

IRG WMR



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

Week of 27 July 2009 - 2 August 2009

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



Week of 27 July 2009 - 2 August 2009

Table of Contents

Equity Market Indicators	3
Technology, Media, Telecommunications and Life Sciences Market Activity	4
Weekly Highlights	5
Japan	5
Korea	8
China	9
Taiwan	13
Hong Kong	14
Singapore/Malaysia/Philippines/Indonesia/India	14
United States/Canada	16
Europe	21
South Africa/Middle East/Latin America/South America	24
Other Economic Data	26
Currency Exchange Rates	26
Fixed Income Prices and Yields	26

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



Week of 27 July 2009 - 2 August 2009

Equity Market Indicators					
Index	Closing Level (7/31/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	987.48	0.8%	7.4%	9.3%	-32.7%
Dow Jones Industrial Avg.	9,171.61	0.9%	8.6%	4.5%	-30.9%
Dow Jones Tech. Index	346.56	1.0%	9.5%	37.9%	-24.5%
Dow Jones Telecom. Index	204.58	2.3%	6.5%	2.4%	-34.7%
NASDAQ Composite	1,978.50	0.6%	7.8%	25.5%	-25.4%
Japan Nikkei 225	10,356.83	4.1%	4.0%	16.9%	-33.8%
JASDAQ	49.44	0.3%	1.9%	2.6%	-31.5%
Japan Mothers	463.39	1.4%	4.8%	43.3%	-40.8%
Korea KOSPI Composite	1,557.29	3.6%	12.0%	38.5%	-17.9%
Korea Kosdaq	504.35	0.9%	4.0%	51.9%	51.9%
Taiwan Stock Exchange	7,077.71	1.5%	10.0%	54.2%	-16.8%
Singapore Straight Times	2,726.74	5.8%	14.5%	54.8%	-21.3%
Hong Kong Hang Seng	20,573.33	3.0%	11.9%	43.0%	-26.0%
Hong Kong GEM	643.96	3.5%	12.0%	67.1%	-52.3%
China Shanghai (A-Share)	3,581.86	1.2%	15.3%	87.4%	-35.1%
China Shenzhen (A-Share)	1,174.95	1.1%	16.3%	102.1%	-22.8%
China Shanghai (B-Share)	218.61	3.4%	14.9%	97.1%	-40.3%
China Shenzhen (B-Share)	549.02	0.8%	10.6%	102.4%	-22.6%

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



Week of 27 July 2009 - 2 August 2009

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						

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



Week of 27 July 2009 - 2 August 2009

Weekly Highlights

Japan

Hardware

- **Kyocera Mita Corp. entered into a share purchase agreement with Chungho Comnet Co., Ltd. to acquire all outstanding shares of the two document equipment distribution subsidiaries of Chungho, Chungho OAsys Co., Ltd. and Chungho Document Solution Co., Ltd.** By acquiring these two companies as its own sales subsidiaries, Kyocera will be able to drastically enhance its sales activities in Korea which Kyocera has placed as one of its strategic countries in Asia and also strengthen its sales capabilities in Asia together with the Chinese and Indian markets.
- **Canon Inc. raised its group operating profit forecast by 10 billion yen (US\$105.8 million).** The upgrade is attributed in part to cost reductions, mainly in advertising and R&D, that are expected to result in 220 billion yen (US\$2.3 billion) savings a year roughly 50 billion yen (US\$528 million) more than its earlier target. With its office equipment business in the doldrums, however, overall sales are expected to drop 22 percent. The company plans to release next-generation copy machines in the second half of the year. But despite stepped-up marketing efforts in North America, a recovery in the copier business will take time as companies cut back on expenses, such as spending on color copies.
- **Sony Corp. posted a smaller-than-expected quarterly loss, helped by an improvement in its struggling flat TV business, and said it was aiming to beat its official forecast and at least break even for the full year.** Sony has fallen behind Apple's iPod in portable music, Nintendo in videogames, and is struggling to compete with Samsung Electronics in LCD TVs. But the company, which competes with Panasonic for the position of the world's largest consumer electronics maker, said that losses on flat TVs had narrowed in the latest quarter, bringing the business close to the break even level. The maker of Bravia flat TVs and Vaio PCs kept its operating loss forecast of 110 billion yen (US\$1.2 billion) for the year to March 31, 2010.
- **Nintendo Co. and Sony Corp. are facing mounting pressure to cut prices after sales of the motion-sensing Wii fell for the first time and PlayStation 3 shipments tumbled to a two-year low.** Nintendo shares fell the most in three months after the Kyoto-based company said Wii sales plunged 57 percent and profit dropped 61 percent. Sony reported a second straight loss after PlayStation 3 shipments fell 31 percent. Microsoft Corp. said last week it sold 1.2 million Xbox 360 consoles in its latest quarter, the lowest in two years. Sony Chief Executive Officer Howard Stringer and Nintendo President Satoru Iwata have spurned calls by game publishers and retailers to cut prices as the global recession drives down consumer spending. The stronger yen is also eroding earnings at Japanese electronics makers, making them less competitive relative to overseas rivals such as Samsung Electronics Co.
- **Hitachi plans to absorb five listed units, as the loss-making conglomerate tries to pool its sprawling resources to turn a profit.** The news and hope that this would prelude further consolidation lifted shares of the Japanese maker of industrial electronics along with its subsidiaries. Hitachi will launch tender offers as early as next month to buy the shares it doesn't already own in Hitachi Maxell, Hitachi Plant Technologies Ltd., Hitachi Information Systems Ltd., Hitachi Software Engineering Co. and Hitachi Systems & Services Ltd. The move could cost Hitachi up to 300 billion yen (US\$3.2 billion), including a premium on the units' share price.

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



Week of 27 July 2009 - 2 August 2009

- **Hitachi Ltd. has plans to merge a pair of system-related subsidiaries this October in a bid to strengthen its system development business.** Hitachi Electronics Services Co. will absorb Hitachi HBM Co. on Oct. 1 and become the surviving entity. All of Hitachi HBM's employees are slated to transfer to the merged firm. Hitachi Electronics Services handles system maintenance for the Hitachi group and also supports the introduction of information technology equipment at small and midsize businesses. By merging it with Hitachi HBM, which has expertise in system building, the aim is to enhance customer convenience through one-stop service. Hitachi Electronics Services turned three of Hitachi's system development units into consolidated subsidiaries, further strengthening its ability to propose systems to small businesses. The merger is expected to result in such synergies as subcontracting system development work from maintenance customers. Hitachi HBM was spun off in 1984 in order to expand sales in the office computer sales division.
- **Fujitsu Ltd. will aim to strongly boost its profits to record-highs in fiscal 2011 through March 2012 by expanding its overseas sales and restructuring its operations.** The company said it is anticipating a record group operating profit of 250 billion yen (US\$2.6 billion) on sales of 5 trillion yen (US\$52.8 billion), unveiling an aggressive midterm target for the next three years. Its net profit is also expected to reach a record 130 billion yen (US\$1.4 billion) in fiscal 2011 in what would be a dramatic turnaround from a group net loss of 112.4 billion yen (US\$1.2 billion) logged during the business year that ended in March. Businesses are likely to hit bottom during the current business year, adding Fujitsu will aim to raise its operating profit to 200 billion yen (US\$2.1 billion) by fiscal 2010 thanks partly to the sale of its hard disk drive businesses to Toshiba Corp. and Showa Denko K.

Mobile/ Wireless

- **Dena plans to buy a majority stake in the operator of a Chinese mobile social networking site, the Nikkei reports.** Dena plans to buy more than 50 percent in UK firm Waptx, which operates China's largest mobile social networking site with a local partner. Dena will buy 8.73 million shares in the company through a private placement. Dena plans to use the portal site's content and expertise to expand its own social networking business. Dena already operates a mobile social networking site in China, but has less than 1 million subscribers while the Waptx service has about 9 million users.

