

# IRG WMR



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

*Week of 22 June 2009 - 28 June 2009*

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



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Equity Market Indicators					
Index	Closing Level (6/26/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	918.90	-0.3%	3.6%	1.7%	-37.4%
Dow Jones Industrial Avg.	8,438.39	-1.2%	1.9%	-3.9%	-36.4%
Dow Jones Tech. Index	316.20	0.7%	7.0%	25.8%	-31.1%
Dow Jones Telecom. Index	192.13	1.9%	3.4%	-3.8%	-38.7%
NASDAQ Composite	1,838.22	0.6%	8.6%	16.6%	-30.7%
Japan Nikkei 225	9,877.39	0.9%	5.7%	11.5%	-36.9%
JASDAQ	47.68	-0.5%	11.0%	-1.1%	-33.9%
Japan Mothers	435.80	2.5%	18.0%	34.7%	-44.4%
Korea KOSPI Composite	1,394.53	0.8%	-0.5%	24.0%	-26.5%
Korea Kosdaq	503.34	-1.4%	-7.1%	51.6%	51.6%
Taiwan Stock Exchange	6,463.56	3.7%	-4.0%	40.8%	-24.0%
Singapore Straight Times	2,361.82	1.0%	1.2%	34.1%	-31.9%
Hong Kong Hang Seng	18,600.26	3.8%	8.6%	29.3%	-33.1%
Hong Kong GEM	586.74	1.9%	5.3%	52.2%	-56.5%
China Shanghai (A-Share)	3,074.05	1.7%	12.2%	60.8%	-44.3%
China Shenzhen (A-Share)	1,006.93	1.5%	8.6%	73.2%	-33.8%
China Shanghai (B-Share)	185.89	0.8%	6.5%	67.6%	-49.2%
China Shenzhen (B-Share)	486.66	3.7%	18.9%	79.4%	-31.4%

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

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

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

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

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

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## Weekly Highlights

### International

#### *Telecommunications*

- **Asian telecoms PCCW Global and Tata Communications have formally launched the TGN-Intra Asia Cable System (TGN-IA), linking Japan with Singapore via Hong Kong.** The launch ceremony comes ahead of the operational launch of the cable system, which is expected to happen by July. The 6,700-km system will not be fully operational until the third quarter of this year when it lands in Vietnam. The system connects key points of presence in Tokyo, Hong Kong and Singapore, and will have branch extensions to the Philippines and Vietnam. Speed is of the essence for subsea cable companies. The current demand for more bandwidth and better latency is spurring system rollouts, as cablecos seek new routes. It is all about first mover advantage: those that are second or even third to market in each area will find it difficult to attract customers.

### Japan

#### *Hardware*

- **Suning Appliance will pay 800 million yen (US\$8.4million) for 27.36 percent of Laox, making it the loss-making Japanese electronics retailer's biggest shareholder.** Suning will pay 12 yen for each of 66.67 million shares and get two seats on the Laox board. Chinese firms have been looking for bargains in their efforts to expand abroad, but Suning said this was the first time a mainland firm had purchased a stake in a listed Japanese company. Suning hoped to return the flagging Laox to profitability within a year or 18 months. Laox was once among Japan's leading retailers of consumer electronics. At its peak in the business year to March 2001, the firm had revenues of 214 billion yen and ran about 120 stores nationwide. It has been losing market share to bigger rivals like industry leader Yamada Denki, and forecast a ninth consecutive year of net losses and revenue of 13.2 billion yen (US\$139 million) for the year to March.
- **Norio Sasaki, the new president of Toshiba Corp., said he aims to boost the company's capital adequacy ratio, which dropped below 14 percent earlier this year, to 30 percent during his tenure as he embarks on the challenge of bringing the electronics giant back into profitability.** Sasaki, the 60-year-old former vice president of the company, officially took the helm of the struggling tech giant, which fell deeply into the red for the first time in seven years with its biggest-ever group net loss of more than 340 billion yen in fiscal 2008 ended in March. The company is aiming to return to the black with an operating profit of 100 billion yen (US\$1.1 billion) for the current business year. Toshiba's capital adequacy ratio, including minority equity, plunged to 13.9 percent at the end of March, but now stands at around 19 percent after the company raised around 500 billion yen (US\$5.3 billion) in capital through public stock and subordinated bond offerings. Toshiba plans to rebuild the system LSI operations by focusing resources on profitable products, emphasizing that a spin-off is only a means and not an objective.

#### *Telecommunications*

- **Softbank Corp. plans to go national next month with sales of Flet's Hikari-branded fiber-optic broadband services from the Nippon Telegraph and Telephone Corp. group.** The decision effectively marks the end of Softbank's challenge to NTT. In 2004, Softbank launched a high-speed fiber-optic service under the Yahoo BB brand by leasing circuits from the NTT group. Softbank

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eventually gave in because of high leasing fees, starting to act as a sales agent for Flet's Hikari services in 10 prefectures in February. The company now plans to increase the prefectures to 34 this month and to all 47 in Japan on July 1. For customers who sign up for Flet's Hikari services through Softbank, the infrastructure portion is provided by NTT East Corp. or NTT West Corp., depending on the subscriber's location, while the service portion is handled by Softbank. And for each new subscriber, Softbank receives a sales commission as well as a portion of the monthly charge. The latter comes to 1,296 yen for a subscriber living in a single-family home. Fees and charges are the same whether the customer signs up through Softbank or the NTT group.

- **KDDI Corp. reported that its net profit for the fiscal year climbed 2.3 percent but failed to meet market expectations as a 32 percent year-on-year drop in the number of handsets sold at the company's mobile business prompted a decline in revenue.** The telecom company reported fiscal 2009 net income of 222.7 billion yen (US\$2.27 billion) for the year ended March 31. That compared with a net income of 217.8 billion yen (US\$2.22 billion) for fiscal 2008. Analysts had expected a net profit of 261.0 billion yen (US\$2.66 billion) for the recently-ended fiscal year. However, for the recent January-March quarter, KDDI swung to a loss of 31.2 billion yen (US\$0.32 billion). At the same time a year ago, it earned 3.0 billion yen. Operating revenue for the fiscal year fell to 3.5 trillion yen (US\$36.7 billion).

