



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

Week of 28 June 2010 - 2 July 2010

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



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Equity Market Indicators					
Index	Closing Level (7/2/2010)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2009	% Change 12/31/2008
S&P 500	1,022.58	-5.0%	-4.5%	-8.3%	13.2%
Dow Jones Industrial Avg.	9,686.48	-4.5%	-3.4%	-7.1%	10.4%
Dow Jones Tech. Index	359.90	-5.1%	-5.3%	-10.6%	43.2%
Dow Jones Telecom. Index	195.00	-1.8%	1.4%	-11.2%	-2.4%
NASDAQ Composite	2,091.79	-5.9%	-5.9%	-7.8%	32.6%
Japan Nikkei 225	9,203.71	-5.5%	-5.2%	-12.7%	3.9%
JASDAQ	50.95	-2.0%	-1.0%	5.4%	5.7%
Japan Mothers	385.19	-4.4%	-6.8%	-7.5%	19.1%
Korea KOSPI Composite	1,671.82	-3.4%	2.5%	-0.7%	48.7%
Korea Kosdaq	485.69	-2.5%	-0.6%	-5.4%	46.3%
Taiwan Stock Exchange	7,330.74	-1.9%	0.6%	-10.5%	59.7%
Singapore Straight Times	3,398.59	-1.8%	3.3%	13.6%	92.9%
Hong Kong Hang Seng	19,905.32	-3.8%	2.1%	-9.0%	38.4%
Hong Kong GEM	757.76	-3.9%	-1.0%	11.9%	96.6%
China Shanghai (A-Share)	2,497.79	-6.7%	-7.3%	-27.3%	30.7%
China Shenzhen (A-Share)	969.89	-10.1%	-9.1%	-23.1%	66.8%
China Shanghai (B-Share)	210.03	-6.9%	2.5%	-16.8%	89.4%
China Shenzhen (B-Share)	553.28	-4.3%	1.3%	-11.6%	104.0%

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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

Networking

- **In the first quarter of 2010, shipments of servers in the Asia Pacific region grew 27.3 percent year-on-year to reach 371,060 units according to Gartner.** Vendor revenue boosted 8.8 percent year-on-year, generating US\$1.76 billion. The server market in Asia Pacific has recorded the fastest growth compared to other regions worldwide. The economic recovery in this region continued during the first quarter and firmed up business confidence across different segments, including small and medium businesses (SMBs). Server revenue had year-on-year growth across Gartner's five sub-regions in Asia Pacific, with Australia and New Zealand and Association of Southeast Asian Nations (ASEAN) leading the pack with increases of 36.4 percent and 17.6 percent, respectively.

Japan

Hardware

- **Nintendo's DS and Sony's PlayStation Portable handheld players led a 4.9 percent decline in U.S. video-game sales to US\$823.5 million in May.** Sales of the touch-screen DS fell 39 percent, while PSP sales declined 41 percent. Overall sales of video-game hardware slumped 20 percent to in May. Portable game players are facing increasing competition from Apple's iPhone, iPad and iPod Touch, as consumers look to devices that connect to the Internet and allow downloads of music, video and applications. Nintendo launched a new version of the DS. The firm sold 334,800 Wii consoles in the U.S. in May, a 16 percent gain from a year earlier. Sales of Sony's PlayStation 3 rose 18 percent to 154,500 units in May, while those of Microsoft Corp.'s Xbox 360 climbed 11 percent to 194,600 units.
- **Sony Corp. and three other Japanese firms established a new firm to lay the groundwork for selling and distributing electronic books amid growing demand for digitized content.** The new firm will come up with ideas for a common electronic platform for distributing digitized books, comics, magazines and newspapers via smartphones and other channels. From around October, it will start building and operating such a platform, with the distribution service targeted to begin by the end of this year. Sony, KDDI, Toppan and Asahi Shimbun had the establishment of the firm, in which the four have equal stakes of 25 percent. The new firm has a starting capital of 30 million yen (US\$342 million).

Semiconductors

- **Sanyo Electric Co. plans to sell its unprofitable semiconductor unit Sanyo Semiconductor Co. to U.S. chip maker ON Semiconductor.** Sanyo is in talks with ON Semiconductor over the price of the deal and other details and aims at reaching agreement by the end of this month. The deal is expected to be worth 20-30 billion yen (US\$228 - \$342 billion). The sale will be Sanyo's second restructuring move after it became a subsidiary of Panasonic Corp. last December, following the sale of its distribution unit. Sanyo plans to sell all shares of Sanyo Semiconductor to the U.S. firm, while seeking to have the latter retain the workforce at the wholly owned subsidiary.

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Telecommunications

- **Softbank Corp. will book an additional corporate tax payment of 26.5 billion yen (US\$302 million) for the April-June quarter due to a payment order received by its subsidiary Yahoo! Japan Corp.** The additional tax payment will push down Softbank's net profit in the quarter by 24.8 billion yen (US\$282.9 million). The payment order from the Tokyo Regional Taxation Bureau relates to Yahoo! Japan's acquisition of Softbank's data center and network business unit in February 2009.

Internet

- **The B2C joint venture established by Chinese search engine company Baidu.com and Japanese e-commerce operator Rakuten is scheduled to commence in-house tests and come into official operation in third quarter this year.** The online mall will provide customers with high-quality merchandises produced by well-known Chinese and foreign brands as well as small- and medium-sized enterprises. Baidu and Rakuten disclosed that they will invest US\$50 million in the JV, with Rakuten and Baidu taking up 51 percent and 49 percent stake, respectively.