Telecommunications

- **NTT DoCoMo Inc. reported fiscal first quarter results with 15 percent decline in its net profit to 147.4 billion yen (US\$1.55 billion) from 173.5 billion yen (US\$1.66 billion) given increased competition led to lower income from voice charges.** Revenue dropped 7.3 percent to 1.08 trillion yen (US\$11.4 billion), from 1.17 trillion yen (US\$11.2 billion). The company maintained its forecast for the current fiscal year through March 2010, with revenues of 4.38 trillion yen (US\$41.1 billion) and an operating profit of 830 billion yen (US\$8.7 billion).
- **Softbank Corp. enjoyed gains on increased service fees and handset sales.** The company said its net profit jumped 41 percent in the fiscal first quarter to 27.38 billion yen (US\$287.9 million) from 19.37 billion yen (US\$185.2 million) in the same period a year earlier as increased revenue from both usage fees and handset sales boosted its mobile phone operations. It was much better than a consensus projection for a 11.2 billion yen (US\$117.8 million) profit compiled by data provider Thomson Reuters from a survey of 13 analysts. Operating profit climbed 27 percent to a record 108.3 billion yen (US\$1.14 billion) from 85.09 billion yen (US\$0.81 billion) a year earlier with profit from the company's core mobile communication operations rose 36 percent. Broadband and infrastructure operations were also strong, with profit rising 33 percent. Revenue for the same quarter rose 2.9

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



Week of 27 July 2009 - 2 August 2009

percent to 666.33 billion yen (US\$7.0 billion) from 647.26 billion yen (US\$6.2 billion). Softbank's net profit for the April-June quarter jumped 41%

Semiconductors

- **Tokyo Electron reported a smaller-than-expected quarterly loss and raised its annual outlook as orders start to rise in the latest sign of a spreading recovery in the chip sector.** Chip giants Intel Corp and Samsung Electronics Co, which recently booked better-than-expected quarterly results, are looking to invest more in new generations of chips to cut costs and cement their lead in the industry. Although still weak, orders for machines to make faster semiconductors more than doubled from the previous quarter, prompting Tokyo Electron to narrow its operating loss forecast by 9.5 percent to 57 billion yen (US\$598 million).
- **Renesas Technology Corp. and NEC Electronics Corp. will delay their plan to reach a merger agreement for a month until the end of August.** The accord will be postponed because due diligence over their global production and sales bases spanning across Asia, Europe and the U.S. is taking longer than initially anticipated. Although discussions are ongoing on the investment ratio of the three major shareholders, Renesas, owned 55 percent by Hitachi Ltd. and 45 percent by Mitsubishi Electric Corp., and NEC Electronics, a chip unit of NEC Corp., will still aim to integrate their operations by next April.

Internet

- **Yahoo Japan Corp. said net profit grew 0.4 percent from a year earlier in the fiscal first quarter, buoyed by the increased use of online advertisements to target female consumers.** The company's net profit for the April-June period rose to 19.24 billion yen (US\$203.2 million), and is in line with its forecast of between 19 billion yen (US\$200.7 million) and 20.1 billion yen (US\$212.4 million) in net profit for the period. Operating profit for the period rose to 34.26 billion yen (US\$361.9 million). Group revenue rose 3.17 percent to 67.64 billion yen (US\$0.71 billion) from 65.56 billion yen (US\$0.69 billion).
- **eAccess Ltd. likely made a group pretax profit of around 1.8 billion yen (US\$18.9 million) in the April-June period thanks to the acquisition of ADSL service provider Acca Networks Co. and smaller losses in its cellular phone business.** The results would mark the telecommunications service provider's first pretax profit for the April-June quarter in three years. Sales appear to have declined 11 percent about 21.5 billion yen (US\$0.23 billion) as low-priced data cards accounted for a higher proportion of the company's overall cellular phone hardware sales. The sales figures are in line with eAccess' initial projections. Operating profit is believed to have soared 43 per cent to roughly 5 billion yen (US\$52.8 million). The absorption of Acca Networks helped eAccess reduce sales and administrative costs by consolidating its ADSL operations. In addition, losses at cellular phone unit Emobile Ltd. likely shrank by some 2 billion yen, with a net subscriber increase of nearly 40 per cent, or 262,000, sharply pushing up revenue. Net profit probably came to around 300 million yen (US\$3.2 million), compared with a 2.8 billion yen (US\$26.6 million) net loss a year earlier.

Media, Gaming and Entertainment

- **Tokyo Broadcasting System Holdings Inc. will make an initial payment of 40 billion yen (US\$420.1 million) to Rakuten Inc. in response to the virtual mall operator's request for a buyback of its TBS shares.** After the breakdown of initial talks, the two sides sought court mediation to determine a buyback price. If the negotiations drag on for years, then TBS which is required by law to pay the interest it will owe Rakuten on the shares could end up incurring a huge

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



Week of 27 July 2009 - 2 August 2009

interest burden. By making the temporary payment, TBS aims to hold down interest expenses. The broadcaster will tap bank loans for the funds to be paid to Rakuten.

Korea

Telecommunications

- **SK Telecom Co. said its second-quarter net profit rose 4.6 percent to 311.6 billion won (US\$250.7 million) in the three months ended June 30 from 298 billion won from a year earlier despite higher marketing costs, mainly due to a rise in subscribers.** Sales rose 4.7% to 3.068 trillion won (US\$2.47 billion) from 2.93 trillion won (US\$2.36 billion) because of an increase in the number of subscribers, largely from its wireless Internet data service. The company also said its capital expenditure amounted to 667.4 billion won for the first half of this year, including 319 billion won (US\$256.6 million) spent in the second quarter to secure more profitable third-generation mobile services and improve call quality.
- **LG Telecom Ltd. reported its biggest profit decline in six quarters after the company boosted marketing spending to win customers from SK Telecom Co. and KT Corp.** Second-quarter net income fell 43 percent to 38.3 billion won (US\$30.8 million) from 67.6 billion won (US\$54.4 million) a year earlier. Sales rose 5.7 percent to 1.33 trillion won (US\$1.07 billion). LG Telecom and SK Telecom increased incentives to lure users before KT absorbed its wireless unit, KT Freetel Co., in June in a market where more than nine out of 10 people already own a mobile phone. South Korea's communications regulator has said competition may ease in the second half after the three operators pledged this month to rein in marketing costs such as handset subsidies. LG Telecom accounted for 18 percent of the Korean mobile- phone market at the end of June, compared with SK Telecom's 51 percent and KT's 31 percent, according to government data.
- **SK Telecom Co. will sell its entire 15.3 percent stake in Virgin Mobile USA Inc. to Sprint Nextel Corp.** Sprint Nextel said it would acquire Virgin Mobile in a US\$483 million stock-swap deal. Sprint already owns 13 percent of the U.S.-based wireless services operator, and will buy out major shareholders Virgin Group and SK Telecom. Lauren Kim, a spokeswoman at SK Telecom, said that the company's stake in Virgin Mobile would be diluted to below 1 percent from 15.3 percent following Sprint's acquisition of the mobile operator.

Semiconductors

- **Samsung Electronics Co. said it plans to begin mass production of its latest and fastest chip model later this month.** The company will begin production of its 2-gigabit DDR3 DRAM chip, based on its 40-nanometer technology, six months after it developed the world's first 40-nanometer chip. The company expects the new product will lower power consumption to 70 percent of that for 50-nanometer DRAM chips. A nanometer is one-billionth of a meter. The technology will also improve productivity by as much as 60 percent, as each DRAM chip will take up a smaller space on the production line. DRAM is a type of memory that stores each bit of data in a separate electronic component within a circuit. It is used in personal computers and other electronic devices such as mobile phones.
- **South Korea's antitrust watchdog fined Qualcomm Inc. 260 billion won (US\$208 million) for abusing its dominance in the local chipset market and ordered the global mobile chipmaker to end its "unfair" business practices.** Qualcomm disagrees with the ruling and will appeal in a South Korean court against it. The fine imposed on the U.S.-based company was the largest ever

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



Week of 27 July 2009 - 2 August 2009

levied against a single business by the Fair Trade Commission since it imposed a 113 billion won (US\$90.6 million) fine on KT Corp. in 2005. The commission also ordered the U.S. chip maker to stop paying rebates to its customers and imposing higher royalties for those using chips supplied by its rivals. The company has offered discounts and incentives to customers for using its chips, which has contributed to the competitiveness of Korean handset makers.

Hardware

- **LG Electronics Co. is posting some of its strongest growth ever and taking market share from cellphone rivals.** LG last year passed Motorola Inc. and Sony Ericsson to become the world's third-largest seller of cellphones, shipping just over 100 million units, or about 8.6 percent of the global 1.17 billion. This year, with the overall cellphone market expected to fall more than 10 percent, some analysts predict LG's cellphone shipments will rise between 10 percent to 20 percent. The division's growth is expected to help LG post a profit when it reports quarterly results at a time that many consumer-electronics companies are struggling with deep losses.
- **Samsung Electro-Mechanics Co. said its second-quarter earnings rose nearly nine-fold from a year earlier on high demand for mobile handset and TV components.** Samsung Electro-Mechanics earned 76.6 billion won (US\$61.2 million) in the three months ended June 30, up 791 percent. Sales rose 27 percent on-year in the April-June period to 1.316 trillion won (US\$1.06 billion) with operating profit rising more than five times to 128.9 billion won (US\$103.7 million).

