



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

Week of 8 August 2011 - 14 August 2011

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IRG Technology, Media and Telecommunications Weekly Market Review



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Equity Market Indicators					
Index	Closing Level (8/12/2011)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2010	% Change 12/31/2009
S&P 500	1,178.81	-1.7%	-10.7%	-6.3%	5.7%
Dow Jones Industrial Avg.	11,269.02	-1.5%	-9.9%	-2.7%	8.1%
Dow Jones Tech. Index	409.87	-1.1%	-9.3%	-9.0%	1.8%
Dow Jones Telecom. Index	226.95	-1.6%	-5.6%	-3.2%	3.4%
NASDAQ Composite	2,507.98	-1.0%	-10.5%	-5.5%	10.5%
Japan Nikkei 225	8,963.72	-3.6%	-11.0%	-12.4%	-15.0%
JASDAQ	49.73	-3.1%	-5.3%	-4.9%	2.8%
Japan Mothers	436.19	0.2%	-9.9%	0.6%	4.8%
Korea KOSPI Composite	1,793.31	-7.7%	-16.9%	-12.6%	6.6%
Korea Kosdaq	474.15	-4.3%	-4.9%	-7.2%	-7.7%
Taiwan Stock Exchange	7,637.02	-2.8%	-11.9%	-14.9%	-6.7%
Singapore Straight Times	3,441.90	-4.7%	-8.4%	-11.9%	15.1%
Hong Kong Hang Seng	19,620.01	-6.3%	-12.2%	-14.8%	-10.3%
Hong Kong GEM	555.87	-8.9%	-18.5%	-31.4%	-17.9%
China Shanghai (A-Share)	2,715.98	-1.3%	-7.5%	-7.6%	-21.0%
China Shenzhen (A-Share)	1,214.30	-0.5%	-4.2%	-10.1%	-3.7%
China Shanghai (B-Share)	266.33	-3.2%	-7.1%	-12.5%	5.5%
China Shenzhen (B-Share)	677.32	-4.8%	-10.0%	-17.9%	8.2%

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Technology, Media, and Telecommunications Market Activity

NASDAQ/NYSE TMT IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
8/5/11	InvenSense, Inc. [NYSE: INVN]	Semicon	99.8	Semiconductors	Goldman Sachs	NA
8/3/11	Exa Corporation [NASDAQ: EXA]	Software	86.3	Engineering, Scientific & CAD/CAM Software	Stifel Nicolaus	NA
8/1/11	Vocera Communications [NYSE: VCRA]	Hardware	80.0	Handheld Computers & Accessories	J.P. Morgan and Piper Jaffray	NA
8/1/11	M/A-COM Technology Solutions Holdings, Inc. [NASDAQ: MTSI]	Semicon	230.0	Analog Chips	J.P. Morgan, Jefferies	NA

NASDAQ/NYSE Equity Markets: TMT IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/12/11	% Change From Offer
8/5/11	Carbonite, Inc. [NASDAQ: CARB]	Storage & Systems Management Software	100.0	10.00	13.00	30.0%

Asian Equity Markets: TMT PO Filings

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

Asian Equity Markets: TMT IPO Pricing

IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Markets: TMT Convertibles

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

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Weekly Highlights

International

Mobile/ Wireless

- **Smartphones stood front and center this week, fueling Q2 earnings at carriers across the globe and retail sales in Europe's big-five markets, but analysts and regulators warned of the impact the devices can have on data networks and even personal relationships, said comScore.** Deutsche Telekom was the latest European carrier to report growing mobile data income as a result of higher smartphone sales during the second quarter. The German incumbent was riding a wave of growing smartphone penetration across Europe's big-five markets that fueled an 80 percent rise in the number of consumers accessing online retail sites from their smart devices, comScore revealed. Overall mobile access to such sites hit 13.5 million in the three months to end-May. Higher sales of smartphones also powered a 30 percent rise in Hutchison Telecommunications' mobile data revenues in Hong Kong and Macau during 2Q. The operator rose overall profit 37 percent to HK\$494 million (US\$63.3 million). Across the water in South Korea, incumbent SK Telecom stated it is on-track to sign up ten million smartphone customers in 2011 after hitting 7.5 million subscribers by end-June. The high-spending users helped the firm to a marginal rise in EBITDA margin to 31.3 percent during the period, as overall profit rose 3.7 percent to 465.4 billion won (US\$438 million).
- **The global IPTV market will grow to US\$49 billion in service revenues and to 113 million subscribers in 2015 as multi-screen video usage drives wireless services to new highs, according to MRG.** Systems revenue for the 7 key CapEx IPTV products will grow to US\$4.8 billion in 2015, with STBs (set-top boxes) representing about 60 percent. As consumers add Wi-Fi for using smart devices within their homes, market growth continues largely due to trends toward mobile lifestyle habits of 18-55-year-olds. Based on semiannual updates of major global operators and their differentiating services and updated subscriber counts, Europe is forecasted to remain ahead of Asia in 2015 in terms of the number of IPTV subscribers, partially due to continued regulatory confusion in Asia.
- **Global handset sales rose 16.5 percent year-on-year in the second quarter, however vendors may not enjoy the benefits of the growth due to high inventory levels carried over from the first quarter said Gartner.** Gartner reported that global mobile device sales hit 428.7 million units in the quarter, but sell in – the number of units vendors ship into sales channels – declined 4.4 percent quarter-on-quarter to 421.1 million units as the market accrued stocks in 1Q to offset expected component shortages following natural disasters in Japan in March. Despite its recent woes in the smartphone sector, Nokia remained the number one vendor during the second quarter with sales of 97.8 million devices. As the figure was enough to give the Nokia a 22.8 percent share of the market, the figures are well down on the 111.4 million units and 30.3 percent share of 2Q10. Smartphones accounted for a quarter of total sales during 2Q11 as shipments rose 74 percent year-on-year.
- **Global shipments of smartphones are expected to reach around 1 billion handsets by 2016, fueled by a surge in consumer demand, according to Juniper Research.** The increase represents a 230 percent rise from shipments tallied for 2010, with low-priced smartphones under US\$150 to be the main contributor to the spike in future shipments and sales. Juniper also predicted that the worldwide smartphone market will be divided between premium smartphones, like those made by Samsung Electronics and Apple and low-end products made by new companies. The research firm

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said modestly priced phones will be needed because people in many emerging economies cannot afford expensive premium phones and added that the open Android operating systems may be well suited for inexpensive smartphones. Demand for smartphones will rise equally in both industrialized and emerging economies around the world and low-end smartphones will emerge starting in the later part of this year with companies such as Samsung, Apple and LG Electronic preparing to release more affordable products.