Korea

Telecommunications

- **SK Telecom Co. Ltd. will acquire a 25.8 percent stake in Packet One Networks (Malaysia) Sdn. Bhd. for US\$100 million.** The deal will make SK Telecom the second-largest shareholder in Packet One after Green Packet Bhd., which will own a 57.1 percent stake on completion of the exercise. The partnership will allow SK Telecom to expand its global presence while giving Packet One the capital it needs to expand its WiMAX high speed broadband network in Malaysia. The company needs 280,000 customers to break even, which it expects to occur by the fourth quarter of this year.
- **LG Uplus Corp. aims to reach a profit of 1 trillion won (US\$816 million) by 2014 by improving its healthcare and banking.** LG Uplus was renamed as it absorbed LG Dacom Corp. and LG Powercom. The firm is eyeing on 20 projects which would see its telecom services utilized in new ways. The business would help the firm to generate around 1 trillion won (US\$813 million) in annual sales two or three years from now. The firm had operating profit of 582.7 billion won (US\$474 million) in the first quarter while sales were 2.42 trillion won (US\$1.9 billion). The firm started reporting all its consolidated figures based on International Financial Reporting Standards, or IFRS. The firm will offer around seven to eight of smart phones this year, most of which will be running Google's Android operating system.

Hardware

- **Samsung Electronics Co. expects sales of its flat-screen TVs to reach 45 million to 50 million units this year, revising up its earlier target by about 20 percent on higher demand.** An insufficient supply of 3D TV panels is limiting its ability to set an even more aggressive goal. Suppliers of 3D TV panels are able to meet only 80 percent of the demand from 3D TV makers such as Samsung and Sony. It will take another one or two months to resolve the shortage issue. Samsung was targeting 40 million flat-screen TV sales, including 35 million LCD TVs. Sales outlook will be limited. The firm will have common currency's weakness. Yoon's remark came as Samsung introduced a paid application store for select Web-connected TVs in South Korea and the U.S. in a bid to make a splash in the smart TV area. Google, Sony and Intel will cooperate with each other to improve connected TVs

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in coming months, stoking expectations that smart TV may be the next big wave after the smartphone's success.

China

Internet

- **Google might not be able to control website in China.** Google's Internet license won't be renewed if it keeps automatically redirecting users of the Chinese service to its Hong Kong site. Google's dispute with the Chinese government over censorship has cost Google partnerships with China Unicom (Hong Kong) Ltd. and Motorola in the country. Google closed its China search engine and began directing users to the Hong Kong site.
- **Taobao and Wasu Media Internet have established a joint venture called Wasu Taobao Digital Technology to launch shopping services via interactive digital television as well as a digital products platform called Taohua.com.** The joint venture has been registered with a capitalization of 100 million yuan (US\$14.8 million). Taohua.com will offer free and premium fee-based content that includes video, audio, e-books, educational materials and interactive entertainment. It is expected to offer a selection of 4,000 motion pictures and 20,000 popular television show episodes at launch. The platform will gradually introduce e-books, music and other digital products. Content providers for Taohua.com include Joy.com and Wasu. The Wasu Television Taobao Mall will initially have twelve main product categories including household goods, consumer electronics, and apparel.
- **Baidu is looking to hire 30 software engineers from the U.S. next month to help make the company more innovative as it seeks to take advantage of rival Google Inc.'s shrinking participation in China.** Baidu will gain market share in China from Google as the Chinese government objects to Google's recent strategy of redirecting Chinese users to an uncensored site in Hong Kong and threatened Google with the loss of its license. Kaiser Kuo will hold a job fair in Milpitas, Calif., and is aiming to hire mid-level to senior engineers. Baidu's hiring in the U.S. market underscores the need for more experienced engineers in China. Analysts say having insufficient number of engineers means companies will fall behind other rivals as competition intensifies in the Internet space.
- **The Internet Corporation for Assigned Names and Numbers (Icann) has approved a set of Chinese language internationalized domain names.** Millions of Chinese language users will soon be able to access the internet using Chinese script. The new IDN country code top-level domains and the associated organizations approved include CNNIC (China Internet Network Information Centre), HKIRC (Hong Kong Internet Registration Corporation Limited) and TWNIC (Taiwan Network Information Centre). The Icann board has also allowed the application for the .xxx top-level domain (TLD) to move forward. The ICM registry applied for the .XXX sponsored top-level domain as a potential community site for the adult entertainment industry. Icann has adopted the next steps for the application, including expedited due diligence, negotiations on a draft registry agreement, and consultation with Icann's Governmental Advisory Committee.

Telecommunications

- **China's telecom companies will be constructing manufacturing facilities in India in partnership with local firms.** The government asked operators to acquire security clearance before buying any key telecom gear from foreign firms. The Department of Telecom (DoT) spread that the

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telecom companies need to meet with regard to security issues, and has asked the industry to give their views on the same. Telecom companies hopes that import of equipment from foreign suppliers will be permitted only after an International Certification Agency visits the vendor's plant and gives a security clearance.