China

Internet

- **Baidu expects its new online market platform to help boost revenue this quarter as more advertisers migrate to the new system.** Net profit for the three months to June rose a better than expected 44.6 percent to US\$56.1 million, with revenue up 36.7 percent to US\$160.7 million. Baidu forecast revenue for third quarter would grow 15 to 18 percent to of US\$184 million to US\$189 million, topping the US\$182 million expected by Wall Street, according to Thomson Reuters.. The company would increase staff this quarter to boost the sales team for Phoenix Nest as well as its research and development team. Phoenix Nest, similar to Google's Adwords service, will gradually replace Baidu Bidding Rank and help rebuild the company's reputation after the Bidding Rank platform was accused of promoting fake medicine products. The firm served 203,000 active customers in the second quarter, and revenue per online marketing customer was 5,400 yuan (US\$790.1), up 22.7 percent from last year.
- **Alibaba Group has forged a strategic long-term alliance with state-owned Bank of China Holdings to jointly pursue a range of e-commerce initiatives, including an online payment card, trust rating system and small-business financing.** Jack Ma Yun, the chairman and chief executive of Alibaba, expected the partnership to directly benefit the small-business customers of the bank and the group's subsidiaries. These include online payments service Alipay.com, business-to-business e-commerce provider Alibaba.com, internet-based business-management software supplier Alisoft.com and Taobao.com, the country's largest consumer e-commerce provider.
- **Alibaba.com Ltd. is embarking on a reorganization that will separate the management of its domestic and international marketplaces, and step up cooperation between sister company Taobao.com and its domestic marketplace operations.** The separation of management will allow the domestic and international platforms to further differentiate their strategies and user interfaces,

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



Week of 27 July 2009 - 2 August 2009

among other things. Alibaba.com will also establish two new divisions aimed at helping its small-to-medium enterprise customer base gain access to information technology and employees trained to handle e-commerce.

- **Changyou.com Ltd. posted total revenues of US\$66.6 million for the second quarter of 2009, 39 percent increase year on year and 8 percent increase quarter on quarter.** Operating profit was US\$39.5 million, up 42 percent from the period last year and 4 percent from the previous quarter. Operating margin was 59 percent, higher than 58 percent in Q2 2008 but lower than 61 percent in Q1 2009. Net income reached US\$34.5 million, growing 9 percent year on year and 3 percent quarter on quarter.
- **Sohu.com Inc. reported second-quarter profit that beat analysts' estimates on higher revenue from Web advertising and online games.** Second-quarter net income was US\$30.9 million compared with US\$40.2 million a year earlier and beat the median US\$27.8 million of nine analyst estimates compiled by Bloomberg. The company's sales increased 25 percent to US\$127.1 million, exceeding its guidance. Sohu, which in April spun off unit Changyou.com Ltd. in a US\$138 million share sale, is speeding up development of its Internet search engine and adding videos and blog sites to lure users as competition rises from companies including Sina, Baidu said revenue will rise to a record this quarter as the nation's economic growth helps boost advertising sales.
- **The number of internet users in China grew by 40 million in the first six months of the year to reach 338 million at the end of June, a figure higher than the entire population of the U.S..** The number of broadband connections rose by 10 million to 93.5 million in the first half. About 95 percent of townships were connected to the internet via broadband as of early June and 92.5 percent of all villages were equipped with telephone lines that connect to the internet. Third generation mobile phone technology is also expected to boost rural coverage.

Telecommunications

- **The telecom industry's average price levels in China had declined 8.5 percent year on year in the first half of this year.** The industry's growth begun accelerating, even though it's still at a low level, dampened by the financial crisis. In the first half, the industry's business volume totaled 1,224 billion yuan (US\$179.1 billion), up 11.8 percent year on year. It also registered 417.1 billion yuan in business revenue, edging up 2.3 percent. In regional terms, the industry's development in western region was more pronounced than in central and eastern China. The industry's revenues decreased 0.3 percent in eastern China year on year, but rose 2.6 percent and nine percent, respectively, in the central and western regions.
- **The number of newly-added phone users in China was 43.5 million in the first six months of this year.** China had more than 1 billion telephone users by the end of June, boosted by the launch of the 3G network. In January, the country issued 3G licenses to the top three telecom operators, China Mobile Ltd, China Unicom (Hong Kong) Ltd and China Telecom Corp Ltd. The top three telecom operators have invested 80 billion yuan (US\$11.7 billion) in China's 3G network so far this year. The ministry estimated that the top three operators would invest 170 billion yuan (US\$24.9 billion) in 3G network construction this year.
- **Huawei Technologies said 3G mobile network sales in the first half exceeded total shipments last year on strong demand from emerging markets such as China and India.** The company, which has emerged as one of the top equipment vendors in the global telecommunications market, is expected to gain market share in Europe with its newly launched multimode network solution, Lu

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



Week of 27 July 2009 - 2 August 2009

Xingang. UBS global telecommunications equipment analyst Gareth Jenkins estimates global telecommunications capital expenditure will weaken this year and next, with total spending declining 2.7 percent this year and 6.5 percent next year.

- **ZTE Corporation has signed a cooperative agreement with the Japanese mobile operator Willcom to provide ZTE's 3G data card product MF633 to users in Japan.** As the fourth largest mobile operator in Japan, Willcom is also the largest personal handyphone system operator in the country with 4.6 million users and great influence in the Japanese market. At the beginning of 2009, the two parties signed a memorandum of cooperation for Time Division Duplex technologies, including XGP, to implement close cooperation to boost market share in this industry.

Media, Entertainment and Gaming

- **China's mobile game market size hits 520 million yuan (US\$76.1 million) in the second quarter of this year, up 32.37 percent quarter on quarter.** Revenues from China Mobile's charges on information reached 230 million yuan (US\$33.7 million), increasing 21.3 percent quarter on quarter. The company's quarterly growth rates of information fees in the first half of this year were over 20 percent, versus the -0.06 percent average quarterly growth in 2008. China Mobile's new game operating platform contributed most of the growth in its information fees, which topped 67.86 million yuan (US\$9.9 million) in the second quarter, accounting for 30 percent of the total, while the growth of the old one slackened continuously.
- **Giant Interactive announced it will acquire 51 percent equity in Hangzhou-based Xuelang Software.** Based on the acquisition, the 2.5D-view game Xiantu Online developed by Xuelang Software will join Giant's venture platform "Winning in Giant," while Giant invests 40 million yuan to promote the game through primary marketing activities. This comes as the fifth project housed under the "Winning in Giant" platform, which aims to provide free capital, management and other supports to talented online game R&D groups to fuel their online game development.
- **Giant Interactive plans to start alpha testing of its in-house developed 3D MMORPG Long Hun.** More than 20,000 gamers activated testing accounts for Giant's in-house developed 3D fantasy MMORPG King of the Kings 3 on July 7, the first day of second-round testing, and the game hit 10,430 concurrent players on the same day. King of the Kings 3 entered first-round alpha testing on March 2008.
- **Shanda Games Limited (SDG) will participate in the development of online game KOF World.** SDG had reached an agreement with SNK Playmore, a Japanese game developer, on their cooperation. KOF World is the online version of The King Of Fighters, the heavyweight game software developed by Playmore. SDG is licensed to operate the online game in Mainland China and several other countries.
- **Perfect World has not excluded the possibility of licensing foreign MMORPGs; before, the company had always focused on operating in-house developed games.** Perfect World hopes to offer players other entertainment services besides online games. Perfect World took a step toward differentiating its business by establishing literature site zongheng.com last September, and investing in a webgame company and entering the film and video field this year. Perfect World had acquired a Chengdu-based webgame company and planned to release ten to twenty webgames in 2009.

Hardware

- **Kaifa, a part of China Electronic Corp. (CEC), would invest 50 million euros (US\$71 million) in Finnish firm Elcoteq.** The announcement came as Elcoteq, a supplier to firms including Nokia,

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



Week of 27 July 2009 - 2 August 2009

posted an operating loss of 11.5 million euros (US\$16.4 million) in the second quarter and sales more than halved to 436 million euros (US\$619.9 million). The deal would make the Chinese company its largest shareholder with a stake of at least 30 percent. CEC has been Elcoteq's joint-venture partner in China since 2002. Elcoteq said the total size of the investment was dependent on it successfully restructuring its debt, with a final agreement expected to be signed in the third quarter. It was not immediately clear what stakes main owners Antti Piippo, Jorma Vanhanen and Henry Sjoman would keep.