- **Operators that offer high-speed mobile broadband technology LTE are failing to deliver innovative pricing models, according to Ovum.** There is a lack of new and innovative LTE tariffs, which is a missed opportunity for operators given that LTE is a new service in the eyes of consumers. LTE provides operators with the opportunity to experiment with pricing models, which allows them to find way of deriving revenues from the service. However, most operators have not grasped this opportunity. Instead, LTE tariffs are dominated by unlimited offerings and large data buckets, which can be problematic. Unlimited data plans for LTE can present problems for operators, especially if they are accompanied by a lenient fair usage policy. Operators should not offer unlimited LTE tariffs without some sort of deterrent as they could have an impact on the quality of the service given LTE's data-intensive nature.
- **Revenues generated by mobile applications developed for feature phones are expected to reach US\$1 billion by 2016, predicted Ovum.** The research firm said that feature phones will still comprise the largest proportion – around 63 percent - of the global handset market by 2016. The popularity of smartphone applications is driving handset makers, operators, and third parties to make it easier to access a broader range of apps on lower-end devices. However, as demonstrated by recent research published by Nielsen, users in developed markets are showing a marked preference for smartphones. 55 percent of U.S. consumers who purchased a new mobile handset between 11 March and 11 May this year opted for a smartphone over a feature phone.

Telecommunications

- **ABI Research forecasts that there will be 103 million 4G wholesale subscribers, subscribers managed through a MVNO that buys wholesale access from a mobile operator for mobile operators, an increase from just 3.8 million in 2010.** 4G wholesale business will help to further widen the mobile device market, encompassing new and existing mobile devices, as well as play an important role for mobile CE devices. The 4G wholesale market owes its growth to a number of contributing factors. The market makes it easier for MVNOs to offer different and more flexible subscription plans. On the technology side, the performance characteristics of 4G in terms of speed and latency and the lower cost per MB to deliver data over 4G networks make 4G technologies more viable than previous technologies. The desire to share the high costs of building a 4G network is also driving this market. As the 4G wholesale market currently revolves entirely around WiMAX because of Clearwire and UQ Communications, ABI believes that the market will shift rapidly to LTE in the next few years. Aero2, Callmax, LightSquared, MVS, and Yota (Scartel) are other 4G wholesale operators that will have an impact with LTE, and many more are seen to sprout up.

Hardware

- **The global installed base of smart meters will reach 535 million units by 2015, according to Pike Research.** This represents a significant upgrade of the firm's Q4 2009 forecast that the installed base would be 251 million units in that year. The largest contributor to this upgraded forecast is the strong adoption of smart meters in the Asia Pacific region, China in particular. Pike Research further projects that the installed base of smart meters will continue its robust growth beyond 2015, reaching

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963 million units by 2020. The world market for smart meters will peak at just over 100 million units in 2015, followed by a gradual decline in annual unit shipments. The growth of the industry will be characterized by regional waves of adoption, beginning with the North American market, which will peak in 2012, followed by a peak in Asia Pacific in 2015, in Europe in 2017, and more gradual long-term growth in Latin America, the Middle East, and Africa.

- **The surging popularity of Internet-ready devices will eventually top that of the personal computer, according to IHS iSuppli.** The research firm projects shipments of the devices--which include media tablets, televisions and videogame consoles--will surpass PC shipments for the first time in 2013, another sign of how online access has transformed the electronics industry. Demand for PCs has meanwhile weakened as consumers turn to more specialized Internet access options. Many of the Internet-enabled products make up what industry watchers call a "digital living room" that serves TV, music and other content to households. IHS iSuppli counts all Internet-enabled products other than PCs and smartphones as part of those figures.

Japan

Media, Entertainment and Gaming

- **Japan's Cave Co. will form a capital tie-up and partnership in social games for smartphones with Gree Inc.** This will mark Gree's first capital alliance with a listed Japanese video game developer. The Jasadq-listed Cave will issue about 170 million yen (US\$2.1 billion) of shares to Gree on Aug. 24, giving it a 5.31 percent stake.

Mobile/ Wireless

- **NTT Docomo announced that it has acquired an approximately 25 percent stake in Vietnam's largest mobile content provider, VMG Media Joint Stock Company (VMG).** The stock purchase, worth approximately VND 370 billion (US\$18.2 million), represents NTT Docomo's first investment in Vietnam. With its investment, Docomo will share its expertise with VMG, such as in content distribution, with the aim of enhancing VMG's business and expanding Docomo's VAS in Asia-Pacific. Docomo will also work together with VMG's stakeholder, Vietnam Posts and Telecommunications Group (VNPT), which holds about 29 percent stake in the company, to promote VMG's business.
- **FeliCa Networks has begun a service for the distribution of coupons and advertisements to smartphone users.** The company already provides the service for conventional mobile phones but is now expanding the service to smartphones as it is hoping to triple its customer base to about 300 companies, the Nikkei reports. FeliCa's technology, developed by parent Sony, enables users to make payments by placing a handset embedded with a dedicated chip in front of a reader. FeliCa also plans to launch a new advertising service for smartphone users that will only bill advertisers when consumers use their phone at the register of the advertiser's store.
- **Japan ended July with a total of 121.88 million mobile users, after the operators jointly added 633,500 new customers in the month, Telecommunications Carrier Association (TCA) show.** Softbank again led in subscriber additions as it gained 245,000 new customers, bringing its total customer base to 26.4 million. Softbank is followed by NTT Docomo which added 195,500 new customers in July to end the month with 58.61 million subscribers in total. KDDI brought its subscriber base to 33.46 million after attracting 108,100 new customers, and Emobile secured 85,000 new customers to end July with 3.42 million subscribers. PHS services provider Willcom brought its

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base to 4 million as it gained 46,300 new customers and Wimax services provider UQ Communications signed-up 70,400 new customers to bring its total to 1.1 million.

