads the Asian export market on the website, as Hong Kong, Japan, Thailand and Korea follow in the tally. The long-term prospect is to increase our share in world trade to four percent by 2020. The world trade is seen to be US\$38 trillion in 2020 and we have to touch over US\$1.52 trillion. Thus, Indian economy will be export-centric and platforms such as eBay will play an important role.

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### *Media, Gaming and Entertainment*

- **Reliance Broadcast Network is in discussion with private equity players to raise up to 400 crore rupees (US\$87 million) to fund its radio and television network expansion.** The company has appointed Yes Bank as one its advisers for the transaction. As of quarter ended June 30, 2011, the promoters have 63.87 percent equity in the company. The fund would be used for financing expansion of its business, mainly the radio business and also to partly repay debt which is at 120 crore rupees (US\$26.2 million). RBNL runs its radio business under BIG FM and operates three English entertainment channels under its joint venture with US-based CBS. It also runs a regional channel , BIG Magic. The government had raised foreign direct investment limit in the radio sector to 26 percent from 20 percent. The radio business contributes about 60 percent to the overall revenues. For the quarter ended June 30, 2011, RBNL's consolidated net loss was 29.1 crore rupees (US\$6.4 million) and revenues stood at 75.2 crore rupees (US\$26 million).
- **Around 82 percent of Australian households have moved to digital TV.** Darwin has the highest conversion rate so far of 89 percent at the end of June, with Tasmania next on 86 percent, Adelaide on 85 percent, northern New South Wales with 84 percent, and southern New South Wales with 83 percent, communications minister Stephen Conroy said. Australia is implementing the digital switchover in phases which will be completed at end-December 2013.

### **United States/Canada**

#### *Media, Entertainment and Gaming*

- **Zynga are likely to push its initial public offering to October at the earliest, CNBC reported.** CNBC said the U.S. Securities and Exchange Commission have asked for some of Zynga's accounting metrics. Zynga declined comment, according to the report on CNBC's website.

#### *Telecommunications*

- **Verizon Wireless, AT&T Inc and T-Mobile USA plan to invest at least US\$100 million in their joint venture Isis that lets consumers pay for goods with mobile phones.** The amount of funding depends on how successful Isis is at attracting banks and merchants, said one of the people, who asked not to be identified because the financing is private. The carriers have created the alliance to grab a piece of the market for mobile commerce, which lets consumers buy things by tapping devices against a reader at checkout. The market may reach US\$670 billion by 2015, Juniper Research says.
- **Verizon Communications Inc.'s board approved a 2.6 percent increase to the quarterly dividend, the fifth consecutive year the company has raised the payout.** The company's dividend increased to 50 cents a share from 48.75 cents, and will cost Verizon an additional US\$35 million a quarter. Verizon, which has about 2.8 billion shares outstanding, has made US\$2.8 billion in dividend payments through the first half of the year. Verizon swung to a bigger-than-expected second-quarter profit, led by growth in its wireless business. Verizon has projected quarterly revenue growth throughout the year, as the addition of iPhone has attracted new subscribers to Verizon Wireless, which it owns jointly with Vodafone Group PLC.
- **Ciena Corp.'s fiscal third-quarter loss narrowed sharply as sales growth in high-margin switching and ethernet products led the top line higher.** Ciena continues to benefit from carriers' need to handle growing bandwidth consumption as it works to return to profitability following its

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2010 purchase of Nortel Networks Corp.'s data and voice traffic transmission business, which doubled its work force. Revenue jumped 17 percent and 20 percent, respectively, at Ciena's high-margin packet-optical switching and carrier ethernet service delivery units. The company's packet-optical transport segment, the largest top-line contributor, saw 10 percent growth.

- **The U.S. Justice Department sued to block the AT&T's proposed US\$39 billion acquisition of T-Mobile USA Inc., calling it a threat to wireless competition.** The deal was struck to give AT&T the capacity it needs to ease network congestion, and accelerate the rollout of faster, next-generation network technology, key pieces of AT&T's effort to add subscribers and step up earnings growth. If AT&T fails to gain T-Mobile's network, some of its 98.6 million customers may defect to rivals to avoid dropped calls and get access to faster services for smartphones and tablets. Besides paying a US\$3 billion breakup fee, AT&T would also have to transfer some of its spectrum to T-Mobile, further squeezing its network capacity and stalling plans for growth. The purchase would have combined the second- and fourth- largest U.S. carriers into the nation's largest wireless-service provider, helping the enlarged company wring costs and improve margins.

### *Semiconductors*

- **Finisar Corp.'s fiscal first-quarter earnings declined 48 percent as the fiber-optic equipment maker had narrower margins amid soft demand from Chinese customers.** The second-biggest fiber-optic equipment maker behind JDS Uniphase Corp. has strong revenue growth over the past year, though results hit a slow patch earlier this year amid longer-than-expected price negotiations with telecom customers and certain inventory adjustments. Finisar's revenue declined sequentially in the latest quarter on soft demand from Chinese telecom customers. Its recent ownership stake in Norwegian company Ignis ASA added to costs. For the quarter ended July 31, Finisar had a profit of US\$10.1 million down from US\$19.1 million a year earlier. Revenue rose 9.8 percent to US\$228.2 million.