Alternative Energy

- **China plans to subsidize demonstrative photovoltaic (PV) projects in the following two to three years through a program called Golden Sun.** Each province is permitted demonstrative PV projects with a total capacity of 20MW. The government will subsidize 50 percent of total investment in PV power generation systems and power transmission facilities in on-grid projects, and 70 percent for independent projects.
- **JA Solar Holdings Co Ltd has received US\$90.8 million under two three-year term loans from the Export-Import Bank of China.** The loans carry interest rates below the benchmark rate set by China's central bank. The loans will strengthen its balance sheet and allow greater flexibility for financial and business planning. JA Solar's announcement comes as funding for solar power and green technology is beginning to recover from a dramatic fall-off earlier this year caused by the global credit crisis.
- **Trina Solar Ltd. raised its estimates for second quarter photovoltaic (PV) module shipments and gross margin, citing a rebound in the global solar market and supportive government regulations.** Trina also forecast second quarter net revenues in the range of US\$148 million to US\$152 million, representing a 12 percent to 15.1 percent increase from the previous quarter and a 25.6 percent to 27.5 percent drop from the year-ago period. The company expects second quarter PV module shipments to total 63-65MW. Trina issued module shipment guidance of 90-110MW for the third quarter of 2009 and reiterated full year expectations of 350-400MW. Gross margin was forecast at 26-28 percent, up from previous guidance of 18-20 percent; operating margin is expected to be 11.5 percent to 13.5 percent.
- **Yingli Group broke ground on its 6 billion yuan (US\$878.1 million) Yingli Industry Park in Baoding, Hebei province.** The park will include a 800MW per annum crystalline silicon solar cell project, with a completion date set for December 2010. After the project comes on-stream, Yingli will have a total annual crystalline silicon solar cell production capacity of 1,400MW, and will generate sales revenues of as much as 15 billion yuan (US\$2.2 billion) per year.
- **LDK Solar expects to report a net loss of US\$180 million to US\$200 million in the second quarter of this year, which it attributed to the sliding market prices of wafers.** The company increased its guidance to revenues of between US\$225 million and US\$235 million and wafer shipments between 230-240MW but anticipates a write-down of US\$150 million to US\$160 million. LDK's fourth quarter financial results included a US\$216.7 million inventory write-down. The company later updated its FY08 and Q408 results to include an additional write-down of US\$87.5 million and a US\$12.3 million provision for unrecovered supplier prepayments.
- **Suntech Power Holdings has entered into a strategic agreement with China Energy Conservation Investment Corp. (CECIC) to develop solar projects, including large-scale on-grid, urban building-integrated, rural off-grid, and wind-solar hybrid projects, over the next**

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



Week of 27 July 2009 - 2 August 2009

five years. CECIC plans to take charge of project investment and development under the partnership, while Suntech will supply solar products, system design and technical support. Suntech's previously announced projects in Qinghai, Shaanxi, and Jiangsu provinces, as well as Shizuishan, Ningxia province and Panzhuhua, Sichuan province, may be developed through the collaboration.

Semiconductor

- **SMIC announced the successful commercial production of a 130nm family of DisplayLink USB graphics chips designed by DisplayLink and manufactured at SMIC.** These new products make it possible to easily connect additional monitors, and provide a high level of integration for USB graphics devices, support higher HD display resolutions, and increase overall performance for smoother video playback.

Taiwan

Telecommunications

- **Far EasTone Telecommunications Co. Vice Chairman Jan Nilsson said the Taiwan company and China Mobile Ltd. will start planning on forming a joint venture in China in the first quarter ending March 31, 2010.** Far EasTone executives will meet with China Mobile Chairman Wang Jianzhou when he visits Taiwan late-August. During Wang's trip to Taiwan, he will visit government officials and local companies including HTC Corp., Inventec Appliances Corp., Compal Electronics Inc., MediaTek Inc., Via Technologies Inc. and Elan Microelectronics Corp.
- **Chunghwa Telecom Co. is aiming for a 1 percent to 2 percent growth in annual revenue from 2010, with annual revenue targeted at NT\$191.30 billion (US\$5.81 billion) by 2013.** This equates to an increase of NT\$2 billion (US\$61 million) in annual revenue per year. The company is aiming for full-year 2009 revenue of NT\$183.40 billion (US\$5.6 billion), and earnings-per-share of NT\$4.0 (US\$.122).

Hardware

- **BenQ Corp. registered 930 million yuan (US\$136.1 million) in second-quarter sales in China, up 20 percent year-on-year and up 11 percent from the preceding quarter.** H.C. Hung, president of BenQ China, attributed the double-digit growth to promotional activities and subsidies offered by China to encourage sales of home appliances in rural areas. BenQ's monitors and projectors are among China's top-three brands in the second quarter. Cumulative sales in China amounted to 1.8 billion yuan (US\$259.1 million) in the first half. In addition to conventional distribution channels, BenQ has been exploring TV shopping, online shopping, and installment plans through banks in China. The company's sales through non-traditional channels reached 130 million (US\$19 million) in the first half.
- **Acer Inc. aims to ship 2 million-2.5 million smartphones in 2010.** Acer expects shipments of its smartphones to grow to 20 million units a year by 2012-2014, which would make it one of the world's top five smartphone brands, the paper said, citing Lencquesaing. Acer set up the smart handheld business group in 2008, the paper said. It didn't give Acer's smartphone shipment target for this year.

Semiconductor

- **TSMC is expected to make its largest profit in three quarters in the second quarter, while money-losing rival UMC also returned to profits thanks to growing demand.** Sales of chips used in personal computers, mobile phones and flat-screen TVs could gather speed, partly on back-to-

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



Week of 27 July 2009 - 2 August 2009

school demand into the third quarter, while TSMC may further expand its share of the US\$20 billion chip foundry market. The two companies, which supply chips to fabless chip designers and chipmakers that are stepping up outsourcing to cut costs, have benefited from China's massive stimulus package since early this year that has fuelled consumer spending on electronic devices. Cash-rich companies such as TSMC usually have the ability to spend more on new, more cost-effective production technologies, while second-tier rivals, including Singapore-based Chartered Semiconductor and China's SMIC have limited research spending that could narrow from the previous three months.

- **ASE said its board approved a NT\$450 million (US\$13.7 million) loan to Powerchip which is struggling in the ailing computer memory chip market.** ASE, which has a memory chip packaging joint venture with Powerchip, said in a statement that the loan would have a maturity of one year and Powerchip needs to use part of the shares it owns in Rexchip as a guarantee for the loan. Rexchip is a DRAM venture between Powerchip and Elpida Memory. Earlier this month, Powerchip said it was getting a US\$125 million loan from two other companies.
- **ProMOS had applied to the island's financial regulator to scrap a plan to issue new shares and bonds worth about US\$547 million.** The announcement came a day after the money-losing computer memory chip company said a technology transfer deal with bigger Korean rival Hynix Semiconductor has ended due to its poor financial health. ProMOS was looking for strategic partners for new business opportunities, including making other semiconductor products.

Hong Kong

Telecommunications

- **Sonus Networks Inc. announced that CITIC 1616 has chosen Sonus to transform its network with next generation IP technology.** The new IP-based network will enable greater capacity and efficiency leveraging the platform's centralized routing, diverse media support and secure border control for cost effective IP peering. Sonus Networks Global Services team will design and deliver a next-generation network to support the CITIC 1616 network's expanding base of over 350 telecom network operators in 60 locations worldwide. The project will provide seamless migration to a SIP core and manage the legacy ISUP connections while supporting the multitude of international standards currently in use by CITIC 1616's diverse customer base.
- **Hutchison Telecommunications International Ltd. said it's in talks to sell a stake in its unit in Israel.** Li may exit a market where wireless subscriptions exceed the population in favor of expanding investments in faster-growing Southeast Asia countries. Hutchison Telecom, which booked an US\$8.9 billion gain in 2007 from selling control of its India unit, started a mobile-phone service in Vietnam in April. Israel had a mobile-phone penetration rate, which measures the number of subscriptions versus a nation's population, of 128.3 percent at the end of 2007, compared with Vietnam's 27.2 percent. Partner was little changed at 67.81 shekels at the close in Tel Aviv. There is no assurance a sale may result from the approaches.

Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **Etisalat DB Telecom Pvt Ltd. and Reliance Communications Ltd. signed an agreement worth more than 100 billion rupees (US\$2.2 billion) to share telecom infrastructure India.** Etisalat DB

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



Week of 27 July 2009 - 2 August 2009

which in 2008 received spectrum and licenses to offer telecom services in 15 of India's 22 service areas, will use Reliance Communications' passive and some active infrastructure. Unit Reliance Infratel Ltd. runs the telecom infrastructure business for Reliance Communications. At the end of March, Reliance Infratel had 48,000 telecom towers.