Telecommunications

- **eAccess reports results for its fiscal first quarter to end June, reaching record high EBITDA and net profit figures.** Revenues declined 3 percent to 47.6 billion yen (US\$620 million), still topping expectations, with revenues at the company's mobile operations advancing 4 percent to 35.5 billion yen (US\$462 million) and those at fixed line falling 19 percent to 12.1 billion yen (US\$158 million). Group EBITDA rose 3 percent to 15.7 billion yen (US\$204 million), with an EBITDA margin at 33 percent from 31 percent. Capex for the quarter hit 8.0 billion yen (US\$104 million). The free cash flow reached a record 5.2 billion yen (US\$67 million). Mobile unit Emobile added 223,000 subscribers in the quarter, up 20 percent year-on-year. The company's total mobile subscriber base reached 3,341,000, a rise of 32 percent from the year before.
- **NTT's first quarter net income tumble 1.8 percent to 153.1 billion yen (US\$1.9 billion).** Operating revenues for the quarter ended 30 June stood at 2.54 trillion yen (US\$33 billion), up 1.5 percent from 2.50 trillion a year earlier, boosted by long distance and international communications business and the data business. Operating income was 349.3 billion yen (US\$4.5 billion), up 2.8 percent. Regional unit NTT East posted revenues of 454.1 billion yen (US\$5.9 billion), and NTT West posted revenues of 413.9 billion, also down by 3.4 percent year-on-year as the decline in voice revenues dragged down results. NTT group added 536,000 customers for its fibre optic service called Flets Hikari in the first quarter, to bring its total to 15.60 million. The company also had 12.57 million Hikari Denwa customers, after it added 453,000 new customers in the quarter to the optical IP telephone service.
- **NTT Communications posted a net income of 20.12 billion yen (US\$262 million) for the three months ended 30 June.** Operating income was 27.06 billion yen (US\$352 million). Although telecommunications revenues declined to 206.89 billion yen (US\$2.7 billion), expenses for the segment declined to 177.55 billion yen (US\$2.3 billion). Telecommunications operating income stood at 29.35 billion yen (US\$382 million) versus 21.69 billion yen (US\$282 million) in the June quarter last year.

Semiconductors

- **Taiwanese solar wafer maker Sino-American Silicon Products Inc announced that it would buy the wafer unit of Japan's Covalent Materials for US\$451 million to boost efficiency from private equity firms Carlyle and Unison Capital.** Carlyle and Unison bought Covalent from Toshiba US\$509 million in debt and equity in 2007. Covalent also makes ceramics for chip-making equipment and this business will stay with the company, which will be owned by Carlyle and Unison. The acquisition by Sino American is subject to regulatory approval and is expected to be completed by the end of 2011.
- **Elpida Memory had a net loss of 7.867 billion yen (US\$102 million) for its fiscal first quarter to June.** Revenues declined 45.7 percent to 95.716 billion yen (US\$1.2 billion), and the operating result moved to a loss of 3.824 billion yen (US\$49 million). Elpida said DRAM demand was strong at the start of the quarter, as customers built up inventories after the earthquake in Japan. However, demand in the PC market slowed in June, and the mobile DRAM market developed more slowly than expected due to changes in production at certain handset makers. Elpida's average selling price was 9 percent lower than in the previous quarter and down 57 percent compared with a year earlier. DRAM bit shipment growth in the quarter was 15 percent sequentially and 42 percent on an annual basis. The

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company expects bit growth for the full fiscal year to be around 40-50 percent. Elpida did not provide a forecast for future results, saying it's too difficult to predict DRAM prices.

- **Trend Micro had 24.33 billion yen (US\$317 million) of net sales for the second quarter with net income of 3.93 billion yen (US\$51 million).** The company expects consolidated net sales for the third quarter ending 30 September to be 24.6 billion yen (US\$321 million), as net income is seen to be 5.4 billion yen (US\$70 million). Operating income is seen to be 6.8 billion yen (US\$88.6 million).

Korea

Telecommunications

- **South Korea's three main operators will have band together to ask internet-enabled smart TV makers to share the burden of the traffic they generate.** SK Telecom, KT and LG U+ will send documents to manufacturers such as Samsung and LG Electronics, asking that they make reasonable payments due to the incomparable amount of traffic web TV producers. The operators will also ask manufactures to share the cost of improving their networks to cope. As the South Korean telecom sector has generally conformed to the principles of net neutrality, operators have increasingly suggested that content providers that cause network overload be forced to pay for traffic. KCC started to explore traffic and neutrality issues in May, with a goal of revising policies by the end of the year. South Korea is the most data-hungry country tracked in Cisco's Visual Networking Index, with consumers eating up over 30Gb per month in 2010. This is projected to grow to well over 100Gb by 2015.
- **SK Telecom had a 3.7 percent growth in Q2 profit to 465.4 billion won (US\$439.8 million), as it made progress developing a separate platforms business.** The company said revenue increased 5.7 percent year-on-year to US\$4.04 trillion won, as platform and new business sales climbed 84.9 percent. CFO Ahn Seung-Yun said the segment's performance reflects the company's goal of spinning off its platform business and nurturing it strong growth engine. Plans to combine SK Telecom's mobile content and applications projects into a separate platforms business were first announced in June. The company aims for an October completion date. SK Telecom projects it is on track to hitting its goal of 10 million smartphone subscribers by the end of the year, after reaching 7.5 million at the end of June. The more lucrative smartphone subscribers helped the company improve its EBITDA margins 0.7 percent year-on-year to 31.3 percent.

Hardware

- **Samsung barred from selling tablet in EU.** Apple has dealt another blow in its legal battle against Samsung, with a court prohibiting Samsung from selling its Galaxy Tab 10.1 anywhere in the EU except the Netherlands. A German court has agreed to Apple's request for a preliminary injunction on sales of the device. Because the ruling was an intellectual property and not a patent decision, it can be enforced EU-wide. The Galaxy Tab 10.1 was in the middle of being rolled out in Europe, having launched in Britain last week. This ruling has thrown a spanner into the works. The order comes days after Samsung agreed not to launch the device in Australia, in response to an Apple court filing requesting an injunction. As well as the European and Australian complaints, Apple has sued in markets including South Korea and the U.S. The U.S. International Trade Commission this month agreed to investigate the claims.