## *Semiconductor*

- **AU Optronics Corp. will buy a 50 percent share in polycrystalline silicon maker M. Setek Co., Ltd. of Japan for US\$125 million.** The acquisition will offer AUO access to the solar-energy business, which the LCD maker has been watching for a while. The company chairman, K.Y. Lee, said green-energy industries have become attractive to big enterprises, with energy saving and clean energy emerging as trends. AUO, Taiwan's No.1 manufacturer of thin-film transistor liquid-crystal display (TFT-LCD) panels, will become another major Taiwanese enterprise to enter into the solar-energy industry, trailing heavyweights such as Taiwan Semiconductor Manufacturing Corp. (TSMC), Formosa Plastics Corp. and Tatung Corp. Founded to produce monocrystalline-silicon wafers, M. Setek recently diversified into production of polycrystalline silicon. The company now puts out 3,000 metric tons of polycrystalline silicon a year, enough for making 300 megawatts of solar cells.
- **Toshiba Corp. has developed a simulation tool that can help improve yield when manufacturing semiconductor devices with a 40nm design rule.** To improve the performance of transistors fabricated with 40nm circuit widths, the silicon wafer is subjected to high pressure and then instantly heated to around 1,000 C. During heating, the silicon expands, which can cause tiny crystal fissures and other defects that lower the yield of good chips. Toshiba has developed software to simulate the process and predict the occurrence of crystal defects. With this information in hand, the transistors can be redesigned and the simulation run again and again until the defect rate is reduced and the yield boosted to nearly 100 percent. Using this software, Toshiba was able to determine that almost no crystal defects would occur if the surface area of the silicon-germanium pushing against the silicon in the transistor was reduced by 78 percent. The company calculates that 40nm SRAM could be made with a 100 percent yield by introducing this design change.
- **Japan's leading semiconductor trading firms are racing to lower their marketing and administrative costs in order to wring out more profits amid stagnant demand and shrinking revenues in the year through March 2010.** The global recession has cooled demand for semiconductors and kept the secondary market in a slump. Foreign chip trading companies such as Avnet Inc. are broadening their reach and ratcheting up the competition. And as chipmakers

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reorganize, typified by next April's planned merger between NEC Electronics Corp. and Renesas Technology Corp., semiconductor traders also face more streamlined sales routes. Against this backdrop, the various trading firms are rushing to slash their administrative costs. The effort is particularly apparent among those that count on NEC Electronics for much of their business. Ryosan Co. is reducing such costs by 14 percent to 11.5 billion yen (US\$120.71 million) by controlling personnel expenses and by merging and closing bases.

- **Elpida Memory Inc. has applied for a new government financial aid program in a bid to shore up its financial health to ride out a severe industry downturn.** Elpida is expected to obtain the government's approval by the end of this month, at the earliest, to become the first company to receive a capital injection under the new corporate rescue program. The move is likely to prompt other struggling electronics makers to seek such government-backed rehabilitation measures. Elpida sought the use of de facto public funds as it sank into the red from the erosion of chip prices and stagnant demand caused by the global economic turmoil.

## *Alternative Energy*

- **Sanyo Electric Co. will spend 7.8 billion yen (US\$81.9 million) to increase output capacity for solar cells at a Shimane Prefecture facility by about 70 percent next April.** The firm plans to boost production of its HIT solar cells, which are a hybrid of crystalline and thin-film technologies. It foresees growth in demand for solar power generation systems on the back of economic stimulus spending by various countries.

## *Internet*

- **Sony Corp. group Internet service company So-net Entertainment Corp. will remove DeNA Co., which operates major cellular phone Internet sites, from its list of equity-method affiliates as of July 1.** The move coincides with the scheduled departure at month's end of a director So-net sent to DeNA, and the subsequent loss of its influence in the affiliate's operations. So-net will remain the top shareholder, with its stake unchanged at 16.9 percent. DeNA added slightly more than 1.3 billion yen (US\$13.5 million) to So-net's consolidated profit in the year ended March 31. For the current year, So-net's projection as of May 12 shows a 17 percent increase in group pretax profit to 7.8 billion yen (US\$82 million). This figure is believed to have already excluded any profit contribution from DeNA.

## **Korea**

### *Telecommunications*

- **Korea Telecom (KT) has been fined for breaching disclosure rules, the Korea Times reports.** Korea's Fair Trade Commission (FTC) has told four KT affiliates to pay 77 million won (US\$0.1 million) for five instances of breaching corporate disclosure regulations.

### *Media, Entertainment and Gaming*

- **It is unlikely that South Korean IPTV providers will meet the government target of 2 million IPTV customers by end-2009.** The three IPTV providers, KT, SK Broadband, and LG Dacom, have just over 400,000 customers since the beginning of IPTV services this year, the Korea Times writes. KT leads with 230,000 IPTV customers, followed by LG Dacom with 120,000, and SK Broadband trails at 60,000. To gain more viewers the operators are all planning to increase the number of channels in July. KT plans to increase the number of channels on its Qook IPTV service to 70



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from the current 58. SK Broadband, which runs the Broad&TV service, plans to increase its channel line-up to 80 from the current 60. LG Dacom will offer more than 60 channels for its myLGtv service. Pay-TV providers in Korea are required to provide at least 70 channels. The IPTV operators, however, have been given a grace period by the Korea Communications Commission (KCC), to the end of June.