- **Public Mobile and ZTE cooperated with the Export-Import Bank of China and will receive US\$350 million in financing to help build a wireless network from Windsor to Quebec City.** The partnership with Public Mobile is ZTE's first end-to-end wireless network project in Canada. Public Mobile is launching a CDMA network using frequencies auctioned by Canada in 2008. Service started in Toronto in May and is due to start in Montreal in late June. The company is backed by U.S. investors including Columbia Capital and M/C Venture Partners as well as the Ontario Municipal Employees Retirement Systems. Canada normally bans foreign investment in telecoms operators. The vendor financing arrangement provides support for the network build using equipment and services provided by ZTE and its Canadian subsidiary. The financing arrangement is backed by export credit insurance from the China Export and Credit Insurance.
- **China PTAC Communications Services Co. Ltd. had a deal worth 700 million yuan (US\$103.04 million) with Huawei Technologies Co. Ltd. to acquire 2.3 million handsets.** The contract includes the purchase of the low-end C5900, C5110, and C2823 handset models priced between 300 yuan (US\$44.16) and 1,000 yuan (US\$147.2). Two of the models, the C5900 and C5110, are 3G handsets. PTAC have at least 30 percent of the domestic market for telecom equipment distribution. Low-end to mid-range 3G handsets will be demanded from the Chinese market as it is currently saturated with high-end products.
- **ZTE Corp. maintained the leading position in China in the CDMA market in the first half of this year with the market share increasing to 43.2 percent, said Li Jian, general manager of ZTE's CDMA & LTE products.** ZTE has undertaken Nortel's CDMA equipment transfer work in 12 out of 14 prefecture-level cities, which expanded its CDMA market share. ZTE attaches great importance for the development of CDMA market, and keeps large-scale investment in CDMA technologies. The telecom equipment producers took the lead in completing the EV-DO Rev. B outfield commercial test in April in Chengdu. Besides, ZTE is the first firm in the industry to roll out CDMA/LTE dual-mode remote radio unit (RRU), and the CDMA/LTE integrated solutions, capable of upgrading to future's networks smoothly, and evolving to LTE with the fastest speed in business deployment.
- **AsiaInfo Holdings Inc confirmed the completion of its merger with Linkage Technologies International Holdings Limited.** The two companies have joined together to form AsiaInfo-Linkage Inc. Under the terms of the merger agreement Linkage shareholders received US\$60 million in cash plus approximately 26.8 million AsiaInfo shares. AsiaInfo-Linkage will have an expanded service offering, stronger R&D capacity and complementary customer bases for cross-selling opportunities.
- **All three of China's telecom operators garnered a total of 9.58 million mobile-phone users in the month, which accelerated the mobile-phone users to 776 million.** China Unicom adopted an aggressive marketing strategy and accomplished the fastest growth in cell-phone service subscribers in May, and its 3G user base broke 1 million. Mobile service subscribers signed up by China's largest telecom operator in terms of revenue. China Mobile had rapid and stable progress. The telecom giant gained 917,000 3G subscribers to its service. China Telecom recruited 3.02 million new cell-phone users in May, broadly the same as the 3.03 million net addition in April, and in accord with its

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expectations of gaining about 3 million users each month. Industrial insiders said that China Telecom focused more on attracting ordinary users to customers of higher average revenue per user.

- **China added 40.8 million phone users during the Jan.-May period, bringing the nationwide total to more than 1.1 billion in a country with a 1.3 billion population.** Fixed-line telephone users decelerated by 7.8 million to 306 million while mobile phone users jumped 48.5 million to 796 million. The telecommunications industry had about 1.23 trillion yuan (US\$181 billion) of business income in the five-month period, up 21.6 percent year on year.
- **China Telecom had 16.97 million CDMA terminals sold at home in the first five months of this year.** Such a robust sale pushed the company's market share up four percentage points from the comparable period of 2009 to 21 percent. The growth in CDMA terminal sales drove the telecom market up by 8.4 percentage points in the January-May period. The company sets a goal to sell over 50 million CDMA mobile phones in the entire 2010, of which 10 million-plus are medium priced. 146 models of CDMA terminals are rolled out in the market, making up 24 of the total newly-launched products in the country. More than 800 models of CDMA terminals under 111 brands are available in the market now, of which 581 are CDMA 1X terminals, 143 are EVDO products, 45 are data cards, and 17 are netbooks and MIDs.

Media, Entertainment and Gaming

- **Shanda Games Ltd. launched Mochi China, a Chinese version of an online games network originally developed by Mochi Media Inc.** Mochi China is located at zh-cn.mochimedia.com. Mochi Media had over 35 million active subscribers in China before the launch of the Chinese site. Shanda Games acquired Mochi Media Inc. for US\$80 million in January 2010, Interfax previously reported. Mochi Media provides a platform to distribute games from developers to other Web sites including blogs and social networking sites. It also provides tools for advertising and sales of virtual items. The launch of Mochi China gives domestic Flash game developers a new platform for distribution, allows advertisements to be included in games and revenues generated to be easily monitored. It also gives Chinese game developers an international platform and a potential revenue stream from abroad.
- **China Xinhua News Network Corporation (CNC) will speed up expansion in the fast-growing new media market to profit from the 3G era.** CNC will capitalize on the opportunities arising from the evolution of global news media into mobile and interactive new media to turn into an integrated operator of traditional and new media networks. The firm launches an English-language TV channel, a move that makes the TV service structure of Xinhua News Agency clear. The great potential of personal computers (PCs) and mobile phones to grow into the new carrier of TV programs is emerging, although a majority of the people watch TV programs on TV. China is the world's biggest TV, PC, and mobile phone market, with 253 million Internet users and over 600 million mobile phone users.

Hardware

- **TCL Corp. will garner 210 million yuan (US\$31 million) in subsidies from the government of the southern Chinese city of Shenzhen.** The electronics company's units have already gotten 341.8 million yuan (US\$50.5 million) of subsidies from the Shenzhen government.
- **Lenovo Group aims to sell 1 million units of its self-developed smartphone in the China market this year.** The phone, called Lephone, is based on Google's Android operating system. It was showcased at a mobile fair in January this year. The firm thinks that the phone will be a great shot. It

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was cooperating with developers to come up with applications to target that market. Mobile Internet products would account for 10-20 percent of revenue in five years.

Alternative Energy

- **Yingli Green Energy Holding Co. aims to triple solar panel production capacity in the next three years to 3 gigawatts a year at a total cost of roughly 200 billion yen (US\$2.3 billion).** The firm is spending some 130 billion yen over three years to construct a large production facility on Hainan Island. The site's No. 1 plant was recently completed and will begin operations in the near future. It will have an annual production capacity of 100mw. A plant with a capacity of 200mw a year will also be built. A new plant will be added to an existing one in Hebei Province. The new facility will come onstream in 2012 with 300mw of capacity, with the possibility of expanding to 800mw as domestic and foreign demand warrant. The firm's investment will likely come to 40-80 billion yen (US\$5.9 billion- US\$11.8 billion). Yingli is also looking at building a 100mw-per-year panel plant in the southwestern U.S. at a cost of 5 billion yen (US\$57 billion).