### *Hardware*

- **Microsoft Corp. said its Windows Phone operating system may capture at least 20 percent of the smartphone market over the next two to three years with the help of hardware manufacturers and increased marketing efforts.** Forecasts by researchers Gartner and IDC, which projects a market share of about 20 percent in 2015, are conservative, said Achim Berg, head of Windows Phone marketing. Microsoft is betting that Windows Phone will retake market share lost to iPhone and handsets running Google Android software. The company will start offering the enhanced Mango version of its operating system, with functions including better social- media offerings, for the first time in Europe on two HTC phones, set to go on sale by Oct. 1. HTC and other partners will run advertisement campaigns for the Titan and Radar phones, and the company has joined Microsoft in training hundreds of salesmen worldwide to better demonstrate the product, Berg said at the IFA consumer electronics fair. The Titan, which has an 8-megapixel camera with dual-led flash and a wide-angle lens, will sell for 599 euros (US\$855).
- **Samsung Electronics Co. continued to dominate the U.S. market for mobile subscribers in the three months ended in July, as Apple preserved its lead over Blackberry-maker RIM, according to comScore Inc.** The results of comScore's survey of at least 30,000 U.S. mobile subscribers come amid stiff competition among makers of mobile phones and software. Samsung's lead as of the latest period grew to 25.5 percent from 24.5 percent in the three months ended in April. Apple maintained its position in the No. 4 spot, dominating RIM with a 9.5 percent share. In the No.



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5 spot, RIM saw its share decline 0.6 percentage points to 7.6 percent. Meanwhile, Google Inc.'s Android continued to lead in the smartphone platform market, jumping 5.4 percentage points to reach a 41.8 percent market share. Apple followed in the No. 2 spot, rising 1 percentage point to a 27 percent share.

- **Mitel Networks Corp. swung to a loss in its fiscal first quarter as restructuring costs overshadowed better-than-expected revenue and core earnings.** Mitel, which sells Internet Protocol-based products as well as voice, video and data integration applications, has still faced top-line headwinds in recent quarters amid fierce competition from rivals like Cisco Systems Inc. For the period ended July 31, Mitel Networks had a loss of US\$2.8 million compared with a prior-year profit of US\$6.8 million. Revenue rose 2.6 percent to US\$164.1 million, topping the company's June forecast of US\$158 million to US\$162 million. Gross margin was flat at 48.9 percent. The firm's DataNet segment rose revenue 14 percent on a favorable revenue mix and improved purchasing power due to higher volumes. The communications solutions and NetSolutions revenues segments increased revenue about 1 percent and 4 percent, respectively.

### *Technology*

- **Cisco Systems said that it has bought San Francisco-based Versly to expand in collaboration technology aimed at corporate clients looking to make employees work together more easily.** Cisco did not say how much it is paying for Versly, which produces a "plug-in" that expands the capability of Microsoft software such as documents, spreadsheets and emails. Cisco estimates that there is a total addressable market of about US\$45 billion for such technology.
- **IBM is buying Toronto-based risk analytics software firm Algorithmics for \$US387 million in cash to enhance its financial services capabilities.** IBM said the deal, expected to close before the end of October, expands its business analytics capabilities by helping clients manage financial risk. Algorithmics' risk analytics software, content and advisory services are used by banking, investment and insurance businesses to help assess risk, address regulatory requirements and make more insightful business decisions. Algorithmics, which generated revenue of US\$163.7 million in 2010, is a member of Fitch Group, majority-owned by Paris-based Fimalac, a holding company based in Paris.
- **IBM reported that it is buying Virginia-based business analytics firm i2 to boost its security offerings, as it aims to pre-empt problems its clients face while processing huge amounts of data.** Financial terms of the deal, which is expected to close in the fourth quarter, were not disclosed. i2 has more than 4,500 customers across many sectors, from banking, defense and healthcare to insurance and law enforcement, IBM said in a statement.
- **DG has signed a definitive agreement to acquire content delivery services specialist Limelight Networks' EyeWonder video and rich media advertising unit for approximately US\$66 million in cash.** The transaction enhances DG's position as a provider of interactive digital advertising products and services, and is seen to be accretive to DG's 2012 GAAP EPS. EyeWonder is a provider of interactive digital advertising products and services, including online video and rich media systems. DG sees EyeWonder to generate revenues of approximately US\$36 million to US\$37 million for this year. In addition, the company anticipates realising US\$7 million in cost synergies in the first twelve months following the close of the EyeWonder transaction. Subject to customary closing terms and conditions the transaction is seen to close on 1 September.