## *Semiconductors*

- **Samsung Electronics and Numonyx said they would jointly develop technology related to Phase Change Memory (PCM) products, a promising next-generation memory technology.** South Korea-based Samsung, the world's top maker of memory chips, and Numonyx, formed last year with assets from Intel and STMicroelectronics, said they would team up to develop common specifications for PCM, a technology that is expected to be used in advanced handsets, mobile, and computing devices. PCM can perform at very fast read and write speeds but consumes less power than conventional NOR and NAND flash memory. Common specifications between the two companies will be completed this year, with both companies expecting to have compliant devices available next year.

## *Hardware*

- **LG will accelerate its LED BLU TV business in the second half.** By building a strong cooperation among subsidiaries such as LG Electronics, LG Display and LG Innotek, it will resolve the supply issue problem that it has faced so far, and will gear up its activities against Samsung Electronics. Currently, the LED BLU TV sets are emerging as a new icon in the TV market, where Samsung Electronics enjoyed a monopoly. The market will become a stage for a fierce competition between the two makers. LG Display plans to massively produce 40 inch and bigger LED BLU modules for TV sets in the next month. In flat type BLU modules, the production will be expanded from 55 inches to 42 and 47 inches gradually. In the edge type BLU modules, it will manufacture mostly 42 and 47 inch models, followed by 55 inch and 30 inch products. LG Display also plans to generate 50,000 LED BLU modules per month on average in the second half, providing most of them to LG Electronics and Visio.
- **Samsung Electronics Co. has become the top seller of commercial digital displays in the world for the first time.** The company shipped a total of 293,000 units of large format displays, designed for commercial and corporate digital signage applications, in the January-March period. The number accounted for 13.8 percent of all the commercial digital displays sold globally in the period. Japan's Panasonic Inc., a long-time market leader, and NEC Corp. trailed with 11 percent and 7.1 percent market shares, respectively. The feat marks Samsung's first quarterly lead in the market, largely attributed to the company's strength in liquid crystal displays (LCDs), as preference for digital displays is rapidly moving from Plasma Display Panels (PDP) to LCDs.

## **China**

### *Internet*

- **Focus Media said that the merger between Focus Media and Sina Corp. is not as optimistic as expected, and that China's Ministry of Commerce has not yet formally accepted the case.** Even if the merger fails, the parties will maintain their good business cooperation, Focus Media spokesman Ji Hairong said. Sina remarked to The Beijing News that that everything was still going through the channels. Sohu quoted an investment bank insider on June 23 as saying that the merger



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between Sina and Focus Media has broken down due to problems with the transaction process rather than government hurdles.

## *Telecommunications*

- **China United Network Communications Group Company Ltd. (China Unicom) will invest 40 billion yuan (US\$5.88 billion) in Henan province in the next five years on its 3G mobile network and fixed-line broadband transmission infrastructure.** The investment is part of a strategic alliance China Unicom has reached with Henan to enhance the province's information technology infrastructure.
- **China Unicom (Hong Kong) Limited had a net increase of 682,000 GSM users in May 2009, dropping 40.2 percent from 1.141 million in April 2009 and 37.5 percent from 1.091 million in May 2008.** China Mobile Ltd. lured 5.118 million new mobile phone subscribers this May, down 12.1 percent from the previous month; and China Telecom Corporation Ltd. saw a net increase of 2.2 million. China Mobile held a 64 percent share of the newly-added user base, down 1.9 percentage points; China Telecom snatched a 27.5 percent share, up 6.3 percentage points; and China Unicom took an 8.5 percent share, down 4.4 percentage points. China had a net increase of 36.449 million phone users in January-May 2009, driving the total number to 1.02 billion. In detail, fixed-line phone subscribers reduced 9.27 million to 332 million but mobile phone users rose 45.719 million to 687 million.
- **China Telecom Corp. is in talks with Research In Motion Ltd. to offer Blackberry devices in China.** The two companies are currently conducting tests on the devices and a schedule for the launch has not been determined yet. A RIM spokeswoman said the company doesn't comment on market rumors.
- **AsiaInfo Holdings, a provider of telecom software solutions, won a bid for establishing a new charging system for China Mobile's Beijing branch to support its prepayment business.** Zhang Zhenqing, CEO of AsiaInfo said that with intensive competition in China's telecom industry, telecom operators have to modernize their charging and operation support system to offer various services including fixed-line, broadband, and mobile, to meet customers' demand. AsiaInfo's products could help them realize their targets by providing real-time data collection, cost calculation, and payment functions under a stable and customer-friendly environment while supporting all the features of current systems.
- **CITIC 1616 Holdings Ltd, the telecoms service unit of Beijing backed CITIC Pacific, is seeking to buy international direct dialing (IDD) and mobile value-added service assets in the Asia-Pacific region by the end of 2009.** However, the company, has no intention of introducing Chinese telecoms operators as strategic investors, said chief financial officer David Chan. Chan added that CITIC 1616 was interested in buying or consolidating IDD, mobile value-added services and integrated virtual private network businesses and was open to investment opportunities in Southeast Asia, and in particular Taiwan. The company, which provides international roaming voice, short messaging, mobile value-added services and virtual private network services to telecoms operators around the world, posted net profit growth of 26 percent in 2008.

## *Media, Entertainment and Gaming*

- **Perfect World announced that it has increased second quarter 2009 guidance by 15-20 percent, to between 489-510 million yuan (US\$5.1-5.4 million).** The company previously forecast second quarter revenue between RMB 417-434 million (US\$4.4-4.6 million), for a quarterly change of -2

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percent to 2 percent. Perfect World credited the revision to the strong performance of its in-house developed 2.5D MMORPG Battle of the Immortals, especially in the last month, expansion packs for existing games in the second half of the quarter, and diversification of its game portfolio and technology investment.