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China

Internet

- **China's B2C market transactions reached 54.26 billion yuan (US\$8.44 billion) in the second quarter of the year, increased 172.6 percent from a year earlier.** The pace of China's B2C market growth accelerated in the second quarter. Seasonal factors helped clothing sales rebound strongly, and Vancl and M18.com had good performances.
- **Baidu Inc. is in talks to acquire Chinese online video company Tudou Holdings Ltd.** Baidu has proposed either buying Tudou itself or providing more capital to Qiyi.com Inc., a video portal that is majority-owned by Baidu, for Qiyi to acquire Tudou.
- **Youku.com Inc.'s second-quarter loss narrowed significantly on another jump in revenue, as the company had better traffic.** Chairman and Chief Executive Victor Koo noted the latest revenue surge was driven by strong traffic growth and heightened brand preference. Lately, the company has been gleaned more user traffic from tablet computers and mobile phones, areas in which Youku has been investing. China's Internet usage has grown steadily, and ad spending has improved, though Youku has faced hurdles in piracy lawsuits, challenges navigating government censorship and state-owned media's expansion onto the Web. The company, which allows users to upload video, has been sued in the past for hosting pirated items, but it now works with content owners to remove videos from its site. In June, Youku expanded its offerings of new releases and other titles by launching a paid-content platform with Warner Bros. Home Entertainment Group's joint venture in China. Revenue increased 178 percent to 197.9 million yuan (US\$30.9 million). In May, the company predicted revenue growth of 125 percent to 135 percent. It had a gross profit of 52.9 million yuan (US\$8.3 million). Operating expenses climbed 76 percent, a significant jump but still smaller than the first quarter's 93 percent leap.
- **51fanli.com has received first-round financing worth around US\$10 million from venture capital firm Qiming Ventures and Steamboat Ventures, qq.com reported.** The funding will be directed towards recruitment and market development. The site was founded in late 2006 and currently has 400 e-commerce site partners, serving at least 2.5 million users.
- **Tencent had a net income of 2.35 billion yuan (US\$367 million) in the second quarter of 2011, up 22.6 percent year-on-year but down 18.2 percent quarter-on-quarter.** Revenue for the quarter came to 6.74 billion yuan (US\$1.05 billion), up 44.3 percent year-on-year and 6.3 percent quarter-on-quarter. Internet value-added services (IVAS) accounted for 5.39 billion yuan (US\$843 million), up 50.4 percent year-on-year and 2.6 percent quarter-on-quarter. Mobile value-added services (MVAS) contributed 793.8 million yuan (US\$124.2 million), up 17.8 percent year-on-year and 2.1 percent quarter-on-quarter, as the company's online advertising unit generated revenue of 512.3 million yuan (US\$80.2 million), an increase of 28.9 percent year-on-year and 82.4 percent quarter-on-quarter. In the second quarter, the number of active user accounts of the company's instant messenger product rose 4.1 percent quarter-on-quarter to 701.9 million, a slower pace of growth compared with last year, which the company attributed to reduced growth of overall internet take-up in China. The number of subscriptions for fee-based IVAS rose 5.8 percent quarter-on-quarter to 76.5 million, and the company had 9.6 percent more sign-ups for MVAS than at the end of the first quarter, with total mobile subscribers reaching 29.8 million.

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Mobile/Wireless

- **Domob has completed second-round financing worth at least US\$10 million from Qiming Ventures and Redpoint Ventures, TechWeb.com.cn reported.** The company was founded in November 2010 by former employees of Baidu, China Mobile and Amazon's China site Joy.cn, and received funding from Redpoint in February this year.

Telecommunications

- **ZTE is on-track to meet full-year device shipment targets, having shifted 60 million units during the first half of the year.** Mobile handsets comprised 35 million of total shipments during the period – a 30 percent increase year-on-year. The remainder of shipments are likely made up of dongles. As the firm remains strong in its domestic market, it claims shipments of its Android-based Blade are the highest in China at 16,000 units per day, a growing list of global operator partners means much of the growth has come from international markets. In the U.S., for example, shipments rose 300 percent year-on-year during the first half. Partnerships with 65 European operators fuelled a 30 percent rise in overall handset sales in that region year-on-year, as sales in Brazil rose 46 percent.
- **China's NFC payment transaction values could surpass US\$8 billion by 2014, and operators will lead the charge to develop the market.** ABI Research estimates that China will be one of the big mobile payment markets to play for in coming years. Each of China's three main mobile operators – China Mobile, China Telecom and China Unicom – have mobile payment ambitions, with China Unicom having committed to launching commercial NFC services by 2012. ABI said many more NFC handset add-ons are being sold in China than NFC handsets at present. In 2010, there were 2.5 million shipments of SIMpass contactless payment SIM cards alone, but just 45,000 phone shipments.

Media, Entertainment and Gaming

- **Shanda Interactive has established two content distribution joint ventures with WASU Digital TV Media Group, one for games through its game subsidiary Shanda Games and the other for literature through its online literature arm Clouday.**

Alternative Energy

- **China Power Investment Corp subsidiary CPI Northeast New Energy Development Corp has signed an agreement with the municipal government of Chifeng, Inner Mongolia, to build a 100MW photovoltaic power generation facility as well as a wind/PV dual power production pilot project, pvnews.cn reports.** The PV side of the project will require total investment of around 1.8 billion yuan (US\$282 million), and is expected to start first-phase construction before the end of 2012. The project is expected to be completed before 2015.

Taiwan

Telecommunications

- **During the January-July period, Taiwan's largest telecom operator had generated total revenue of NT\$111.5 billion (US\$3.8 billion).** Chunghwa Telecom had an income of NT\$29.41 billion (US\$1.01 billion), up 1.3 percent from the same period last year, and an operating income of NT\$32.07 billion (US\$1.1 billion), down 5.4 percent from a year earlier. Chunghwa Telecom is seen to report an annual revenue of NT\$190.02 billion (US\$6.5 billion), with annual operating income of NT\$51.41 billion (US\$1.8 billion). Meanwhile, Taiwan Mobile Co. had a combined revenue of NT\$43.09 billion (US\$1.5 billion), with EBITDA of NT\$15.2 billion (US\$524 million).

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- **Chunghwa Telecom has sold nearly 20,000 tablet PCs in the first half with its full-year sales target of 100,000.** Chunghwa is hoping to negotiate a sales licence from Apple for the iPad 2 to boost tablet PC sales in the second half.
- **Far EasTone Telecommunications (FET) ended the second quarter with 6.50 million subscribers, up 4 percent year-on-year.** Consolidated revenues rose 24 percent to TWD 18.45 billion (US\$635 million). Mobile revenues were up 3 percent year-on-year to TWD 13.81 billion (US\$475 million) and fixed-line revenues totaled 914 million, up 16.9 percent from a year earlier. FET had an EBITDA of TWD 5.37 billion (US\$185 million) and EBITDA margin slipped to 29.1 percent from 29.9 percent. The company rose its net income 6 percent to TWD 2.06 billion (US\$70.9 million).