Taiwan

Telecommunications

- **Far EasTone Telecommunications Co.'s board would pay NT\$20.81 billion (US\$646.8 million) for the acquisition of the remaining 73.26 percent stake of New Century InfoComm Tech Co. to compete with Chunghwa Telecom Co. and Taiwan Mobile Co.** Far EasTone swapped a 4 percent stake in itself in return for a 24.51 percent stake in NCIC held by Singapore Telecommunications Ltd. Far EasTone controls 26.74 percent in NCIC, which operates under the brand name Sparq. Far EasTone will acquire NCIC shares via wholly-owned Yuan Cing Infocomm Tech Co. Far EasTone is eyeing the Taiwan government's opening the island's telecom sector to Chinese investment, after its board approved a plan in April 2009 to sell up to 444.34 million new shares to China Mobile Ltd. for up to NT\$17.77 billion (US\$550 million) as China Mobile will acquire a 12 percent stake in Far EasTone.
- **Chunghwa Telecom will invest NT\$13 billion (US\$403.76 million) this year to set up four major cloud computing centers in what the firm hopes will be the largest data hub in Asia.** Cloud computing will need to unite partners at home and overseas to make them solution-providers. The firm will build the facility in Taipei County's Banqiao City. Once construction of the complex is completed in 2012, it is expected to be the largest data hub in Asia.
- **Taiwan Mobile Co. said the deadline for it to acquire local cable television operator Kbro Co. from private-equity firm Carlyle Group LP expired after the deal failed to gain regulatory approval.** The deal ran aground because of Taiwan regulations prohibiting government ownership of media companies. Fubon Financial Holding Co. is 14.2 percent-owned by the Taipei City Government. Taiwan Mobile will acquire Kbro, the island's second-largest cable TV operator after China Network Systems Co., from Carlyle in a deal that would have given the U.S. private-equity firm a 15.5 percent stake in the mobile-phone company. The deal was valued at NT\$32.8 billion (US\$1.02 billion) in shares and cash. Taiwan Mobile's rationale for acquiring Kbro was to become a bigger company, increasing its competitiveness against Chunghwa Telecom Co. Taiwan Mobile would prefer to complete the deal with Carlyle under the original terms, but may seek a new agreement with the private-equity firm.

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Hardware

- **Shipments of Taiwan-made notebook computers will produce at least 100 million units in the second half of this year, largely on a Christmas season buying spree.** Topology Research Institute sees that the global business sector will replace its notebook computers in the second half, boosting demand. Shipments of notebook computers might be at 113 million units in the second half of this year. Global shipments of notebook computers will be at 210 million units. The consumers' interests will now be at tablet computers from netbook computers. Global shipments of netbook computers in 2010 will boost 19 percent from a year earlier. Global shipments of netbook computers reached twice in 2009. Shipments of tablet computers will be at 13.5 million this year.

Semiconductor

- **Taiwan's Ministry of Economic Affairs has approved an application by Taiwan Semiconductor Manufacturing Co. to acquire a share in Semiconductor Manufacturing International Corp.** TSMC's investment in SMIC meets the requirements set by the government to ensure Taiwan's advantage over China in technology, the investor's financial health, and the protection of Taiwanese workers. SMIC will spend TSMC US\$200 million in cash and will issue an 8 percent stake to the Taiwanese firm without payment. TSMC will acquire additional 2 percent of SMIC for HK\$1.30 (US\$.167) per share. TSMC will pay US\$4.8 billion on capital expenditure in Taiwan to accelerate its production capacity by 13 percent. TSMC will pay US\$300-500 million of the US\$4.8 billion to Taiwanese construction firms and equipment makers, and will recruit 5,000 new employees this year. TSMC's investments in Taiwan would accelerate local manufacturing sector.
- **Taiwan's Ministry of Economic Affairs (MOEA) gave approval for subsidies to be granted to an R&D alliance for the development of new NAND flash technology.** The project, which was proposed by a group led by Taiwan Innovation Memory Co. (TIMC), will receive government funding of up to 40 percent of its total cost. Promos Technologies, Photronics Semiconductor Mask Corp., and Elite Semiconductor Memory Technology Inc., will work jointly to develop new NAND flash Gemini technology. Once the project is completed, Taiwanese companies will be able to source NAND flash technologies domestically instead of relying on major suppliers in the U.S., Japan and South Korea. The development project has already started, but it is uncertain when it will produce results. Taiwan's other major DRAM companies said they were not unduly concerned about competition from the alliance.
- **Industry executives estimate Taiwan Semiconductor Manufacturing Co. (TSMC) will spend more capital on expansion than Intel does this year after TSMC Chairman and Chief Executive Morris Chang announced that actual 2010 capital expenditure will likely outstrip originally planned US\$4.8 billion.** As Chang has declined to disclose actual figure, suppliers of chip-making equipment estimate TSMC is likely to increase its 2010 capital expenditure by around 10 percent from US\$4.8 billion, bringing the final figure close to, or even beyond, Intel's US\$5.3 billion. Samsung Electronics is the No.1 capital spender this year, setting the number at US\$15.6 billion.
- **PowerChip Semiconductor Corp. (PSC) Chairman Frank Huang estimated that global demand and supply of DRAM chips would stay unprecedentedly balanced until 2012.** Huang based his view on the assumption that the 2008-2009 global economic downturn had impacted the industry so badly. Expansion stagnation would bring the industry a rarely wonderful time between 2010 and 2012. Although Samsung has already announced an aggressive expansion plan, the plan will be materialized only after 2012. Samsung will use the expansion to drive its Taiwanese rivals out of competition. Samsung would spend most of the announced US\$9 billion budget on strengthening

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silicon-foundry and NAND manufacturing capability as well as niche-DRAM production using 38-nm process technology, leaving standard DRAM production unchanged.