- **Changyou.com Limited announced its unaudited financial results for the first quarter ended March 31, 2009.** Total revenues reached a record of US\$61.6 million, an increase of 6 percent quarter-over-quarter and 50 percent year-over-year. GAAP net income reached a record of US\$33.5 million, an increase of 15 percent quarter-over-quarter and 120 percent year-over-year. Non-GAAP net income reached a record of US\$34.4 million, an increase of 13 percent quarter-over-quarter and 100 percent year-over-year. Non-GAAP fully diluted earnings per American depositary share were US\$0.72, compared to US\$0.64 in the fourth quarter of 2008 and US\$0.36 in the first quarter of 2008. Aggregate peak concurrent users for Changyou MMORPGs grew 16 percent quarter-over-quarter and 47 percent year-over-year to 970,000. Active paying accounts for MMORPGs grew 14 percent quarter-over-quarter and 50 percent year-over-year to 2.27 million.

## *Hardware*

- **Lenovo Group plans to expand its presence in the gaming computer market by targeting serious gamers in an effort to push up sales.** The company plans to release a series of new gaming computers in the next few months to win more Chinese gamers, a group who are expected to reach 100 million by the end of this year. Lenovo's gaming computers, which are mainly sold between 4,000 yuan (US\$585.2) to 7,000 yuan (US\$1024), account for 17 to 20 percent of the company's total sales. The company plans to release a series of gaming desktops, laptops, and all-in-one computers in the following months. The global economic downturn had impacted consumers and companies across the world, dragging down global PC shipments by seven percent during the first three months of 2009. That has made the world's major PC makers strive to release new products aimed at stimulating consumer demand for technology products.
- **Canon China predicted that its overall revenue will increase by 20 percent in 2009 and that revenues from the East China region may grow even more, benefiting from the rising demand for electronic gadgets such as cameras and video recorders.** The company also hopes that the Expo will boost Canon's sales of multi-functional printers. Canon recorded a 50 percent month-on-month growth in sales of high-end digital cameras in China, said Hideki Ozawa, Canon's chief president in China, adding that some camera models were in short supply this year. Canon also plans to double its copy machine marketing network in China as it looks to boost sales in that growing market. The company is expanding its sales network to midsize and small cities in such provinces as Sichuan in China's interior, aiming to have 1,000 stores selling its copy machines within two years. Because the Chinese government is increasing public works spending in the interior, the purchasing power of residents there is expected to increase.

## *Alternative Energy*

- **GCL-Poly Energy Holdings Ltd. plans to spend HK\$26.35 billion (US\$3.4 billion) to purchase a 100 percent stake in a Chinese polysilicon producer, Jiangsu Zhongneng Polysilicon Technology Development Co, sources reported.** The company, which is engaged in the development of cogeneration and power plants as well as coal trading in China, will pay HK\$19.91 billion (US\$2.6 billion) to Chairman Zhu Gongshan and relevant parties through the issuance of 9.05 billion new shares at an average price of HK\$2.2 (US\$.28), which is a 12 percent discount. The new shares will be equivalent to 885 percent of the current total equity and will account for 81.82 percent

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of the enlarged equity. The cogeneration plant operator will pay Zhu the remaining HK\$6.44 billion (US\$830 million), of which the firm will pay US\$200 million in cash.

## Taiwan

### *Telecommunications*

- **An undersea telecommunications cable linking a mainland coastal city and an outlying island of Taiwan could be put into operation as early as the end of this year.** The undersea cable, which will link the Chinese mainland and Taiwan for the first time, will increase the speed of information exchange by up to 10 times. Preparation work has been completed for the construction of the first cross-Straits undersea telecommunications cable project linking the mainland's Xiamen and Taiwan's Kinmen island, known as Jinmen on the mainland. China Telecom will cooperate with Taiwan-based Chunghwa Telecom. Each will invest 100 million yuan (US\$14.6 million) to build the 50 km to 60 km undersea cable. The project was estimated to create 600 billion yuan (US\$87.8 billion) in potential business opportunities for Taiwanese companies in the mainland's 3G market.

### *Hardware*

- **Quanta Computer Inc. will make netbooks for Nokia Corp. using Intel Corp.'s Atom processor chips, which will start to be shipped from the third quarter.** Nokia may also place orders with Compal Electronics Inc. for netbooks that run on Qualcomm Inc.'s Snapdragon processor chips.

### *Mobile/ Wireless*

- **HTC Corp. expects phone shipments to increase 20 percent in 2009 as the economy gradually recovers.** HTC CEO Peter Chou had previously declined to give a shipment target for 2009. HTC will likely ship 14.5 million phones in 2009, compared with 12 million shipped last year.

## Hong Kong

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

### *Telecommunications*

- **Australian Communications Minister Stephen Conroy said that the government will announce soon the regional locations that will form the first stage of a multibillion dollar national broadband Internet network.** The A\$250 million (US\$201.8 million) regional rollout, designed to improve backbone services in rural Australia, is the first stage in a planned A\$42 billion (US\$33.9 million) national network.
- **India has banned Chinese companies from participating in the process to buy, or form a joint venture to run, three units of state-run telecom equipment maker ITI Ltd.** China's Huawei Technologies Co. and Franco-American Alcatel-Lucent - both of which already have tie-ups with ITI - are the only companies to have shown interest in buying the three plants so far.
- **Bharat Sanchar Nigam Ltd., or BSNL, has invited expressions of interest from companies to set up four customer-care call centers for its fixed-line and broadband services subscribers in India.** BSNL didn't specify the value of the contract in a document posted on the telecommunications

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company's Web site, but said one call center each will be set up in the four zones - North, South, East, West - in the country. The bidders should have experience running 1,000-seat call centers during the past two years, with at least half of those seats at a single location. The selected bidder will be given the contract to run the center initially for three years. The contract can be extended by up to two years on a yearly basis. Apart from handling inbound customer service calls, the centers will also be used for sales and marketing purposes and credit collection. BSNL may expand the scope of work to include other services apart from the fixed-line and broadband services.