Mobile/ Wireless

- **HTC has acquired Dashwire, maker of the Dashworks platform.** The Dashworks platform is designed to provide mobile and web applications, enabling people to setup and personalize their smartphones, and access their mobile content across multiple screens and services. According to TechCrunch, the acquisition price is approximately US\$18.5 million. Dashwire will become a wholly owned subsidiary of HTC. HTC plans to use Dashwire's cloud sync and device set up products to extend the HTC Sense.com cloud services it launched in 2010.
- **HTC Corp. will buy control of a headphones maker backed by rapper Dr. Dre for US\$309 million.** The Taiwanese company will acquire 51 percent of Beats Electronics LLC using its own cash, HTC Chief Financial Officer Winston Yung said. U.S.-based Beats Electronics, formed in 2006 by Dr. Dre, also known as Andre Young, and Universal Music's Interscope Records Chairman Jimmy Iovine, makes headphones that sell for as much as US\$600. Beats Electronics valuation is about 1.75 times the expected 2011 revenue of US\$350 million, Yung said in a briefing in Taipei. The purchase paves the way for the Taiwanese smartphone maker to expand its offering of accessories as competition in the smartphone market escalates. HTC last month will buy S3 Graphics Co. for US\$300 million to access its trove of patents as it defends against infringement lawsuits from Apple Inc. (AAPL)

Hong Kong

Telecommunications

- **Hutchison Telecom's operations in Hong Kong and Macau enjoyed a 37 percent year-on-year profit increase for the first half of 2011, driven by healthy smartphone sales and higher data revenue.** Profit attributable to Hutchison Hong Kong's shareholders was HK\$494 million (US\$63.3 million). The firm's consolidated turnover for the first six months of 2011 totaled HK\$6,018 million (US\$772.1 million), a 41 percent increase compared to the same period last year, with the rise attributed mainly to growth in the mobile business segment. The firm's mobile customer base for Hong Kong and Macau numbered 3.35 million end June, and operating profit for the mobile business stood at HK\$537 million (US\$68.9 million). Mobile postpaid ARPU had also grown to HK\$238 million (US\$30.5 million), as data service revenue alone saw a 30 percent growth. Hutchison Telecommunications' mobile business saw a 61 percent year-on-year revenue hike to HK\$4.55 billion (US\$583 million), driven by increased smartphone sales. A corresponding increase in handset costs had also contributed to a 67 percent increase in operating costs for the mobile segment. The company's fixed line business saw profit decline to HK\$198 million (US\$25.4 million). The firm said the profit decline could be attributed to investment and acquisition in both corporate and residential sectors. Operating costs had increased 4 percent to HK\$1.13 billion (US\$145 million). Fixed line

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revenue saw a slight increase to HK\$1.65 billion (US\$212 million) with growth tempered by competition in the sector.

Mobile/ Wireless

- **TCL Communication Technology had sales for the first half of 2011 up 33 percent from a year earlier to HK\$4.60 billion (US\$590 million).** Gross profit rose 40 percent to HK\$1.01 billion (US\$129 million), and net profit was up 56 percent to HK\$391 million. Device shipments rose 37 percent year-on-year to 19.5 million units, helped by its new entry-level Android smartphones and expansion in new markets such as Brazil and southern Africa. The group reiterated its target for shipments over the full year to rise 39 percent to 50 million units. TCL plans to launch 51 new models in H2, including 3G Android smartphones and tablets to strengthen its penetration in both low-end and mid- to high-end markets.

Media, Gaming and Entertainment

- **i-Cable increased its turnover in H1 by 9 percent to HK\$1.05 billion (US\$135 million).** EBIEDA improved to HK\$68 million (US\$8.7 million) and net loss narrowed to 55 million from a net loss a year earlier of 145 million. The company's internet and multimedia segment saw its turnover drop by 28 percent to HK\$167 million (US\$21.4 million) and operating profit was 44 percent lower at 30 million. Broadband services subscribers decreased by 3,000 in the first half to 225,000, as the voice conveyance service decreased by 6,000 to 137,000 lines. i-Cable's television segment rose turnover by 20 percent to HK\$874 million (US\$112 million) as the division's operating loss narrowed to HK\$22 million (US\$2.8 million). TV services subscribers increased by 3,000 in the period to 1.10 million.

Singapore/Malaysia/Philippines/Indonesia/India/Australia

Telecommunications

- **Globe has asked regulator NTC to pull the licenses of PLDT and subsidiaries including Smart Communications, arguing that they are not Philippine nationals.** Globe also wants PLDT to surrender its spectrum to be re-auctioned. As 87 percent of PLDT's preferred and common shares are held by local investors, Globe argues that some 60 percent of voting rights are in foreign hands. Globe alleges that this makes the various approvals granted void from the very beginning. Crucially, Globe also claims that the foreign ownership means NTC should block PLDT's deal to acquire a controlling stake rival DigiTel. PLDT and Globe have been at loggerheads since this agreement was announced a in March.
- **Globe Telecom, Inc.'s first-half net profit rose 9 percent to PHP5.49 billion (US\$128 million) from a year earlier on a sustained recovery in its cellular business and the addition of more broadband customers.** Net profit was PHP5.05 billion in the first half of 2010. Consolidated service revenue improved 7 percent to PHP33.0 billion (US\$774 million). Net profit in the second quarter stood at PHP2.51 billion (US\$1.4 million), up 19 percent from the year-earlier period but down 16 percent compared with that had in the first quarter. Revenue in the quarter rose 7 percent to PHP16.55 billion (US\$388 million). Globe Telecom ended the half with 28.4 million mobile phone subscribers, up 15 percent from the same period a year ago. In the second quarter, the company had a net addition of 1.11 million cellular subscribers, the most for any quarter over the past three years. Its broadband service attracted 113,000 new subscribers in the second quarter, pushing total subscribers at the end of June to 1.29 million. At the end of June last year, Globe Telecom had 930,000 broadband subscribers.