- **Idea Cellular Ltd. expects to break even on EBITDA within two years of commencing operations in the places where it launched mobile-phone services recently.** The company launched operations in Mumbai in August last year and later added the service areas of Bihar, Orissa, Tamil Nadu and Chennai to its coverage list. The industry is yet to face the worst of competition, Aga said during a teleconference with analysts, adding, it would drive average revenue per minute further lower. Telephone-service charges in India are amongst the lowest in the world.
- **The Indian government has imposed penalties on telecom companies including Bharti Airtel Ltd, Reliance Communications Ltd. and Vodafone-Essar Ltd. for violating subscriber-verification norms.** The government also levied penalties on Tata Teleservices Ltd., Idea Cellular Ltd., Aircel Ltd., Sistema Shyam Teleservices Ltd., HFCL Infotel Ltd., Spice Communications Ltd. and BPL Ltd., apart from state-run Bharat Sanchar Nigam Ltd. and Mahanagar Telephone Nigam Ltd., junior Telecom Minister Gurudas Kamat told lawmakers in the lower house of Parliament.
- **Bharat Sanchar Nigam Ltd. has enough cash to meet its immediate funding requirements.** Sachin Pilot, also a junior minister for telecommunications, said BSNL would increase its wireless capacity by about 20 million lines in the fiscal year ending March 31, 2010. BSNL's subscriber-addition pace has been declining in the past few years due to an increase in subscriber base in the country and fierce competition.
- **Tata Teleservices Maharashtra Ltd. said its fiscal first quarter consolidated net loss narrowed as the company gained on higher revenue from passive infrastructure services, foreign exchange fluctuations and the sale of unused fiber capacity.** Net loss for the April-June quarter reduced to 342.6 million rupees (US\$7.1 million). Total revenue rose 2 percent. TTML's revenue from passive infrastructure services rose to 164 million rupees (US\$3.4 million). The company consolidated its subsidiary 21st Century Infra Tele Ltd. which it acquired in July 2008. TTML, like its unlisted parent, Tata Teleservices Ltd., is in the process of rolling out global system for mobile communications, or GSM, operations, which it hopes to complete before end-2009.
- **Singapore Telecommunications Ltd.'s chief executive, Chua Sock Koong, said that the company continues to evaluate investment opportunities in China.** SingTel currently holds significant stakes in six foreign mobile operators: India's Bharti Airtel Ltd., Indonesia's PT Telkomsel, Thailand's Advanced Info Service PCL, Pakistan's Warid Telecom, the Philippines' Globe Telecom Inc. and Pacific Bangladesh Telecom.
- **Australian Prime Minister Kevin Rudd has appointed Mike Quigley to head up the company that will drive the creation of a A\$43 billion (US\$35.16 billion) national broadband network.** Quigley comes to the job from his most recent post as chief operating officer of Alcatel, one of the world's largest telecommunications technology and network deployment companies. Quigley has led the development and integration of large scale fiber-to-the-premise and fiber-to-the-node implementations for some of the largest U.S. carriers. The Australian government is continuing the process to appoint other directors to the board of the company, and expects to be in a position to make further announcements shortly.

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



Week of 27 July 2009 - 2 August 2009

United States/Canada

Networking

- **Broadcom Corp.'s second-quarter profit plunged 90 percent as the company posted a double-digit revenue decline, but the company signaled that business conditions are returning to normal.** Broadcom also offered third-quarter revenue guidance above Wall Street expectations, predicting net revenue of US\$1.12 billion to US\$1.19 billion. Analysts expected US\$1.02 billion. Broadcom expects gross margin to expand 1.25 percentage points from the second quarter. Chief Financial Officer Eric Brandt added that it is way too early to make any projections concerning the fourth quarter. He said it is tough to determine whether the recovery in the chip market will be continue or another drop is ahead, therefore the company will remain cautious.

Media, Entertainment and Gaming

- **Time Warner Inc. informed the Securities and Exchange Commission of its plan to spin off its troubled Internet unit AOL.** The formal notification is a first step ahead of the public listing of AOL, which fused with Time Warner in 2001 in what has been described as one of the most disastrous mergers in corporate history. Time Warner shareholders will own all of the outstanding interests in AOL. An independent AOL would be free to focus on growing its Web brands and services and its advertising business. Time Warner paid US\$283 million to repurchase Google's 5 percent stake in AOL. The value of AOL as a whole can't be calculated from the transaction because the purchase price included other, unspecified payments. Google paid US\$1 billion for its AOL stake as part of a deal to handle searches on AOL's sites. Last year, Google wrote down the value of its stake to US\$274 million, or a US\$5.5 billion valuation for all of AOL.
- **Washington Post Co. posted a second-quarter profit after a loss a year earlier, as a 13 percent gain in revenue at its Kaplan education division countered declines in publishing sales.** Net income of US\$12.5 million compared with a loss of US\$2.7 million in the year-earlier period. Kaplan's sales rose to US\$649.3 million from US\$576.5 million, accounting for 58 percent of total revenue. Kaplan benefited from demand for its higher-education programs. Washington Post pared sections at its namesake newspaper and completed 220 buyouts announced in March to cope with declining revenue during a pullback in advertising. Union workers agreed last month to a contract that may permit the publisher to eliminate more senior positions.
- **McGraw-Hill Cos. reported second-quarter profit fell 23 percent US\$164.1 million and cut its 2009 sales forecast.** Expenses for job cuts and losses from an asset sale lowered earnings by 6 cents a share in the period. The company is exploring options for BusinessWeek magazine, which reported a 34 percent drop in ad pages in the quarter. Revenue at McGraw-Hill's education unit fell 17 percent, the steepest decline among the company's three main businesses, as states scaled back spending on textbooks because of budget constraints. McGraw-Hill said new U.S. funding for education had a negligible impact in the second quarter.
- **Viacom Inc. reported second-quarter financial results with profit dropped 32 percent to US\$277 million from US\$407 million same and said there are signs the U.S. advertising market is improving.** Revenue declined 14% to US\$3.3 billion, falling short of expectations for \$3.5 billion. U.S. ad revenue fell 6 percent at the cable networks, including VH1 and Comedy Central, after declining 9 percent in the first quarter. The abating slump helped Viacom's channels sell advanced ad spots, which are offered months before new episodes begin to air. Chief Executive Officer Philippe

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



Week of 27 July 2009 - 2 August 2009

Dauman said the networks have sold most of their advanced spots at prices and volumes he's pleased with.

- **Time Warner Cable Inc. predicted slower subscriber and revenue growth in the second half of the year, citing the extended economic slump and increased competition.** Advertising sales probably will drop in the next two quarters, partly because of the recession. The company also is vying more with satellite-television operators and phone companies for customers, he said. Subscriber trends in the current period will be similar to last quarter's only with higher marketing and programming costs, which may hamper profit margins, Marcus said. Last quarter, Time Warner Cable added 204,000 net new customers for Internet, phone and digital TV, short of the 240,000 projected by Miller Tabak & Co. analyst David Joyce.
- **Megacable Holdings SAB said that its second-quarter net profit fell 10 percent as higher taxes offset a big increase in financing income.** Net profit was 503.2 million pesos (US\$38 million). Sales grew 19 percent, while operating income rose just 1 percent due to soaring cost of services and operating expenses. The company booked net financing income of MXN161 million (US\$12.2 million). Megacable, which operates in 24 states and more than 200 communities, ranks as one of Mexico's largest cable TV companies following a string of acquisitions in recent years. The company had 2.31 million revenue-generating units - a measure of service users - at the end of June, an 18 percent increase from the year-ago period.

Telecommunications

- **MPAM Wireless Inc., an affiliate of Matlin Patterson Global Opportunities Partners III L.P., has submitted a proposal to acquire substantially all of Nortel Network Corp.'s CDMA and LTE Access assets for US\$725 million.** Nortel agreed last month to sell these assets, which comprise its wireless business, to Nokia Siemens Networks for US\$650 million. Nokia Siemens Networks is a venture of Nokia Corp. and Siemens AG. Alternative bids were due and are part of the bankruptcy court's process to see if the assets can fetch a higher price before the court approves the sale. BlackBerry maker Research In Motion Ltd. was prepared to bid US\$1.1 billion for Nortel's wireless assets being auctioned off this week, plus other unspecified assets, but was blocked from doing so. Nortel's CDMA business remains highly valuable and will continue to generate strong cash flow for many years to come. It believes Nortel's CDMA and LTE Access assets can emerge from bankruptcy as a reinvigorated, independent company.
- **Telmex Internacional (Telint) more than doubled its net profit in the second quarter as higher sales and operating profit were complemented by exchange gains from the appreciation of the Brazilian real.** Telint, controlled by Mexican billionaire Carlos Slim, made net profit of 2.69 billion pesos (US\$204 million) in the April-June period. Revenue in the quarter rose 17 percent with solid gains in local phone service, Internet, corporate networks and pay television offset by low growth in domestic long distance and a 0.4 percent drop in international long-distance revenue. The company had 17.2 million revenue-generating units - or subscriptions to phone, Internet or TV service - at the end of June, a 5.5 percent increase from the end of the first quarter and 37 percent more than a year ago.
- **Verizon Communications Inc. posted a 21 percent drop in profit after pension expenses mounted and business customers cut phone lines.** The carrier plans to trim more than 8,000 jobs in the second half. Second-quarter net income fell to US\$1.48 billion. Pension and acquisition costs amounted to 11 cents. Verizon, which trails only AT&T Inc. in total subscribers, said sales rose 11 percent to US\$26.9 billion, boosted by Verizon's purchase of Alltel Corp. Revenue from Verizon's

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



Week of 27 July 2009 - 2 August 2009

global enterprise business dropped 6.7 percent. U.S. employers trimmed almost half-a-million jobs in June, shrinking the pool of possible customers.