- **Smart Communications Inc. will begin on July 1 a month-long tender offer to buy out minority shareholders of its 92.87 percent-owned subsidiary Pilipino Telephone Corp., or Piltel.** The shares are equivalent to a 7.13 percent interest in Piltel. Smart's board decided to transform Piltel into an investment holding company, whose main asset is a 20 percent stake in Manila Electric Co., the country's largest power distributor by sales. Cellular assets of Piltel will be transferred to Smart. The transactions are still subject to shareholder approval at Piltel's annual meeting on June 30 - a mere formality since Smart has absolute control of Piltel.
- **Heightened competition in Indonesia's mobile communications market, where a government spectrum auction is expected to increase the number of operators to 30 this year, could overload the country's infrastructure and ruin the quality of services, industry experts warn.** Indonesian media have reported that at least 73 companies will participate in the broadband wireless access (WiMax) tender for 2.3 gigahertz bandwidth spectrum, including three big operators - Telkom, Indosat and Bakrie Telecom. With the strong growth in the past few years, industry players and analysts worried that the pro-competition regulatory framework in Indonesia implied limited access to scarce spectrum resources, which led to poor service quality once subscribers were increasing.
- **Aircel Ltd. is in talks with tower operator Tata-Quippo to sell its 12,000 mobile telephone towers.** Aircel, which is 74 percent owned by Malaysia's Maxis Communications and 26 percent by India's Apollo Hospitals Enterprise Ltd., has appointed Nomura and Rothschild to advise on the transaction. The talks are at an early stage and a deal could take up to six months. Aircel's towers are valued at about US\$1.5 billion.
- **Telstra Corp. plans to freeze the salaries of around 300 of its top executives, including section heads.** Telstra's new chief executive, David Thodey, decided to suspend wage increases for its top managers. The freeze, which will also affect the heads of Telstra's various business divisions, will be effective for 12 months. Around 20,000 staff on Australian Workplace agreements will receive an average 2 percent salary increase.
- **Tata DoCoMo has launched its first commercial GSM services in India.** The operator has launched its Next Gen GSM service in Tamil Nadu and the city of Chennai, which, despite being located in the state of Tamil Nadu, constitutes a separate telecoms circle. Tata DoCoMo will complete its coverage of southern India within a fortnight and its pan-Indian rollout this year. The operator, a newcomer to India's GSM market, aims to attract customers by offering per-second billing, rather than the per-minute tariffs employed by its rivals. The company has priced voice calls across India at one paisa (US\$0.02) per second. Tata DoCoMo was also keen to highlight its new value-added services at the time of launch, and said that through its partnership with NTT DoCoMo it will bring i-mode, location-based services and mobile payments to market in the future.

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## *Software*

- **Satyam Computer Services Ltd. said 8,500 idled employees may be fired in six months unless business picks up, as the Indian software provider reorganizes following a US\$1 billion fraud.** Satyam will release a reorganization plan tomorrow to cut costs and help retain customers after a stock collapse prompted by founder Ramalinga Raju's admission in January that he overstated assets. Raju's disclosure triggered India's biggest corporate fraud probe and a sale of the provider to Tech Mahindra Ltd. in April to prevent an exodus of clients. The possibility of Satyam's business improving enough in six months so that all the idled employees can be deployed is very negligible. Satyam had about 48,000 employees at the time Tech Mahindra agreed to buy it, but has 8,500 employees on a virtual bench because of a lack of orders. The idled employees receive reduced pay and are released from work for up to six months. As many as 10,000 workers could become part of this program to manage surplus staff.

## **United States/Canada**

### *Mobile/Wireless*

- **Research In Motion (RIM) forecasts second-quarter profit and sales that fell short of some analysts' estimates.** Profit in the period to August 29 would be US\$0.94 to US\$1.03 a share on sales of US\$3.45 billion to US\$3.7 billion, RIM said. Analysts estimated profit of US\$0.98 and sales of US\$3.61 billion. RIM was spending more to develop and market devices as competition grew from Apple's iPhone and Palm's new Pre. Those costs crimped RIM's profitability in the first quarter and might have disappointed investors, said Matt Thornton, an analyst at Avian Securities. RBC Capital Markets analyst Mike Abramsky estimates less than 4.2 million new users in the second quarter while RIM expects only 4.1 million. RIM added 3.8 million in the quarter to last month, also less than Mr. Abramsky estimated. Apple has begun selling a faster version of the iPhone with longer battery life. Last week, the firm cut the price of its current model to US\$99.

### *Telecommunications*

- **Nortel Networks has agreed to sell its CDMA business and LTE assets to Nokia Siemens Networks for US\$650 million, a move that appears to signal the end of the line for the troubled Canadian vendor.** Nortel has entered a 'stalking horse' asset sale with its European rival, and indicated that it is working on selling off the rest of its business, effectively removing the likelihood of Nortel continuing to operate in its own right. The vendor will apply to delist from the Toronto Stock Exchange and, expects that the creditor protection proceedings will ultimately result in the cancellation of these equity interests. The stalking horse deal with Nokia Siemens is what is required of Nortel under the bankruptcy protection process. It means another higher bidder could emerge for the assets, although this is widely seen as unlikely. The deal, presuming it goes ahead, will see at least 2,500 Nortel employees transferred to NSN, which Nortel said represents a significant portion of the employees associated with the assets being sold.
- **AT&T and Verizon Wireless stores are no longer places just to buy mobile phones.** The two companies are now branching out into small laptop computers and probably won't stop there. New York-based Verizon, for example, recently began selling a netbook from Hewlett-Packard, while AT&T plans to offer a handful of light weight computers in its stores later this summer. AT&T already sells netbooks for as low as US\$50 through national retail partners such as Radio Shack, Costco, and Amazon.com. Netbooks represent a rare growth market in a computer industry which



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has been pummeled by the global downturn. The technology research firm iSuppli projects global shipments of netbooks to jump 68 percent to 22.2 million in 2009 from 13.2 million in 2008 and virtually nothing in 2007. To entice consumers, AT&T and Verizon are offering netbooks at sharp discounts of 50 percent or more, just like they do with wireless phones. Prices and models vary from market to market.