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- **SingTel's corporate venture capital arm SingTel Innov8 has bought a 23.39 percent stake in Sentilla for US\$4.5 million.** Sentilla is a provider of energy performance management software. Its flagship product, Sentilla Energy Manager, is designed to help solve energy problems caused by increased usage in data centers, reclaiming energy capacity, stabilizing energy consumption, as well as improving equipment utilization.
- **Singapore Telecommunications Ltd. had an unexpected drop in first-quarter profit as costs cut earnings at home and lower currency gains income from regional businesses.** Net income declined 2.9 percent to S\$916.2 million (US\$755 million). Six consecutive quarters of lower earnings at affiliate Bharti Airtel Ltd. and the Singapore dollar's appreciation against nine major Asian currencies this year are hurting overseas income. Earnings from the Optus unit in Australia are rising, boosted by currency gains and customers won from rivals, as program content costs at its mioTV Internet protocol service cut profit at home.
- **StarHub's profit for Q2 rose 34 percent year-on-year to S\$78 million (US\$63.97 million).** The firm's EBITDA rose 16 percent to S\$164 million (US\$135 million) for the quarter as EBITDA margin as a percentage of service revenue had increased 4.4 percent from the same period last year. Operating revenue for the quarter stayed stable at S\$569 million (US\$469.2 million), almost equivalent to a year ago, despite a greater than 50 percent reduction for the firm's sports TV package to S\$12 (US\$9.9). Lower revenue from the firm's Pay TV segment was counterbalanced by positive showings in the mobile and broadband segments. Revenue from StarHub's mobile services business for Q2 increased 3 percent to S\$302.5 million (US\$249.4 million) year-on-year. The firm saw a 4 percent increase in post-paid mobile service revenue to S\$239.2 million (US\$197.2 million), as revenue from pre-paid mobile services had dropped 3 percent to S\$63.3 million (US\$52.2 million). The mobile services segment added 97,000 customers for the quarter and post-paid ARPU increased S\$1 (US\$.8) to S\$73 (US\$60.20).
- **Tower Bersama Infrastructure will complete its acquisition of Mitrayasa Sarana Informasi (Infratel) in the third quarter of this year.** The asset valuation process was delayed but is now over 90 percent completed, the Jakarta Post writes citing Tower Bersama chief financial officer Helmy Yusman Santoso. The process is behind schedule as verifying assets of telecommunications towers is time consuming, Helmy said. The valuation was originally planned to be completed in the second quarter. The companies announced the signing of a final sale agreement on 9 August, after a preliminary agreement in June. Following the acquisition, Infratel will become a wholly-owned subsidiary of Tower Bersama. Infratel operates 263 tower sites and 332 shelter-only sites as Tower Bersama has 3,610 tower sites across Indonesia. The funds to acquire Infratel come from money raised in Tower Bersama's IPO in October 2010, which raised 1.12 trillion rupiahs (US\$131 million).
- **Vodafone Group PLC has reduced its shareholding in its Indian operations to adhere to the nation's foreign direct investment rules, paving the way for a possible initial public offering of the unit.** Vodafone said in a brief statement that Piramal Healthcare has brought a 5.5 percent stake in Vodafone Essar Ltd. for GBP400 million (US\$660 million), reducing Vodafone's holding in the Indian unit to 69.8 percent. The widely seen sale was necessary to adhere to India's foreign direct investment rules that at least 26 percent of the business needs to be Indian-owned. Vodafone bought out Essar Group, its joint venture partner in Indian mobile phone group Vodafone-Essar Ltd. on July 1, after announcing the deal at the end of March, taking its direct ownership of the Indian company to 75.3 percent. The remainder is owned by entities that are majority-owned and controlled by Vodafone's other Indian partners, in which the U.K.-based company has minority interests.

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- **Tata Communications reduced its consolidated net loss by 22.44 percent to 218.23 crore rupees (US\$48 million) for the quarter ended June 30, 2011.** The company had a net loss of Rs 281.39 crore (US\$48 million) during April-June quarter 2010. Revenues from telecommunications and other services rose to Rs 3,257 crore (US\$717 million) during the quarter, up 12.91 percent from the same period previous fiscal. On the standalone basis, the company had a net profit of Rs 47.79 crore (US\$10 million), up 20.59 percent in the same period last year.
- **A group within India's Department of Telecommunications estimates an investment of 650,000 crore rupees (US\$143 billion) during the upcoming 12th Five Year Plan (2012-17).** Of the total, 1 lakh crore rupees (US\$2.2 million) are expected to come from the auction of spectrum and renewal of licenses, the working group said in a meeting held at DoT. The telecom equipment segment is seen to lure 2.85 lakh crore rupees (US\$6.3 million) investments, upgrade of telecom networks 1.4 lakh crore rupees (US\$3 million) and broadband is likely to bring in 1.25 lakh crore rupees (US\$2.7 million) during the plan period. Attributing this investment to growth in subscriber base, the group said that the current trend projects that India will have 1.2 billion telephone subscribers by the end of the 12th five year Plan. Of the total subscriber base, 25 percent will consist of 3G and 4G technology users, it said, adding that there will be 175 million broadband subscribers by 2017. The country had 886 million telephone and 12.32 million broadband subscribers as of June 30, as per the Telecom Regulatory Authority of India data. E-governance, better connectivity and value added services would be growth drivers in the telecom sector and the industry needs to augment the strength of its telecom network for delivering services to a wider subscriber base.
- **The India telecommunication department will sell the government's 30 percent stake in Bharti Hexacom, a subsidiary of Bharti Airtel, reports the Economic Times.** Hexacom offers mobile services in six north-eastern states and Rajasthan and has a little over 15 million customers. The government owns 30 percent in Bharti Hexacom through public sector company Telecom Consultants of India (TCIL). Though the TCIL board had been looking to exit for a as, it has decided to stay invested in light of Hexacom's strong performance, coupled with the prospect of higher valuations with the introduction of 3G. Last month, Bharti Airtel offered to list the subsidiary to provide an exit option. Bharti Airtel also has the first right of refusal to this stake. Earlier, when TCIL expressed its intent to exit Hexacom, the government invited bids, after Deloitte fixed a base price of 18 billion rupees (US\$396 million).
- **Mahanagar Telephone Nigam Ltd. daid net loss for the first quarter almost doubled, as interest costs surged and sales declined.** Sales declined 15 percent to 8.13 billion rupees (US\$179 million), hurt by tough competition. MTNL has been struggling to gain and retain subscribers in India's fast-growing but highly competitive telecom market. The company offers fixed-line, wireless and broadband services in just two of India's 22 telecom service areas, Delhi and Mumbai, where competition is the toughest. Revenue from basic fixed-line telephony services declined 19 percent to 6.50 billion rupees (US\$143 million), and that from cellular services slipped about 3 percent to 1.71 billion rupees (US\$37 million). MTNL said total costs rose to 11.76 billion rupees (US\$259 million). Staff costs--other than that for retirement benefits--increased about 19 percent to 4.41 billion rupees (US\$97 million), as the actual payout for retirement benefits climbed 61 percent to 1.08 billion rupees (US\$24 million). Provisions for retirement benefits rose to 2.99 billion rupees (US\$66 million). However, administrative and operational expenses declined to 1.61 billion rupees (US\$35 million).
- **India's fixed-line subscriber base declined in June to 34.29 million from 34.4 million in May, according to Trai.** BSNL and MTNL hold 82.14 percent of the fixed-line market share. BSNL's subscribers declined to 24.72 million as the company lost 137,488 customers in June. BSNL has a

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market share of 72.10 percent. MTNL lost 2,639 subscribers to end the month with 3.44 million and the company had a market share of 10.04 percent. Bharti Airtel gained 5,648 subscribers to bring its total to 3.32 million subscribers and a market share of 9.69 percent. Reliance Communications won 3,011 new customers and ended the month with 1.24 million customers, as Tata Teleservices had 1.32 million subscribers at the end of June, up by 20,838 subscribers.