- **Rogers Communications Inc.'s second-quarter earnings came in ahead of year-earlier results, with C\$374 million (US\$315.7 million) from C\$301 million (US\$265.7 million) last year same quarter, though revenue fell 3 percent and the company lowered its revenue guidance for the year.** The media giant attributed the lower revenue forecast to greater-than-expected media advertising revenue declines related to the economic downturn and lower-than-expected wireless equipment revenue. Revenue rose to C\$2.89 billion (US\$2.44 billion) from C\$2.80 billion (US\$2.47 billion), but below analyst estimates of C\$2.94 billion (US\$2.73 billion). It left other key financial guidance unchanged. Rogers expects 3-8 percent in year-over-year consolidated EBITDA growth for 2009 and wireless EBITDA growth of 5-9 percent. However, in the first half of this year, Rogers' posted consolidated EBITDA growth of 1 percent and a decline in wireless EBITDA of 1 percent. Rogers is now projecting 2009 revenue will be up 2%-4% from 2008 levels, down from its previous forecast of a 5%-9% improvement. In 2008, revenue totaled C\$11.34 billion (US\$11.34 billion). It expects Media revenue will now be down about 4%-10%, while adjusted operating profit from the division will drop 40%-60% from 2008.

Internet

- **AOL's new chief executive, Tim Armstrong, plans to detail his strategy for reviving the struggling Internet company.** Mr. Armstrong says he will highlight several goals, including making AOL the market leader in online display advertising and one of the world's biggest producers of digital content, such as Web sites and online video. AOL, which is preparing to be spun off from Time Warner, trails Google, Yahoo and Microsoft in ad revenues and traffic to its sites. Other areas of focus for AOL will include local online media such as online mapping and community news and digital communications, building on the company's email and instant-messaging services. He also plans to create a new-ventures business unit to house fledgling projects and acquisitions, such as social-networking site Bebo, which AOL acquired for US\$850 million last year.
- **Patch Media CEO Jon Brod has taken over the new venture arm of the Time Warner online unit.** Patch is a hyperlocal community news site, in which Armstrong was the major investor. It was bought by AOL in June for just under US\$10 million. Like recently installed AOL advertising head Jeff Levick, who worked with Armstrong at Google, Brod has also known him for a long time. He ran Patch for Armstrong and was president and chief operative officer of Polar Capital Group, Armstrong's private investment company that is focused on the media, technology and sports sectors. Previous to that, Brod also worked as an exec at InterActive Corp. and even the National Basketball Association.
- **Microsoft Corp. and Yahoo! Inc. agreed to collaborate in the Web search and online advertising market, creating a united front to challenge Google Inc.** Under the 10-year agreement, Yahoo will use Microsoft's Bing search engine on its Web sites. Yahoo, in turn, will sell ads that appear next to the Web-search results and the companies will share the revenue. The agreement gives Microsoft, the world's largest software maker, more users for Bing, which has about an eighth of Google's market share in the U.S. The accord means Yahoo Chief Executive Officer Carol Bartz can cut capital spending and funnel that money to fighting new competitors such as Facebook Inc.

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



Week of 27 July 2009 - 2 August 2009

Semiconductors

- **Qualcomm Inc.'s quarterly revenue dropped to US\$2.75 billion and profit declined 1.5% from a year earlier to US\$737 million, though the chip maker's results showed signs that the market for cellphones is starting to rebound.** Unit sales of its chips for cellphones grew 9 percent in its fiscal third quarter from a year earlier. It also raised estimates for revenue and operating income for its current fiscal year, which ends in September. Full year revenue is expected to be around US\$10.25 billion. The chip maker, which gets a big share of its profit from licensing rights to its patents, has suffered along with other suppliers due to the slowdown in the cellphone market. Market-research firm iSuppli estimated that total revenue for chips used in handsets and other wireless products will decline nearly 27 percent in 2009.
- **ST-Ericsson reported a US\$213 million net loss in the second quarter and stuck to its annual cost-saving plan.** ST-Ericsson started operating in February 2009. For its first two months, the company in April reported a net loss of US\$89 million. It didn't provide a pro-forma comparative figure for the second quarter. The joint-venture also reported an operating loss of US\$224 million for the second quarter, wider than the US\$94 million loss a year earlier, the company's pro-forma calculation of what its performance would have been a year earlier had the JV been operating. Revenue was US\$666 million compared with the pro-forma US\$966 million a year earlier.
- **Advanced Micro Devices Inc.'s spin-off Globalfoundries began construction on a US\$4.2 billion chip manufacturing facility in New York.** The foundry will compete with the likes of Taiwan Semiconductor Manufacturing Co Ltd., which currently works with AMD arch-rival Intel Corp to make Atom chips for netbooks.

Software

- **VMware Inc.'s second-quarter profit dropped 38 percent as sales of virtualization software to large corporate customers remained challenging but still beat Wall Street's sales and profit estimates.** VMware is shoring up earnings through cost management, despite falling or flat revenues. But concerns remain that company will have difficulty getting revenue growth back to the super-charged levels of previous years. VMware dominates the market in virtualization technology, but growing competition from Microsoft, Citrix Systems and the Linux community has remained a concern for VMware. The company's sales came in at US\$456 million, flat from the same period last year but beating analysts' estimate of US\$452.1 million. VMware also posted non-GAAP earnings of 20 cents a share on net income of US\$80 million, down from 23 cents a share and US\$92 million last year. Analysts surveyed by Thomson Financial had expected earnings of 19 cents a share.
- **McAfee Inc. reported second-quarter profit that beat analysts' estimates after customers renewed subscriptions and added programs that safeguard data.** Net income was US\$28.7 million, or 18 cents a share, Santa Clara. Excluding some costs, profit of US\$0.60 cents topped the US\$0.5 average of estimates in a Bloomberg survey. Chief Executive Officer Dave DeWalt attracted customers after signing deals with personal-computer makers and Internet- service providers to offer trial versions of McAfee's programs. McAfee also is luring businesses away from larger rival Symantec Corp., which reported profit and sales that fell short of estimates. Sales gained 18 percent to US\$468.7 million last quarter. Analysts estimated US\$467 million.
- **Symantec Corp. forecasted profit and sales that missed analysts' estimates.** Excluding some costs, profit will be US\$0.32-0.34 cents a share in the fiscal second quarter, which ends in October. Businesses are opting for less costly, shorter-term licensing deals, crimping Symantec's sales. The

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



Week of 27 July 2009 - 2 August 2009

company needs to do a better job selling more programs to existing customers, he said. Its programs store data, encrypt files and protect against malicious code. The company reports sales that include revenue from acquired companies. On that basis, sales fell to US\$1.44 billion in the first quarter. Analysts estimated US\$1.48 billion.

- **IBM agreed to buy SPSS Inc. for about US\$1.2 billion in cash to gain software that helps businesses analyze and predict trends.** The per-share price is US\$50, a 42 percent premium on SPSS's closing stock price. The US\$1.2 billion price includes convertible debt, restricted share units and other items. IBM, led by Chief Executive Officer Sam Palmisano, will use the purchase to bolster the software business, where profit margins are more than twice as big as in services.

Hardware

Corning Inc. posted an 81 percent drop in profit and signaled demand isn't recovering as fast as some analysts had predicted. Net income slid to US\$611 million with sales fell 18 percent to US\$1.4 billion. Corning predicted its third-quarter glass shipments will be unchanged or increase "slightly" from last quarter, suggesting slowing demand. Shipments last quarter jumped 66 percent as demand for flat-panel TVs rebounded. Prices won't recover this quarter, the company projected. Corning restored its liquid-crystal display TV glass plants to 75 percent capacity from less than 50 percent earlier in the year as demand recovered.

- **Agilent Technologies Inc. agreed to buy Varian Inc. for US\$1.5 billion in cash to add instruments used in the study of atoms and molecules.** The purchase will expand Agilent's product line into atomic and molecular spectroscopy. The company is seeking new sources of revenue after sales dropped for two straight quarters. Agilent will cut 2,700 jobs, more than a tenth of the total, as it restructures the electronic-measurement business.