Mobile/ Wireless

- **Affected by shrinking orders from global brands, Taiwan's overall shipment of handsets is estimated at 56.1 million units this year, down 6 percent from last year.** Taiwan's shipment totaled about 25.6 million units in the first quarter of this year, and is expected to grow by 19 percent to 30.5 million units in the second half, due mainly to seasonal booms. Separately, around 16.35 million units will be shipped in the fourth quarter of this year, representing a 15.5 percent increase over 14.15 million units to be shipped in the third quarter. The estimated overall handset shipment of this year will hit the island's nadir since 2003.

Hong Kong

Mobile/ Wireless

- **Foxconn International Holdings Ltd. will have its first-half net loss to widen from a year earlier mainly due to lower product prices, changes in product mix and higher depreciation expenses.** The company which makes handsets for Nokia Inc and Motorola had a first-half net loss of US\$18.7 million in 2009. Foxconn International has been suffering from stiff competition and pricing pressure as its key customers Nokia, Motorola are losing ground to Apple in the fast-growing smartphone market.
- **Foxconn International Holdings Ltd. is in the final stage of relocating its main production facilities to Langfang, in northern China's Hebei province, from Shenzhen to mitigate rising labor costs.** Rising depreciation expenses related to the company's relocation plan hurt the company's first-half results. Foxconn will accomplish the relocation of its production facilities in China this year. The latest profit warning came as surprise because most of them expected Foxconn to turn around this year on the back of improving consumer demand amid a global economic recovery. Morgan Stanley downgraded the stock to underweight from overweight. Nokia had its sales and profitability will be lower than expected this quarter.

Telecommunications

- **China Mobile Ltd.'s Hong Kong unit has won the bid to operate a radio spectrum delivering broadcast-type mobile television services in the city.** The Office of the Telecommunications Authority will assign the spectrum to China Mobile (Hong Kong) Ltd. under a 15-year unified carrier license for HK\$175 million (US\$22.5 million). It will issue the license in July or August. The unit must use at least 75 percent of the transmission capacity to deliver mobile TV content and provide service coverage to at least 50 percent of the Hong Kong population within 18 months of the issuance of the license. China Mobile Ltd. is the world's largest mobile carrier by subscribers.

Media, Gaming and Entertainment

- **i-Cable has issued a profit warning as the firm expects a loss for the six-month period ended 30 June.** Although satisfactory growth in subscriber base and revenue is recorded for the firm's pay TV service in the period, as investment to bring sports programming including FIFA World Cup, Winter Olympics, and UEFA Champions League to subscribers increased substantially. There is a significant mismatch in the timing of recognition of operating expenses and revenue from these investments. A non-recurring loss from an investment in a film fund is also expected to be recognized for the period. Details of the group's performance will be disclosed in August.

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Singapore/Malaysia/Philippines/Indonesia/India

Telecommunications

- **Reliance Communications Ltd. will sell the tower assets of its unit, Reliance Infratel, to GTL Infrastructure Ltd. with unknown amount, as it plans to lessen its debt and fund expansion.** This will have a joint entity with over 80,000 towers and an enterprise value of over 500 billion rupees (US\$11 billion). The deal seeks to establish an independent tower firm which could attract other competing telecom operators to lease space as demand for such infrastructure surges in the world's fastest growing telecom market. GTL Infrastructure plans to pay in stock to shareholders under a share swap ratio and cash value to be finalized at a later stage.
- **Reliance Communications Ltd. will acquire Digicable Network (India) Pvt. Ltd. in an all-stock deal.** This will boost the firm's presence in the television broadcasting business. The Reliance Anil Dhirubhai Ambani Group firm ventured with Digicable with its direct-to-home, Internet television and retail broadband operations, creating a full suite of broadcast services under a single operation. Reliance DigiCom will have subscriber base of 11 million homes. The acquisition is subject to definitive documentation and necessary approvals. Shares of the firm declined 3.0 percent on the Bombay Stock Exchange. Sensex declined 1.08 percent. The move follows Reliance ADA Group firm Reliance Media World Ltd.'s potential merging with CBS Studios International to control a portfolio of television channels in India.
- **MTN Group Ltd was not joining meetings regarding the acquisition in India's Loop Telecom and Egypt's Orascom Telecom Holding SAE.** MTN is having negotiations through merchant bankers, hoping that Loop Telecom might be interested in selling a 45 percent stake. Shareholder disputes and government concerns were the causes of the conflicting venture agreements with Indian operators Bharti Airtel Ltd. and Reliance Communications Ltd. MTN has no plans of cooperating with Reliance, in which it would be selling a stake to raise money needed to lessen debt.
- **Bharti Airtel Ltd. expects a continued decline in average revenue per user as it adds more rural users with lower paying capacity.** The firm will have 90 percent of new users to come from rural areas in future. Bharti Airtel had a decline in average revenue per user. Expansion into lower revenue-generating rural areas, which may be densely populated, but mostly have price-sensitive customers is also putting pressure on ARPU's. The waning of a price war among telecom operators would mean mobile tariffs won't fall further as prices that prevail are not based on economics.
- **According to analyst firm Ovum, operators are expected to lose money in India in the coming years.** Intense competition in the Indian telecoms market is set to continue in the immediate future, and with operators for the most part prevented from taking part in M&A activity, hefty financial losses will follow. Although the operators themselves are calling for consolidation as a way of easing competition, there are a number of barriers to be overcome. Some of India's new mobile market entrants are prevented from being involved in mergers until 2012. The more established players also have certain restrictions upon them, and there are rules about the amount of spectrum a single player can hold, all of which means there is unlikely to be consolidation in the next few years.
- **Spice Group plans to raise about 3 billion rupees (US\$64 million) through the sale of treasury shares of group company Spice Mobility Ltd. and use the funds to expand the mobile handset maker's operations in the country.** About 42 million treasury shares were created following a merger of Spice Televentures Pvt. Ltd. with Spice Mobility. While the funds will be raised through the sale of about 30 million treasury shares, the rest of the shares will be given to employees. India's