- **Bharti Airtel's net profit declined 27.8 percent in the June quarter, continuing what is now a six-quarter streak of profit declines.** But revenue rose 38.6 percent. The Indian operator recorded a profit of US\$272 million, with earnings hit by fees associated with its African acquisitions and 3G investments in India. Profit has now fallen for six straight quarters, Economic Times said. The bottom line declined even as revenue swelled to US\$3.79 billion, on the strength of a 25 percent year-on-year growth in mobile subscribers to 221.2 million. As Airtel Africa improved revenue 6 percent sequentially to US\$979 million and added 2.1 million new customers, the segment is still generating a loss for the parent. Bharti Airtel also struggled with shrinking margins in its core India and South Asian markets – ARPU declined 12 percent year-on-year, when measured in rupees. But CEO Sunil Mittal said efforts in the area of cost efficiencies have helped arrest this margin decline.
- **Facing the loss of the concession revenue that has long accounted for the majority of its earnings, Thailand's CAT is speeding up efforts to transform into a retail service provider.** CAT's new chief marketing officer said the company will push for more subscribers to its 3G, fixed broadband and FTTH businesses as it seeks to transition into a private-sector style business. The state-owned operator typically receives two thirds of its total annual earnings through concession revenue from private operators, but this will dry up over the next two and a half years as the new telecom regulatory regime takes hold. CAT's profits have already started diminishing. CAT plans to eventually transform 3G into its core revenue source, but will rely on broadband and FTTH until the 3G operations are mature enough. The company will launch 3G services this month in five cities including Bangkok, and aims to have 100,000 3G subscribers by the end of the year. It already has some 400,000 users of its CDMA mobile service.
- **Telstra had strong customer growth, adding 1.66 million new mobile phone and mobile broadband subscribers over the year to June 30.** Its market share in mobile services rose from 40 percent to 43 percent in the year, its own statistics show. The progress comes at a cost, with Telstra spending A\$970 million (US\$984.89 million) in the 12 months on its strategy to improve service, win customers and simplify its business.
- **Australia's STW Communications Group hopes to announce some acquisitions in the second half of calendar 2011 after organic growth helped lift first half earnings.** The marketing and communications company said net profit for the six months to June 30, 2011, was A\$17.19 million (US\$17.45 million), up 5.7 percent from the prior corresponding period. Revenue rose 2.3 percent to US\$158.77 million, STW said, helped by market share gains. STW chief executive Michael Connaghan said it was a solid result achieved in difficult trading conditions and low consumer confidence in Australia and New Zealand.

Mobile/ Wireless

- **India has 851.7 million mobile phone subscribers, with 11.41 million connections added in June.** The Telecom Regulatory Authority of India (TRAI) said the wireless user base rose 1.36 percent, from 840.28 million in May. As the share of urban subscribers declined to 66 percent from 66.02 percent, the share of rural subscribers marginally increased from 33.98 percent to 34 percent. With this, the total number of telephone subscriber base touched 885.99 million, registering a growth

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of 1.29 percent. Overall teledensity in India reached 73.97. However, of the total 851.70 million wireless subscribers in March, only 594.77 million were active subscribers on the date of peak visitor location register (VLR). VLR is a temporary database of the subscribers who have roamed into the particular area which it serves.

- **Allocating spectrum for Mobile Broadband will have a huge impact on India's GDP by 2015.** The GSMA had a 10 percent increase in broadband penetration in India will contribute a combined US\$80 billion of net revenues across the country's transport, healthcare and education sectors by 2015. The figures come from a new study, commissioned by the GSMA and conducted by analyst firm Analysys Mason, on the economic impact of Mobile Broadband growth on these key industry sectors. Broadband connectivity is a driver of socio-economic improvement, fuelling economic growth across all industry sectors and contributing to enhanced GDP. According to Analysys Mason, a 10 percent increase in broadband penetration will lead to net growth revenue increases of 42 percent in the healthcare sector (equating to an additional 1,215 billion rupees (US\$ 27.4 billion), 36.8 percent in education (an extra 1,402 billion rupees (US\$ 31.2 billion) and 18.8 percent in the transport sector (an additional 889 billion rupees (US\$ 20 billion).

Information Technology

- **India's technology companies are bracing for a potential slowdown in growth after a historic U.S. credit downgrade over the weekend heightened fears of a double-dip recession in the largest outsourcing market and sparked a sell-off in IT stocks.** Indian technology companies earn at least 80 percent of their revenue from the U.S. and Europe. Coupled with a debt crisis looming over Europe, the Standard & Poor's U.S. downgrade is raising concerns of a return to the recessionary times of 2008 when the local software industry bore the brunt of lower spending by cash-strapped clients. The downgrade may lead to a slowdown in business in the immediate term, Shami Khorana, president of the Americas division of HCL Technologies Ltd., told Dow Jones Newswires. Clients in the U.S. might feel cost pressures immediately and go slow in spending decisions, Khorana added. Second-largest, Infosys Ltd., echoed HCL's concerns, saying it is seeing fears of another recession in the U.S. and a debt crisis in Europe. Infosys shares dipped 4.7 percent to 2,468.00 rupees (US\$54.4). Infosys, whose financial performance has been patchy recently, has been consistently maintaining a cautious business outlook, citing the volatile global economy.

Media, Gaming and Entertainment

- **Australia's oOh!media Group Ltd has announced a 36 percent improvement in first half net profit on the strength of regional and retail billboard advertising.** The specialist outdoor advertising company said net profit for the six months to June 30 was A\$3.52 million (US\$3.64 million). Revenue rose nine percent to US\$55.33 million. The company will pay no final dividend. oOh!media said the improved result was due to increased demand for billboard advertisements in regional areas and retail advertising.
- **A depressed Australian retail environment and the relentless migration of readers to digital platforms have prompted further declines in newspaper circulation.** Audit Bureau of Circulation data showed newspaper sales declined by 4.2 percent in the three months. The slide was widespread, with just one metropolitan masthead - Melbourne's The Sunday Age - bucking the trend with a 1.1 percent rise in paid sales. Falling circulation numbers are yet another negative for media companies that have endured falling advertising revenue amid weak consumer spending. The Newspaper Works chief executive Tony Hale said publishers faced challenging times, given the worst retail environment for 50 years.

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United States/Canada

Mobile/Wireless

- **Mobile Interactive Group (MIG) has partnered with Skype.** The partnership will see MIG run the Skype global mobile website utilizing MIG's mobile platform, mVoy Publish. This will provide a path for customers to download the Skype application for their mobile, enabling access to content, product information and support if required, support Skype's global customer base in local languages and provide an integrated mobile web user experience to Skype users worldwide. Initially the partnership will see MIG develop a full service mobile internet site that will detect the user's handset and territory and provide them with a tailored user experience with relevant downloads, product information and support services. Users will be able to access similar and relevant content to that available on Skype.com.