## *Internet*

- **Yahoo Inc. expects to record net charges of US\$22 million to US\$27 million from its previously announced plan to trim its workforce by 5 percent.** Yahoo will record charges of US\$30 million to US\$34 million in severance and other expenses, but those costs will be offset by credits of US\$7 million to US\$8 million related to stock-based compensation, the company said in a filing with the Securities and Exchange Commission. Yahoo expects to record all the charges in the second quarter. The company announced the job cuts in April.
- **Facebook Inc. is jumping into the race for real-time search.** The company is testing a new search engine that will enable users to find content from people and groups as soon as they share it on their pages, a real-time search function that could challenge micro-blogging phenomenon Twitter Inc. The key feature of the new search engine, which is being tested by a limited number of Facebook account-holders, is that users will be able to look for status updates, photos, videos and Web links posted by all their friends and anyone else who has opted to make their profile and content available to all Facebook members. That's a change from Facebook's current search engine, which turns up people's or groups' home pages, but doesn't aggregate and list content posted on those pages. The ability to distribute - and search for - those types of comments has grown in importance amid the exploding popularity of micro-blogging services like San Francisco-based Twitter, which lets users blast short, rapid-fire messages from computers and mobile phones.

## *Software*

- **Oracle Corp. president Safra Catz said customers were showing renewed interest in buying software, a sign they expected the recession to ease.** Excluding some costs, fourth-quarter profit was US\$0.46 a share, Oracle said. Analysts in a survey had estimated US\$0.44 on average for the period to last month. Oracle, the second-largest software maker, is benefiting from service-contract renewals, which have offset a slump in new orders and helped boost profit margins. The company has announced more than US\$42 billion in acquisitions, expanding the number of customers that pay for those contracts. Excluding some costs, profit would be US\$0.29 to US\$0.31 a share in the period to August, Oracle said. Analysts in the survey had predicted US\$0.30 on average. Sales would be as much as US\$5.26 billion, in line with estimates.

## *Hardware*

- **IBM named Elias Mendoza to oversee mergers and acquisitions after his predecessor left for rival Dell Inc.** Mendoza, who joined IBM in 2006, became vice president of corporate development June 15, Doug Shelton, a spokesman for IBM said. He will report to Chief Financial Officer Mark Loughridge. Before joining IBM, Mendoza, 43, served as managing director at Morgan Stanley's investment-banking division in Tokyo. David Johnson, who spent almost 30 years at IBM, resigned from the role of mergers-and-acquisitions chief in May to join personal-computer maker Dell. IBM has sued to stop Johnson, 55, from going to Dell, saying the move would violate an agreement that restricts his employment with competitors.

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## Europe

### *Mobile/ Wireless*

- **Standard & Poor's Ratings Service lowered its outlook on Vodafone Group PLC to negative from stable, saying it sees revenue and profitability for the telecommunications giant below previous expectations.** Weak economic conditions and continued intense competition are expected to hurt the company's operating margins, as it also struggles with the impact of regulatory decisions affecting interconnect and roaming revenues and costs. The company has "limited ratings headroom" for mergers and acquisitions. In addition, S&P said the company's rising proportion of emerging market operations as a result of acquisitions increases exposure to higher country risk, and free cash flow is committed largely to shareholder distributions. The company's A- long-term corporate credit rating, the lowest level of satisfactory credit quality territory, was affirmed by S&P, which noted the company's industry-leading scale, geographic diversity and financial flexibility as positives.
- **Intel Corp. and Nokia Corp. announced what they described as a broad alliance in technology for mobile devices, a deal that is expected to turn Nokia into an important chip customer for Intel.** The companies will work together on device and chip architectures, combining high-performance computing with broadband communications technology. They will attempt to define a new platform for mobile products beyond existing smart phones, netbooks, and notebook computers. Intel dominates the market for chips used in computers, but has failed to crack the market for high-volume cellphones, in part because its chips use too much power. Intel has instead focused on defining a market for pocket-sized products called MIDS, or mobile Internet devices. An endorsement from Nokia, the biggest maker of cellphones, would be a substantial boost for Intel's efforts, said Tim Luke, an analyst at Barclay's Capital.
- **Vodafone Group PLC is moving around 20 percent of staff that work in its group headquarters in Newbury, Berkshire to London to be closer to its stakeholders.** Following the relocation of the 200 staff, the group will still be registered in Newbury and will operate a dual headquarters structure in both Newbury and London. The remaining 900 group employees will stay on at the company's campus in Newbury, as will the 2,400 people who work for the company's U.K. division. The move would bring the relocated staff closer to the group's shareholders, the press, the government, and its customers, and will also be more accessible for members of its team coming to the U.K. from its overseas operations.

### *Media, Gaming and Entertainment*

- **Netplay TV PLC, a U.K.-based interactive gaming company, expects to swing to a pretax profit in fiscal 2010, helped by the growing popularity of live gaming accessible by mobile phone.** The firm has already started taking bets off customers from mobile phones and said the shift to mobile will drive future sales. The popularity of Web sites such as YouTube shows how the demand for "real" footage is rising. Netplay runs gambling games using live footage as opposed to computer-generated imagery. Around 70 percent of its business is live, but the company said this will increase in the coming years. Gross bets made at its live gaming website Supercasino.com rose 83 percent in 2008 to an average of 20.3 million pounds (US\$33.6 million) a month.
- **BT Group PLC and Virgin Media Inc. are in talks with Walt Disney Company's sports network ESPN about broadcasting the U.K. Premier League soccer games.** ESPN won after the prior rights holder Setanta Sports Holdings Ltd. defaulted on its payments. Setanta's packages were put up for tender after the troubled sports broadcaster failed to meet its financial obligations to the



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Premier League, and ESPN won the two packages for the 2009/2010 season and the single package for the three seasons that Setanta held for the period 2010-2013. BT customers who subscribe to one of its BT Vision IPTV packages receive Setanta free, and a spokesman said around 120,000 (or around 10 percent of Setanta customers) received the service through BT Vision. Virgin Media customers on its most inclusive XL subscription service also get Setanta free. The company doesn't split out customer numbers by package type.