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telecommunication services market--the second-largest by number of users--is expected get a further boost as operators launch their third-generation and wireless internet services in the coming months, increasing demand for high-end handsets and mobile software offered by companies such as Spice Mobility. Spice Mobility will now focus on making mobile handsets and retailing them as well as developing software to be used in mobile phones after the merger with Spice Televentures. The funds will be used for acquisitions as well as organic growth. The group plans to acquire the Middle East operations of Cellucom Group that sells mobile handsets and related products and services. The Spice Group had bought the Indian operations of Cellucom from India's RPG Group and merged it with its Spice Retail operations.

- **Telecom Corp of New Zealand Ltd. said Chairman Wayne Boyd would not step down as until the government's national fiber rollout plan will be accomplished.** Telecom's board mooted last month separating Telecom in to a retail and fiber companies so it could take part in building the NZ\$3 billion (US\$2.07 billion) high-speed network as a retailer it currently can't be part of the rollout. The network will fundamentally reshape the local telecommunications industry.
- **Thailand's National Telecommunications Commission boosted the starting bid for 3G-spectrum licenses to THB12.8 billion (US\$395.4 million).** If all three licenses aren't awarded, the remainder will be auctioned within the following three months.

Investments/ Ventures

- **Merger and acquisition activity involving Indian firms increased four-fold to touch a record US\$48.6 billion, so far this year, helped by a multi-billion dollar buyout of Zain Africa by telecom major Bharti Airtel.** Indian acquisition volume stood at a record US\$48.6 billion so far this year, up four-fold on 2009 year-to-date. Bharti's US\$10.7 billion acquisition of Zain's African assets was the second largest deal by an Indian company after Tata Steel's Corus acquisition for about US\$12 billion in 2007. The Bharti-Zain deal is the largest deal in 2010 in terms of volume for the BRIC (Brazil, Russia, India and China) region. Mergers and acquisitions have been on the rise in the past few months as Indian companies turned less risk averse, with their growing appetite for inorganic growth. The BRIC nations' combined M&A volumes were at US\$193.9 billion in the reviewed period, 50 percent higher from the corresponding period in 2009. The BRIC acquisitions, which include domestic as well as cross border acquisitions, by the BRIC countries, make up 17 percent of global M&A volumes for 2010, in this year so far. China leads the rest with 46 percent of the total BRIC acquisitions. Chinese acquisitions were up 35 percent at US\$88.6 billion so far in 2010 as compared to the same period last year.

United States/Canada

Mobile/Wireless

- **Motorola will rename its businesses following the separation of its devices and set-top box units into a wholly-owned subsidiary, which is set to take place during the first quarter of 2011.** The firm's Mobile Devices and Home businesses will be known as Motorola Mobility, and will be headed up by Motorola's co-CEO Sanjay Jha. The fortunes of Motorola's ailing handset business, which has focused on a slew of high-end Android-powered smartphones to spark its revival will boost. Its most recent devices, particularly Droid, have been well-received by critics and consumers, and the firm expects its mobile phone division to return to profitability by the fourth quarter of 2010. The functional separation of Motorola's handset unit will leave Greg Brown, Moto's other co-CEO, in

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charge of the firm's Enterprise Mobility and Networks divisions, which will be renamed Motorola Solutions.

- **ComScore Inc. unveiled a US\$24 million purchase of the products division of a firm that analyzes customer behavior for mobile-phone operators, bolstering the provider of Web-measurement services' involvement in mobile platforms.** The purchase of Nexius Inc.'s Xplore family of products will add US\$4 million to comScore's 2010 revenue and boost earnings. A comScore representative said the total purchase price of the deal was US\$24 million. In 2009, comScore had US\$127.7 million in revenue. ComScore will buy communications research agency ARSgroup, a deal that will strengthen the firm's position in measuring advertising and its effectiveness in television, online, print and integrated cross-media platforms. The chief executive of Nexius will join comScore's senior management team, and the products division will be integrated into comScore's existing telecom-and-wireless practice.

Media, Entertainment and Gaming

- **Barnes & Noble Inc. expects to have about 25 percent of the digital book market by 2013, providing the bookseller with the opportunity to boost revenue by US\$3 billion to US\$5 billion.** Barnes & Noble has rapidly gained 20 percent of the electronic-book market in the last 12 months, and sales of its Nook e-reader have exceeded the company's forecasts. It forecast a first-quarter loss of 85 cents to US\$1.15 a share. Total book-publisher sales are trending sharply upward, and our total sales are growing rapidly again. Barnes & Noble's retail stores, its relationships with publishers and colleges and universities will help drive digital sales at a time the company sees the U.S. consumer book market growing to US\$27 billion in 2014 from US\$23 billion in 2010. Indeed, the company said it expects to close only six to 10 stores in each of the next three years, saying its superstores are important drivers of the digital business.
- **Walt Disney Co. bought the maker of the popular Tap Tap Revenge game for Apple's mobile devices like the iPhone.** Tapulous Inc. will become a subsidiary of the entertainment giant in its interactive media group. The purchase will strengthen its portfolio of games in the mobile arena. Disney already has a number of popular games in Apple's app store, including JellyCar 2, which it calls its most successful for-pay game to date. But none come near the ubiquity of Tap Tap Revenge, which has installed by more than 30 percent of iPhone and iPod touch users. Disney will absorb the Tapulous development team, including founders Bart Decrem and Andrew Lacy, who will take on leadership roles at the division.