Mobile/Wireless

- **Research In Motion Ltd. still wants Nortel Networks Corp.'s wireless assets, even though L.M. Ericsson Telephone Co. won an auction for the assets.** RIM said it remains interested in acquiring certain Nortel assets. The government has the authority and responsibility to get involved to protect vital Canadian interests. RIM appreciates the stated willingness of the Minister of Industry to review the situation following the results of the auction. RIM stands ready to engage. Ericsson, the Swedish telecom-equipment company, won the auction for the assets with a US\$1.13 billion over rival equipment vendor Nokia Siemens and private-equity firm MatlinPatterson III LLP.
- **Sprint Nextel agreed to acquire Virgin Mobile USA for US\$483 million.** The figure includes the value of Sprint Nextel's existing 13.1 percent stake in the MVNO. Virgin Mobile USA piggybacks on Sprint Nextel's network and was formed as a joint venture between Sprint and Virgin Group in 2001. Following the acquisition, Virgin Mobile USA will become part of Sprint Nextel's newly-formed prepaid business, which will be headed by current Virgin Mobile USA chief executive Dan Schulman and will also incorporate Sprint's Boost Mobile unit. However, Virgin Mobile USA and Boost Mobile will continue to operate as separate brands, each with a distinctive offer, style and appeal to different customer demographics. The deal puts Sprint Nextel in a strong position to benefit from the current market dynamic in the U.S.
- **Motorola reported a small second-quarter profit as a number of one-off gains and the company's cost cutting plans helped offset ongoing declines at its troubled mobile phone business.** The vendor reported net earnings of US\$26 million, or US\$0.01 per-share for the three months ended 4 July, up from US\$4 million, or flat earnings per share during the same period a year

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



Week of 27 July 2009 - 2 August 2009

earlier. Motorola's results were boosted during the quarter by its aggressive cost-cutting plans - including 8,000 job cuts - and the company is now expected to reduce operating expenses by US\$1.8 billion in 2009, up from its original projection of US\$1.7 billion. US\$1.4 billion of those savings are will come from its Mobile Devices business.

Europe

Mobile/ Wireless

- **Mobile Streams PLC said first-half 2009 revenue fell 23 percent but it still generated a small trading profit in line with a year earlier, adding that Finance Director James Colquhoun is resigning to pursue a new opportunity.** The mobile content retailer cited the continued restructuring of its mobile content business which is moving from mobile operator services to mobile internet services for the fall in revenue. Mobile internet services contributed 9 percent to first half revenue. In the first half year, Mobile Streams made considerable progress in launching new mobile internet services, and for the first time achieved profitability in its U.K. services. The company has seen several new launches and made progress in its other key markets such as Argentina.
- **MobiTV is now aggressively pursuing opportunities for its technology in international markets.** The company worked with Orange and Hutchison Whampoa's 3 UK around two and a half years ago, but decided to withdraw to the U.S. to focus on developing its core technology. MobiTV is working with an operator in Germany that might license its technology, and is also looking at a franchise model for markets in Asia and the Middle East. MobiTV will be primarily technology-led in international markets. It will not replicate its U.S. business model of licensing and aggregating channels that can then be offered as a MobiTV or white-label TV service by mobile operators.

Semiconductors

- **STMicroelectronics NV forecast third-quarter revenue will rise as much as 14 percent from the previous three months amid encouraging orders and indications of a recovery in demand.** Sales in the current period will rise to between US\$2.07 billion and US\$2.27 billion from US\$1.99 billion in the previous quarter. That compares with an average estimate of US\$2.01 billion in a Bloomberg survey of analysts.

Telecommunications

- **Telecom Italia SpA's executive Giovanni Stella, who is responsible for the phone group's asset sales, is working on the sale of German broadband unit Hansenet and sees a final decision by September.** Telefonica SA's O2 Germany unit and U.K.'s Vodafone Group PLC have confirmed they have expressed interest in Hansenet. A person familiar with the matter told Dow Jones Newswires in March that Germany's United Internet is also among telecom operators that are interested in Hansenet. Hansenet had 2.34 million broadband customers as of end-2008 in Germany.
- **Vodafone chairman John Bond said that there is no sale process going on for Deutsche Telekom AG's U.K. mobile unit T-Mobile.** The comment comes amid rampant speculation that Vodafone is running the rule over the beleaguered T-Mobile unit, which has suffered operational problems that have forced its parent company to take an impairment of 1.8 billion euros (US\$2.5 billion) on the unit. A deal to acquire T-Mobile U.K., which has around 16 percent of the market, compared with Vodafone's 25 percent, would catapult the operator above market leader Telefonica's O2, which has 27 percent, and lift margins not only for Vodafone, but also its remaining rivals.

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



Week of 27 July 2009 - 2 August 2009

- **Carphone Warehouse PLC showed resilience in both its retail and telecoms businesses in the first quarter and reiterated its guidance, creating a solid platform for a de-merger in March 2010.** In the last two years the group has reshaped its business, spinning off its mobile phone retail offering into a joint venture with Best Buy Co. Inc. which is navigating the recession with a little help from Apple's iPhone; and building a fixed line broadband business, TalkTalk, albeit with a leg-up from its recent acquisition of Tiscali U.K. The upshot of the reorganization is an anticipated demerger of the two operations that would crystallize shareholder value, creating a specialist retailer with stores throughout Europe and a fixed-line provider to rival BT Group PLC.
- **Tele2 AB will aim in the coming quarter to maintain its tight cost discipline and to win new customers by offering good services at an attractive price.** The Swedish telecom operator posted a consensus-beating net profit of 1.14 billion Swedish kronor (US\$149 million) for the second quarter, helped by strong customer growth in Russia. Strict cost control in service roll-outs and purchases contributed to the second-quarter result, and added that the tough economic situation in Russia has increased customer interest in its low-cost services.
- **Turkey will reach a 3G telecommunications penetration rate of 20 percent within one or two years.** Turkcell said it could have a stronger competitive advantage if it pools 3G infrastructure investments with its rivals Avea and Vodafone Group PLC's local unit. Turkcell is open to the idea of pooling infrastructure investment to establish a new third-generation network with its rivals Avea and Vodafone Turkey.
- **Telenor ASA said second-quarter net profit fell on heavy impairment losses, but EBITDA improved, indicating a solid performance in core markets despite the economic downturn.** Telenor posted a 1.4 billion Norwegian kroner (US\$220 million) net profit for the three months to June 30. The result was hit by impairment losses of 1.97 billion kroner (US\$315 million) on goodwill in Telenor Serbia. Telenor provides voice, data, content and other communication services in 13 countries across Europe and Asia.
- **France Telecom will consider acquiring the Polish government's 4.15 percent stake in telecom company Telekomunikacja Polska SA after the government said it would sell.** Poland's government announced plans to sell stakes in strategic companies such as TPSA, in an effort to plug a hole in the budget without raising taxes or introducing austerity measures. France Telecom currently holds 49.8 percent in TPSA.
- **Vivendi SA is talking to banks about raising 4.5 billion euros (US\$6.3 billion) in loans to back the potential purchase of a majority stake in the African activities of Zain Group.** The loan financing is likely to be evenly divided between three parts comprising a 12-month loan, an 18-month loan and a two-year loan facility. Societe Generale is likely to be one of the coordinators of the financing, with Calyon advising. Vivendi is also reviewing its option for financing the deal through the bond and equity markets. Vivendi is in talks to buy a majority stake in the African activities of Kuwait's Mobile Telecommunications Co., better known as Zain, as the French company seeks to broaden its emerging market footprint. A successful deal would expand Vivendi's telecom operations into territory where other European operators, such as France Telecom SA and Vodafone Group PLC have gone in search of faster-growing markets. Zain had hired UBS to undertake a strategic review of its African operations which could lead to the sale of this business. The African operations are likely valued around US\$10 billion.
- **Telfon AB L.M. Ericsson will pay US\$1.13 billion to acquire the most profitable piece of Nortel Networks Corp. after winning an auction for the assets.** The assets Ericsson is buying

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



Week of 27 July 2009 - 2 August 2009

include Nortel's profitable but declining CDMA business, which sells a key wireless technology to major U.S. carriers, and a group of 400 researchers working on a high-end broadband technology. The sale must be approved by bankruptcy courts in the U.S. and Canada, as well as by regulators. Nortel will ask bankruptcy courts in the U.S. and Canada to approve the sale July 28. The auction drew three competitors - Ericsson, Nokia Siemens Networks and distressed-debt investor MatlinPatterson Global Advisers LLC, which is among Nortel's largest bondholders. Nokia Siemens set off the auction process this spring with an unsolicited US\$650 million bid.

Media, Gaming and Entertainment

- **British Broadcasting Corp. and two other TV networks ended an ill-fated attempt to establish a commercial Internet TV service in the U.K. when they agreed to sell the technology behind the idea to Arqiva Ltd.** Known as Project Kangaroo, it was designed as a version of the BBC's highly successful iPlayer Internet TV service, which allows users in the U.K. to download almost any BBC TV broadcast from the previous week. The BBC's commercial arm, BBC Worldwide, was working with ITV PLC and Channel Four Television Corp. to create a commercial version of the service that would generate profits by showing ads alongside the TV show. However, Kangaroo was effectively killed in February when the Competition Commission, Britain's anti-trust regulator, ruled the project would give too much power to the three networks funding it. Most of its staff were laid off.
- **Bertelsmann AG will form a joint venture with private equity fund KKR & Co. for music rights management.** Germany-based Bertelsmann will own 49 percent of the venture and KKR will hold 51 percent. The venture will be developed from Bertelsmann's BMG Rights Management unit. KKR, run by Henry Kravis and George Roberts, will invest in a new holding company to be set up for BMG Rights Management. The joint venture will seek to grow in part through acquisitions. Hartwig Masuch, chief executive officer of BMG Rights Management, will continue as CEO of the new company.
- **Virgin Media Inc. will carry the new channel of Walt Disney Co.'s ESPN unit, which last month won the rights to show top English soccer matches.** Virgin Media's 3.5 million digital television customers can get the channel in both standard and high-definition quality starting on Aug. 3. Earlier this month, ESPN reached a deal to offer the channel on the platform of British Sky Broadcasting Group Plc. ESPN won the U.K. rights to show English Premier League soccer games for the next several seasons in June, after former rights holder Setanta Sports failed to make a payment.