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### Europe

#### *Telecommunications*

- **France Telecom SA Chief Executive Officer Stephane Richard said the company has acquisition targets in the Middle East and Africa, where it may also set up partnerships to divvy up costs and win market shares.** France Telecom, which has made acquisitions in Iraq and Morocco in the past year, is in exclusive talks to acquire an operator in the Democratic Republic of Congo. Richard is selling European assets to focus on expanding in the Middle East and Africa, where sales are growing at almost 10 times the pace of some European markets. The company last year set a target of doubling its emerging-market revenue by 2015, from about 3.3 billion euros (US\$4.7 billion) in 2009. The company will sell its Swiss phone business in July, at least a year after antitrust regulators thwarted the company's plan to merge the Swiss unit with competitor Sunrise.
- **Ofcom has approved the use of white spaces spectrum for communication services such as broadband Internet and M2M, predicting that white space technology will come to market by 2013.** Ofcom said the frequencies; pockets of unused airwaves sitting in bands reserved for broadcast TV signals – are comparable to the amount of spectrum currently available for 3G services, and therefore have the potential to ease the strain on mobile networks. Ofcom could be used to extend broadband to rural communities by building a network of transmitters that use white spaces to connect remote locations to areas that already have sufficient broadband infrastructure. Ofcom said white space spectrum could also be used to enhance existing wireless Internet technologies such as WiFi. At the moment WiFi products operate in the 2.4-GHz band and tend to be used to provide in-building and local area coverage. However, Ofcom said by making use of lower-frequency white spaces spectrum, which is better at travelling long distances and penetrating walls, WiFi coverage could be extended to stretch across whole towns and cities.
- **Italy's government said it had received initial offers worth a combined 2.3 billion euros (US\$3.3 billion) for the new fourth-generation mobile frequencies that it will put up for auction.** The industry ministry said in a statement it had received offers from Telecom Italia SpA, Vodafone Group Plc, Wind Telecomunicazioni SpA of VimpelCom Ltd. and Hutchison Whampoa Ltd.'s 3 Italia. The ministry, which invited offers earlier in the day, said it will start the auction and allow the contenders to raise their bids. The latest generation, also known as 4G, allows users to send and receive data from their mobile devices more quickly. It is seen as encouraging the launch of new services such as high-definition mobile video.

#### *Media, Gaming and Entertainment*

- **Gameloft achieved consolidated sales of 76.8 million euros (US\$109 million) in the first half of 2011, up by 15% from the previous year.** The growth was driven by sales in emerging countries and by the success of Gameloft games on smartphones and tablets around the world. The Company had a 5.3 million euros (US\$7.5 million) net profit in the first half, same as the year-earlier period.



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### Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 9/2/11)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2011	% Change 1/1/2010
Japanese yen	¥/US\$	76.7700	0.2%	-0.6%	-5.4%	-17.4%
Hong Kong dollar	HK\$/ US\$	7.7876	-0.1%	0.0%	0.2%	0.4%
Chinese renmenbi	RMB/ US\$	6.3820	-0.1%	-0.8%	-3.2%	-6.5%
Singapore dollar	S\$/ US\$	1.2030	0.0%	0.1%	-6.2%	-14.4%
South Korean won	KRW/ US\$	1,065.1000	-1.3%	1.5%	-4.9%	-8.5%
New Taiwan dollar	NT\$/ US\$	28.9700	-0.2%	0.7%	-0.7%	-9.3%
Australian dollar	US\$/A\$	1.0640	0.7%	-3.0%	4.3%	18.6%
New Zealand dollar	US\$/NZ\$	0.8479	1.1%	-3.2%	8.8%	17.1%
Philippine peso	PHP/ US\$	42.2400	-0.1%	0.8%	-3.2%	-9.1%
Euro	US\$/€	1.4203	-2.0%	-0.3%	6.2%	-0.8%
British pound	US\$/£	1.6216	-0.9%	-0.5%	4.0%	0.4%

### Fixed Income Prices and Yields

Note	Currency	Current (on 9/2/11)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	108.47	3.30%	103.88	3.54%	104.89	4.09%
Japan 30-year	¥	103.33	2.02%	103.68	2.00%	103.66	2.00%
Hong Kong 10-year	HK\$	104.03	1.78%	103.77	1.80%	99.97	2.26%
China (06/16)	US\$	103.13	3.92%	103.64	3.79%	103.77	3.74%
Singapore 10-year	S\$	106.00	1.58%	105.80	1.63%	102.25	2.00%
South Korea 20-year	KRW	11,299.00	3.87%	11,204.05	3.93%	10,695.69	4.27%
Australia 15-year	A\$	109.80	4.41%	108.60	4.54%		
New Zealand (12/17)	NZ\$	110.80	4.56%	111.35	4.51%	107.89	4.96%
Philippines 20-year	PHP	105.39	7.47%	103.11	7.69%	100.34	7.97%
India 30-year	INR	96.20	8.66%	96.88	8.59%	95.60	8.72%
UK 30-year	£	108.55	3.77%	108.79	3.76%	104.09	4.01%
Germany 30-year	€	134.59	2.97%	133.62	2.99%	127.57	3.28%

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