Telecommunications

- **President Barack Obama noted to have twice the amount of federal and commercial spectrum available for smartphones and wireless Internet devices.** This is seen to boost investment, economic growth and job creation as demand for broadband accelerates with the boom in wireless internet devices such as iPhones, Blackberrys and laptops. Few technological developments hold as much potential to enhance America's economic competitiveness, create jobs, and improve the quality of our lives as wireless high-speed access to the Internet. The note aims to address the federal agencies to search for ways to free up 500 megahertz of airwaves for consumer mobile broadband services over the next 10 years.
- **Shaw Communications Inc.'s third-quarter earnings came in ahead of both analyst expectations and year-earlier results on subscriber growth across its operations.** The company which plans to launch wireless phone service late next year, earned C\$158 million (US\$148.3 million)

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on revenue of C\$944 million (US\$886 million). Revenue declined to C\$949 million (US\$890 million) analysts were forecasting, but was up from C\$861 million (US\$808.2 million) in the year-earlier quarter. Service revenue in cable division was up 11 percent, driven by customer growth and rate increases. Service revenue in the satellite division rose 4 percent. Digital customers increased 87,092 to 1,595,619 in the third quarter, while internet and digital phone line subscribers rose 25,661 to 1,796,973 and 66,123 to 1,044,410, respectively. Basic cable subscribers and direct-to-home customers were up 2,322 and 1,856, respectively.

Internet

- **Elevation Partners has acquired an additional five million shares in social networking site Facebook for US\$120 million.** The media and technology investor had bought more shares on the secondary market. Facebook ultimately has a year or nay on who its investors are. The latest stock purchase pegs Facebook's valuation at over US\$23 billion. Based on the US\$9 billion valuation as of last November when Elevation invested US\$90 million for 2.5 million shares, the firm, on a blended basis, has acquired 7.5 million shares at a company valuation of US\$14 billion. User count has gone to over 500 million from 325 million when the firm first invested. The firm feels it knows the company well and it's a Google-esque opportunity. The firm was seeking a one-year extension from LPs on its US\$1.9 billion debut fund. The fund has a little over US\$100 million to invest. As for plans for that remaining capital, the firm is looking at smaller investments, like the ones it has made in Facebook and online review site Yelp, rather than massive restructurings like the soon-to-be-exited Palm Inc. and Forbes Media LLC.
- **Yahoo Inc. had its board of directors to repurchase up to US\$3 billion in common shares over the next three years.** The buyback comes as the Internet giant had almost depleted its previous US\$3 billion repurchase plan, approved in 2006. The firm had only US\$373 million remaining under the earlier plan. The new buyback is consistent with the firm's commitment to returning value to shareholders. The repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.
- **According to Nielsen, social media such as Facebook and Twitter Inc. or blogging sites have become powerful tools that influence what people buy.** Nearly three in four people worldwide who use the Internet have visited a social networking site or a blog, spending an average of almost six hours a month on them. Of the seven biggest brands online globally, three are social media networking sites like Facebook, Wikipedia and YouTube. Online product reviews are the third most trusted source of information when consumers decide whether to purchase a product, coming after recommendations from friends and family. An average 32 percent access social media sites from their workplaces and 31 percent access them from the confines of their bedrooms.
- **Google's intention to buy ITA Software Inc. for US\$700 million, could put the firm in control of widely used technology that, among other things, helps power a key aspect of Microsoft Corp.'s rival search engine.** ITA Software's technology opens exciting possibilities for us to create new way for users to more easily find flight information online. Microsoft uses ITA Software's technology to include airfare pricing and availability information in Bing. Bing is a search engine unveiled amid a great deal of fanfare last year. Microsoft has touted Bing's ability to provide accurate, up-to-date information on airfares as an important aspect that helps distinguish the search engine from competitors, including Google. Other companies using ITA Software's technology include airlines such as AMR Corp.'s American Airlines and online travel services firm Orbitz Worldwide Inc. Google has attracted a great deal of scrutiny from federal antitrust regulators. The firm's US\$750

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million purchase of mobile-phone advertising firm AdMob Inc., for example, was delayed for several months by regulatory review before it closed in May.

Hardware

- **Palm Inc. shareholders have approved takeover plans by Hewlett-Packard Co., clearing the way for a US\$1.2 billion deal that would unite the two companies.** The deal comes as the one-time mobile device leader has struggled to gain traction in the consumer market, being eclipsed by Research In Motion's BlackBerry, Apple's iPhone and devices built to use software made by Google Inc. The deal gives H-P a much larger presence in the smartphone market. It also gives it Palm's WebOS operating system software.
- **Hewlett-Packard Co. has completed its US\$1.2 billion acquisition of Palm Inc.** HP would use Palm's webOS operating system to power a host of upcoming smartphones, netbooks and tablet computers. The acquisition comes as H-P positions itself to enter the tablet-computer market, a nascent field that is led by Apple Inc.'s popular iPad. H-P unveiled a prototype tablet, called the "Slate," that ran on Microsoft Corp.'s Windows operating system but hasn't provided many details since. Speculation has mounted that H-P will reshape the project in light of the Palm acquisition. Former Palm chief and Apple alum Jon Rubinstein will head up the Palm unit within H-P.
- **Apple acknowledged that all of its iPhones mistakenly inflate their signal strength as criticism mounts over the effectiveness of the wraparound antenna design of the iPhone 4.** The firm has used an incorrect method to determine the number of bars to display on the device. In several instances, the iPhone would display two more bars than it should, providing an overly rosy indication of its cellular reception. Apple begun to feel the heat over problems with the antenna, which doubles as the iPhone 4's metal frame. For the firm it marks a rare case of vocal backlash. The problem represents a setback in its battle against the perception that it runs a spotty network. The metal frame around the iPhone 4 was supposed to be Apple's response to the reception issues that the prior iterations faced. But shortly after the launch last week, problems cropped up with the signal bars dramatically falling when a person gripped the iPhone 4 in a way that covered the bottom left corner.