Software

- **SAP AG raised its full-year forecast for profitability, as job cuts help to make up for falling revenue.** The target for full-year non-GAAP operating margin was raised to between 25.5 percent and 27 percent. The company previously predicted a margin of 24.5 percent to 25.5 percent. SAP eliminated 2,800 of the 3,000 jobs it plans to cut this year to help make up for slowing sales. SAP said costs linked to the measures, the first since it was founded in 1972, will be 200 million euros (US\$283 million), at the low end of its previous prediction. SAP has made 500 million euros in cost savings and aims for 600 million euros to 700 million euros a year.

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



Week of 27 July 2009 - 2 August 2009

South Africa/Middle East/Latin America/South America

Telecommunications

- **Zain Group posted a 4 percent leap to 154.5 million dinars (US\$533.5 million) in first-half net profit and expects currency stability in Africa to lift earnings in the second-half of the year.** The results were broadly inline with analyst expectations. The company's earnings per share for the first-half was US\$0.14. Zain's customer base surged 37 percent to 69.5 million, from 50.74 million in 2008.
- **Embratel Participacoes reported a second-quarter net profit of 403.4 million Brazilian reals (US\$213 million).** Embratel attributed the increase of its net profit in the second quarter, among other factors, to the appreciation of the Brazilian real versus the U.S. dollar, which reduced its debt costs in the period. The company's earnings before interest, taxes, depreciation and amortization, or Ebitda, totaled 660.3 million reals (US\$354.1 million) in the second quarter. Embratel's Ebitda margin ended the period at 25.8 percent, up from 23.5 percent in the previous period. The company reported second quarter net revenue was up 9.4 percent from a year earlier.
- **America Movil SAB will probably invest US\$3 billion in its operations next year, depending on the uptake of data services by its clients.** America Movil has budgeted about US\$3 billion in capital expenditures this year as part of its plan to invest US\$12 billion between 2008 and 2010. The company made half of its three-year capital expenditures last year when it spent US\$5 billion on infrastructure, including advanced third-generation data networks, and US\$1 billion for wireless licenses. America Movil spent billions of dollars in 2007 and 2008 to deploy 3G networks in nearly all of its markets to support mobile broadband services, which it sees as a key growth market in the years ahead. America Movil is expanding its line-up of wireless access devices such as Apple Inc.'s iPhone and netbook computers for wealthier post-paid clients and low-income pre-paid subscribers as it bets on a mobile broadband boom in the region.
- **Seacom switched on its new submarine fiber cable linking for the first time east Africa to Internet backbones via India and Europe.** The 17,000-kilometre network has landing points in South Africa, Mozambique, Madagascar, Tanzania and Kenya, and paves the way for operators to begin offering high-speed broadband services between east Africa and the rest of the world. Unlike other cable systems, Seacom either owns a controlling stake in the landing point, or pays a fee to the owner, which allows it to set non-discriminatory wholesale prices, therefore opening up the cable to competing operators. By contrast, on the west coast of Africa, the SAT-3/WASC/SAFE cable is controlled by incumbent operators at its landing points, through their membership of the SAT-3/WASC/SAFE consortium
- **Vodacom Group Ltd. grew its revenue 12 percent in the first three months of its financial year as it added customers across its operations.** However, the pace of subscriber growth is set to slow in the remaining quarters of the year to the end of March now that operators must go through the process of registering customers in Vodacom's three largest markets. The company, which is 65 percent owned by Vodafone Group PLC, said first-quarter revenue of 14.2 billion rand (US\$1.85 billion) reflected growth of 8.2 percent in its home market, which offset an 8.1 percent decline at its other operations in Africa. Revenue in Tanzania and the Democratic Republic of Congo continued to be affected by weak economic conditions, strong competition and higher excise duties, although Mozambique and Lesotho delivered growth.

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



Week of 27 July 2009 - 2 August 2009

- **The number of mobile-telephone subscribers in Colombia fell to 40.82 million at the end of June, down 1.4 percent from 41.41 million at the end of March as the second-largest operator, Spain's Telefonica SA, lost customers.** Comcel, the Colombian unit of Mexico-based America Movil SAB, grabbed the biggest slice of the market with 27.93 million subscribers, up from 27.84 million at the end of March, the regulator said. Comcel controlled 68.4 percent of the Colombian market, up from 67.2 percent three months earlier. There are about 45 million people living in Colombia. Comcel took market share from its main competitor, Telefonica's local unit.
- **Axtel SAB said that its second-quarter net profit doubled to 485.8 million pesos (US\$36.7 million), thanks to foreign exchange gains.** The net profit was Revenue fell 6.4 percent, while operating income dropped 21 percent. EBITDA margin expanded to 36.5 percent from 34.1 percent. Axtel had 915,000 lines in service and 123,000 broadband users at the end of June. About 86,000 clients were receiving service over the firm's new WiMax wireless broadband network. Axtel is one of several rivals to Telefonos de Mexico SAB, which has about 17.5 million lines in service.
- **Telefonos de Mexico SA said that its second-quarter net profit fell 4.3 percent from the year-ago quarter, as revenue fell amid the economic crisis.** Net profit was 5.92 billion pesos (US\$447.1 million). Sales fell 3.7 percent year-on-year as lower income from local and long-distance telephone service outweighed a 27 percent rise in Internet revenue. Telmex disconnected 99,000 lines during the second quarter, bringing total lines in service at the end of June to 17.41 million. The company's broadband Internet business added 378,000 accounts, bringing the total accounts to 5.90 million.
- **Vivo Participacoes SA reported a second-quarter profit of 172.4 million reais (US\$91.7 million) after the company lowered expenses and expanded coverage nationwide.** The profit compares with a loss of 63.9 million reais (US\$34.3 million) a year earlier. Net income beat every estimate in a Bloomberg survey of seven analysts. Revenue rose 3.8 percent. Vivo bolstered its sales and customer ranks after debuting in Brazil's northeast region and acquiring Telemig Celular Participacoes SA, a carrier operating in Brazil's second-largest state.

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



Week of 27 July 2009 - 2 August 2009

Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 7/31/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	94.6600	-0.1%	-1.7%	2.6%	-15.9%
Hong Kong dollar	HK\$/ US\$	7.7499	0.01%	0.0%	-0.004%	-0.7%
Chinese renmenbi	RMB/ US\$	6.8319	0.01%	0.02%	0.1%	-6.5%
Singapore dollar	S\$/ US\$	1.4380	-0.1%	-0.6%	-1.6%	-0.5%
South Korean won	KRW/ US\$	1,222.2000	-1.8%	-4.0%	-7.2%	30.6%
New Taiwan dollar	NT\$/ US\$	32.8000	0.0%	-0.1%	0.1%	0.9%
Australian dollar	US\$/A\$	0.8351	2.2%	3.5%	17.6%	-4.5%
New Zealand dollar	US\$/NZ\$	0.6615	0.9%	2.4%	13.1%	-14.5%
Philippine peso	PHP/ US\$	47.9700	0.0%	-0.3%	1.6%	16.4%
Euro	US\$/€	1.4247	0.3%	1.5%	2.7%	-3.2%
British pound	US\$/£	1.6718	1.8%	1.5%	15.1%	-16.1%

Fixed Income Prices and Yields

Note	Currency	Current (on 7/31/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	99.19	4.35%	95.23	4.60%	98.64	4.33%
Japan 30-year	¥	99.47	2.34%	99.13	2.36%	101.98	2.18%
Hong Kong 10-year	HK\$	101.16	2.52%	100.30	2.62%	98.69	2.72%
China (06/16)	US\$	110.51	3.00%	111.57	2.90%	111.57	2.90%
Singapore 10-year	S\$	100.77	2.43%	99.73	2.55%	99.20	2.59%
South Korea 20-year	KRW	10,193.89	5.60%	10,229.52	5.56%	10,248.69	5.43%
Australia 15-year	A\$	100.44	5.70%	99.48	5.81%	100.26	5.98%
New Zealand (12/17)	NZ\$	101.47	5.86%	101.34	5.88%	101.75	5.55%
Philippines 20-year	PHP	102.97	9.38%	103.09	9.36%	102.53	9.22%
India 30-year	INR	88.15	8.05%	88.30	8.01%	88.85	7.80%
UK 30-year	£	103.92	4.56%	102.41	4.65%	105.85	4.40%
Germany 30-year	€	104.42	3.98%	100.40	4.22%	101.09	4.20%

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