## *Telecommunications*

- **Telecommunications provider KCOM Group PLC signed a strategic agreement with BT Group PLC which will extend its network reach and outsource management of its network assets to BT.** Under the deal, U.K. Yorkshire-based KCOM will be able to trim back its operational and capital expenditure costs associated with the management of its network infrastructure. The group said the deal would allow KCOM to hang onto its existing fiber access network, but gives access to BT's wider network and service capability. The deal will allow KCOM to shed its network costs, which would improve performance in the group's two operating divisions, Telecoms and Internet Services or TIS, and Integration and Managed Services or IMS. KCOM will outsource its U.K. network operations to BT over the next few years, and expects the first stage to be completed by September. BT will manage, maintain, and enhance network operations, network management, and vendor management on KCOM's behalf.
- **Portugal Telecom SGPS SA confirmed that it is in talks with Promotora de Informaciones SA, or Prisa, over the potential acquisition of a stake in Media Capital and/or some sort of business alliance between the two companies.** A Portuguese daily reported that a group of investors led by Portugal Telecom was interested in buying a 30 percent stake in Media Capital, which is owned by Prisa. Portugal Telecom reiterated that it constantly addresses strategic options for the development and expansion of its activity along its different business lines, and therefore the company should not ignore any eventual investment opportunities that may be presented to it and which may be consistent with its business strategy.
- **The Russian government wants to form a fourth national mobile telecoms operator by combining the different regional cellular operators that it controls.** The government is working on plans to restructure the country's state telecommunications holding, OAO Svyazinvest. Svyazinvest controls seven publicly-traded companies which operate the fixed-line infrastructure in each of Russia's regions. These companies also run more profitable mobile networks, and the government wants to strengthen these businesses, which serve around a tenth of Russia's mobile subscribers but are managed separately. The minister added that the merged mobile businesses of Svyazinvest could then be combined with one of Russia's three existing national operators: OAO Mobile TeleSystems, OAO Vimpel Communications or OAO Megafon.
- **France Telecom said Tunisia has selected it as first choice for a fixed telephony license and second choice for a mobile license.** The final decision on the licenses will be taken June 29, giving the French telecommunications giant time to modify its offers. The aim of the process is to have one operator for both services. France Telecom's bids are in partnership with Tunisian telecommunications operator Divona Telecom. Divona holds 51 percent of the partnership and France Telecom holds 49 percent.
- **Belgacom said its chief executive is being investigated by Belgium's financial watchdog for buying shares in a company that Belgacom purchased several months later.** Didier Bellens is under investigation for purchasing Telindus Group NV shares in 2005, said a Belgacom spokesman.

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Bellens was able to provide all the information the commission needed to carry out its investigation. Bellens faces insider trading charges after allegedly buying 14,000 Telindus shares just two months before Belgacom bought Telindus. The Belgian financial watchdog has been quietly investigating the case for over three years.

- **Telesp suspended sales of its Speedy broadband internet service but pledged to fight the ban imposed by telecommunications regulator Anatel.** Antonio Valente, chief executive of the subsidiary of Spain's Telefonica, met with Anatel officials but was frustrated in his attempt to get a ban on the sale of the product overturned. Anatel ordered the suspension of new subscription sales of Telesp's broadband internet service after customer complaints about the quality of the service. With Telesp's core business of fixed-line telephony stagnating, broadband internet and related data services are the biggest growth area for Telesp, which is formally called Telecomunicacoes de Sao Paulo SA. The company saw its broadband revenues rise to 1.1 billion Brazilian reais (US\$545 million) in the first quarter, up 21 percent on the year, while overall revenues grew just 2.5 percent.
- **Swisscom AG will acquire a 60 percent stake in Sourcag, a Swiss company that provides information technology services to banks and financial providers.** Financial details of the purchase weren't disclosed. Sourcag posts roughly 30 million Swiss francs (US\$27.8 million) in annual revenue.
- **There are likely to be at least two candidates for the fourth mobile-phone license in France.** French internet company Iliad SA has repeatedly expressed its desire to find a way into the mobile sector. The three existing network operators are France Telecom SA, Vivendi SA and Bouygues SA.
- **Orascom Telecom Holding won a court ruling in an arbitration action in the Republic of Chad and received a settlement worth US\$4.9 million.** The arbitration ruling involves a dispute over a decision by the Chadian Ministry of Telecommunications to suspend the transfer of 51 percent of the shares of TchadMobile to OT. OT and Sotel Tchad, the Chadian fixed telecommunication line operator, had an agreement to transfer the shares in late 2002. OT suspended its operations of TchadMobile in July 2004.
- **Orascom Telecom, the largest Arab mobile operator by subscribers, expects its Internet submarine cable to start operating in the fourth quarter of 2009.** The Middle East and North Africa (MENA) cable will link Egypt, Italy, and Saudi Arabia. The 3,850 kilometer cable is worth US\$233 million. OT owns 94 percent of the cable. OT in 2007 agreed with Alcatel Lucent SA to complete part of a Mediterranean cable linking Egypt's coastal city of Alexandria to Sicily.
- **Telekom Austria has committed to investing in its fixed-line infrastructure as it seeks to slow down fixed-line loss and boost broadband growth.** In the telco's half-year update, CEO Hannes Ametsreiter said that there is more to its plan to slow line loss than launching attractive product bundles and cross-selling with products like its aonTV offering. The company must also "invest in the infrastructure in order to guarantee future growth and provide a solid foundation for the knowledge-based society." He highlighted the importance of working on customer retention and winning back customers through Telekom Austria's broadband offerings, and referenced the company's efficiency drive, which is based on personnel restructuring and cost cutting.