Europe

Mobile/ Wireless

- **Nokia had 26.5 percent of units sold and 21.5 percent of the market in value terms.** Samsung had 19.6 percent and 14.6 percent of the market. Sony Ericsson ranked third, with 23.6 percent of the market in value terms versus just 15.4 percent of units. Number six HTC also took a higher value share, at 12.1 percent, versus 4.5 percent of units, while Apple was ranked fifth with 5.4 percent of units and 7.9 percent of value sales. HTC is hoping to boost its share with the launch of the new HTC Wildfire.

Telecommunications

- **France Telecom is taking back its offer as the Le Monde's supervisory board meeting was held.** This resulted to the journalists' unitary vote to support a competing offer. The other bid for Groupe Le Monde has come from a consortium formed by businessman Pierre Berge, banker Matthieu Pigasse and Internet entrepreneur Xavier Niel. Groupe Le Monde's supervisory board plans to choose the preferred bidder. Le Monde's management put a majority stake in the company up for sale to repay debt of 100 million euros (US\$125.9 million).

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- **Wind Hellas had a potential sale of the business as it assigned a chief restructuring officer.** The firm is still suffering in the wake of the Greek government's austerity measures. Wind Hellas had a hanging agreement with lenders under its revolving credit facility and hedging banks which will stop the creditors from foreclosing and leading the firm into insolvency. The hanging agreement fell as payment to the hedging bank will be due on July 15. The firm asked holders of its senior secured floating rate notes will the standstill by July 20. Mike Corner-Jones of restructuring firm Alvarez & Marsal is now the chief restructuring officer. Morgan Stanley is now evaluating a potential sale of Wind Hellas. The deadline for final offers is Sept. 15. The sale process will run alongside the restructuring of Wind Hellas' capital structure.
- **Telefonica SA raised its offer for a stake in Brazil's Vivo Participacoes SA to 7.15 billion euros (US\$8.9 billion), in a last-ditch attempt to convince shareholders of Portugal Telecom SGPS S/A reluctant to exit the coveted Brazilian market.** Both companies have been locked in a power struggle over Vivo, which the two Iberian telecoms control through a 50-50 joint venture in the investment vehicle Brasilcel, which owns 60 percent of the Brazilian mobile phone company. Telefonica's new offer will be submitted to its shareholders at the general meeting called to vote on the unsolicited bid for Vivo's stake. The Spanish telecom said the increased offer is the final and definitive offer and Telefonica will not amend, improve, adjust, extend or in any other manner modify it. Telefonica's first bid of 5.7 billion euros (US\$7.1 billion) was swiftly rejected by PT's board last month. The Spanish company then offered 6.5 billion euros (US\$8.1 billion) for PT's stake.

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Other Economic Data

Currency Exchange Rates

Currency	Units	Current Rate (on 7/2/10)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2010	% Change 1/1/2009
Japanese yen	¥/US\$	87.7400	-1.7%	-3.6%	-5.6%	-4.9%
Hong Kong dollar	HK\$/ US\$	7.7955	0.2%	0.1%	0.5%	0.6%
Chinese renmenbi	RMB/ US\$	6.7709	-0.3%	-0.8%	-0.8%	-0.8%
Singapore dollar	S\$/ US\$	1.3923	0.4%	-1.4%	-0.9%	-4.7%
South Korean won	KRW/ US\$	1,228.6500	1.1%	1.0%	5.6%	-6.7%
New Taiwan dollar	NT\$/ US\$	32.2100	0.5%	-0.4%	0.8%	-1.7%
Australian dollar	US\$/A\$	0.8415	-3.8%	1.1%	-6.2%	18.5%
New Zealand dollar	US\$/NZ\$	0.6882	-3.6%	1.9%	-5.0%	17.7%
Philippine peso	PHP/ US\$	46.5500	1.1%	0.7%	0.2%	-1.4%
Euro	US\$/€	1.2560	1.5%	2.7%	-12.3%	-9.5%
British pound	US\$/£	1.5199	0.8%	3.8%	-5.9%	4.7%

Fixed Income Prices and Yields

Note	Currency	Current (on 7/2/10)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	107.47	3.99%	105.34	4.11%	103.16	4.19%
Japan 30-year	¥	108.73	1.92%	106.65	2.01%	103.84	2.09%
Hong Kong 10-year	HK\$	101.30	2.40%	99.10	2.65%	96.12	2.53%
China (06/16)	US\$	109.38	3.05%	109.38	3.05%	109.38	3.05%
Singapore 10-year	S\$	107.93	2.38%	106.90	2.49%	104.75	2.72%
South Korea 20-year	KRW	10,513.67	5.18%	10,365.95	5.29%	10,677.80	5.16%
Australia 15-year	A\$	104.78	5.21%	103.42	5.36%	102.41	5.45%
New Zealand (12/17)	NZ\$	104.54	5.50%	103.84	5.58%	103.24	5.57%
Philippines 20-year	PHP	99.42	9.01%	98.89	9.07%	98.36	8.93%
India 30-year	INR	83.65	8.51%	83.18	8.57%	81.97	8.52%
UK 30-year	£	102.20	4.15%	100.30	4.28%	99.18	4.29%
Germany 30-year	€	127.62	3.28%	126.12	3.36%	126.26	3.34%

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