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## South Africa/ South America

### *Telecommunications*

- **Telkom SA Ltd. said its full-year profit fell 48 percent due largely to higher operating costs in its core business and impairment charges at two of its African units.** The annual results will be the last to include Vodacom Group Ltd., the mobile operator Telkom exited this year, and the Pretoria-based firm will be delisted from the New York Stock Exchange in a move to reduce costs. Net profit fell to 4.17 billion rand (US\$510 million), for the year to March 31. Revenue was 6.9 percent higher. Stripping out a 50 percent share in Vodacom and other business that have been sold, operating profit was down almost 30 percent and revenue up 6.9 percent. Telkom's earnings were hit by an almost 20 percent rise in operating expenses and a 462 million rand (US\$58.6 million) investment impairment of Nigeria-based Multi-Links and a 39 million rand (US\$4.9 million) impairment of Internet service provider Africa Online following losses by both businesses. Telkom last month spun off its interest in Vodacom, spinning off shares to its shareholders through a listing of the mobile operator in Johannesburg and selling a 15 percent stake to Vodafone Group PLC, giving the British firm control with a 65 percent share.
- **Oi purchased the remaining outstanding shares of recently acquired rival Brasil Telecom for 2.66 billion Brazilian reais (US\$1.34 billion).** The company, also known as Tele Norte Leste Participacoes SA, said it acquired the shares through a mandatory tender offer. Oi acquired 78.67 percent of outstanding shares of Brasil Telecom's holding, called Brasil Telecom Participacoes SA. It bought 27.67 percent of outstanding shares of Brasil telecom operator. Oi announced the acquisition of a controlling stake in rival operator Brasil Telecom for 5.37 billion reais (US\$2.8 billion). In accordance with Brazilian regulations, Oi was obligated to hold a public offer to buy outstanding shares of Brasil Telecom.
- **A rise in piracy off the east coast of Africa has delayed by almost a month the launch of an undersea fiber optic cable that will link parts of the continent with Europe and India.** The telecommunications link is now set to go into service July 23 rather than June 27 after an increase in the intensity and geographic coverage of pirates. The planned route required the ship laying the cable to enter an area where other ships had been attacked or seized. The cable has since been completed and splicing to connect a section of cable from Mumbai to Africa is expected shortly. Testing of the larger cable system will be finalized. A section of cable running from Mtunzini, South Africa, to Mombasa, Kenya, has already undergone successful testing. The cable will provide broadband linking South Africa, Mozambique, Madagascar, Tanzania, Kenya and Ethiopia.
- **Telkom SA Ltd. expects to reduce costs by about 2 billion rand (US\$242.6 million) after two years of savings.** Telkom, which this year spun off its 50 percent holding in South African mobile operator Vodacom Group Ltd., is looking to cut costs by 10 percent over the coming three years. The Pretoria-based company said its net profit fell 48 percent to 4.17 billion rand (US\$528 million) in the year to March 31 due largely to higher operating costs and impairment charges at two of its African units. CEO Reuben September said that the savings would be made across the company, and that there would be no "sacred cows." Some of the greatest savings will come from the shift to wireless access to Telkom's network from traditional copper cables. September said the company will save between 30 million rand (US\$3.8 million) and 40 million rand (US\$5.06 million) a year from the next financial year by pulling its listing on the New York Stock Exchange, adding that the company would continue to comply with U.S. corporate governance laws.

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 6/26/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	95.1300	-1.2%	0.3%	3.2%	-15.5%
Hong Kong dollar	HK\$/ US\$	7.7500	0.01%	0.0%	0.0%	-0.7%
Chinese renmenbi	RMB/ US\$	6.8330	-0.04%	0.1%	0.2%	-6.4%
Singapore dollar	S\$/ US\$	1.4541	0.0%	0.5%	-0.5%	0.6%
South Korean won	KRW/ US\$	1,278.3000	1.1%	2.9%	-2.9%	36.6%
New Taiwan dollar	NT\$/ US\$	32.9500	0.2%	1.3%	0.5%	1.4%
Australian dollar	US\$/A\$	0.8071	0.1%	3.2%	13.6%	-7.7%
New Zealand dollar	US\$/NZ\$	0.6454	0.5%	4.0%	10.3%	-16.6%
Philippine peso	PHP/ US\$	47.9000	-0.5%	1.9%	1.5%	16.3%
Euro	US\$/€	1.4051	0.8%	0.3%	1.3%	-4.5%
British pound	US\$/£	1.6520	0.1%	3.8%	13.8%	-17.1%

## Fixed Income Prices and Yields

Note	Currency	Current (on 6/26/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	98.63	4.38%	95.81	4.56%	97.70	4.39%
Japan 30-year	¥	100.89	2.27%	100.98	2.27%	101.25	2.22%
Hong Kong 10-year	HK\$	98.12	2.88%	95.78	3.16%	90.07	2.76%
China (06/16)	US\$	111.57	2.90%	111.57	2.90%	111.57	2.90%
Singapore 10-year	S\$	99.30	2.60%	98.10	2.74%	114.19	2.29%
South Korea 20-year	KRW	10,164.10	5.58%	10,246.98	5.50%	10,265.96	5.37%
Australia 15-year	A\$	100.37	5.71%	98.19	5.96%	102.62	5.45%
New Zealand (12/17)	NZ\$	99.34	6.14%	99.47	6.18%	101.40	5.80%
Philippines 20-year	PHP	102.81	9.40%	102.27	9.46%	103.04	9.16%
India 30-year	INR	88.70	7.97%	89.90	7.85%	91.75	7.53%
UK 30-year	£	105.21	4.48%	103.47	4.59%	101.81	4.64%
Germany 30-year	€	100.29	4.24%	98.82	4.32%	97.67	4.39%

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