Internet

- **Google announced that it has agreed to buy Motorola Mobility Holdings Inc for US\$12.5 billion, a deal that would give Google more than 17,000 patents.** Motorola shareholders will get US\$40 a share in cash. Google is paying a premium of 73 percent compared with Motorola Mobility's 20-day trading average price before today. The average premium of more than 360 deals in the wireless- equipment industry on that basis was 32 percent in the past five years, according to Bloomberg data. Google agreed to pay Motorola Mobility US\$2.5 billion if the deal falls through, a person familiar with the matter said. Motorola Mobility would pay \$375 million if it decided not to sell to Google, the person said. Jennifer Erickson, a spokeswoman for Motorola Mobility, declined to comment on the breakup fee, as did Aaron Zamost, a spokesman at Google. The acquisition -- the largest wireless-equipment deal in at least a decade, according to data compiled by Bloomberg -- makes Google a competitor to the other handset makers that make Android devices. In addition to Motorola Mobility phones, the software runs handsets made by companies such as Samsung Electronics and HTC.
- **LinkedIn Corp. shares declined as much as 9.4 percent after analysts at Morgan Stanley and Evercore Partners Inc. lowered their ratings on the stock.** Morgan Stanley and Evercore said the stock is expensive even after the company had an unexpected second-quarter profit and said revenue soared as business customers spent more on hiring services. The stock has at least doubled since the company's initial public offering in May. LinkedIn said profit before certain costs was US\$10.8 million, or 10 cents a share. That compared with an average analyst estimate for a loss of 1 cent, according to Bloomberg. LinkedIn's third-quarter sales forecast also exceeded projections.
- **Demand Media Inc. renewed an ad agreement with Google Inc. and reported sales that topped estimates.** The three-year accord with Google builds on the companies' current agreement, letting Demand Media show ads sold by Google on its sites. The company gets much of its online traffic from users of search engines, led by Google. The deal may help soothe concerns that Google is tinkering with its search engine to send less traffic toward companies like Demand Media, which relies on an army of freelancers to create low-cost websites. Demand Media will be included in premium channels within Google's advertising network. The accord is the largest single revenue arrangement in the history of the company, Chief Financial Officer Charles Hilliard said. Separately, the company had a 32 percent rise in second-quarter sales to US\$79.5 million. That topped the US\$75 million predicted by analysts, according to Bloomberg data. Its net loss was US\$2.4 million. Demand Media is increasing spending on marketing, overhead and product development as it expands the business.

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- **Time Warner Cable said it will buy The Carlyle Group's cable operator Insight Communications for US\$3 billion in cash, to broaden its presence in midwest U.S.** Insight is the 10th-largest cable operator in the U.S. and sells cable television, high-speed Internet and telephone services, serving around 750,000 customers in Illinois, Indiana, Kentucky and Ohio. This is Time Warner Cable's largest acquisition since it was spun off from former parent Time Warner Inc in 2009.
- **AOL Inc. reduced its annual earnings forecast, raising concerns that the company may not be able to turn itself around following the 2009 spinoff from Time Warner Inc.** Chief Executive Officer Tim Armstrong has been struggling to revive AOL after the separation from Time Warner, which undid a US\$124 billion merger that triggered record losses and sank the company's stock price. Rising global advertising sales in the second quarter, the first gain in three years, failed to overcome the continuing decline in subscriptions to Web access. AOL lowered its forecast for adjusted operating income before depreciation and amortization to US\$340 million to US\$370 million for the year.
- **Yahoo! Inc. shareholders, claiming they were misled about the restructuring of the online payment business of China's Alibaba Group Holding Ltd., sued the owner of the biggest U.S. Web portal.** The investors claim the search-engine provider failed to tell them before May 10 that its US\$1 billion investment in Alibaba was severely impaired by the transfer of the payment business, Alipay, to a closely held company controlled by Alibaba Chairman Jack Ma. Yahoo management was informed no later than March 31 about the restructuring, which reduced the value Yahoo's investment in Alibaba significantly. The sale of the online payment business to Ma's company last year lacked the approval of the board and was only disclosed to investors in March, Yahoo said previously.
- **Google's share of the U.S. search market declined to 65.1 percent last month from 65.5 percent in June, as Yahoo's rose to 16.1 percent from 15.9 percent, according to ComScore.** Microsoft was unchanged at 14.4 percent. The company, which gets most of its revenue from search-based advertising, is enhancing Internet features amid heightened competition from Yahoo and Microsoft after the two companies began implementing a multiyear joint search agreement last year. In June, Google unveiled a search feature called Instant Pages that gives Chrome browser users quicker connections from links on Internet query results, aiming to cut 2 to 5 seconds from the search process. Google also introduced tools that let users search for online information on a desktop or laptop computer using voice commands, a feature previously available on mobile devices. With the enhancement, a microphone icon appears on the search box, enabling users to speak simple queries or even get translations.

Media, Entertainment and Gaming

- **Google is adding games to its new social-networking service from developers such as Zynga Inc. and Rovio Entertainment Oy, will start gradually rolling out the games feature before making them fully available, said Vic Gundotra, senior vice president, engineering, at Google.** The initial developers also include Wooga GmbH, Funzio Inc. and Kabam Inc. Google+ is the company's latest effort to help it compete against younger social-networking companies such as Palo Alto, California-based Facebook Inc. Facebook has attracted users to its site with games from providers such as San Francisco-based Zynga and Redwood City, California-based Kabam.
- **Cablevision Systems Corp.'s second-quarter profit jumped 44 percent, helped by a recent acquisition, but its subscriber numbers underlined ongoing challenges for the cable industry.** The fifth-largest U.S. cable operator lost video customers during the period, a reversal from gains in the year-earlier quarter. Its tepid growth in revenue per TV customer disappointed some analysts and suggested heavy competition from Verizon Communications Inc.'s FiOS, which competes with

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Cablevision in its key New York metro area market. Shares plunged 7.8 percent to US\$18 in morning trading. Cablevision has been narrowing its focus on cable distribution, a business that faces an industrywide decline in pay-TV customers amid high unemployment, housing market weakness and competition from satellite operators and telecommunications companies. The company spun off cable network-owning AMC Networks on June 30 and Madison Square Garden Co. in February 2010.

Telecommunications

- **UTStarcom's second-quarter revenues rose 26.4 percent year-over-year to US\$92.5 million. Gross margin rose to 37.6 percent from 31.3 percent.** The company moved to a net profit of US\$11.6 million or US\$0.07 per share from a net loss of US\$9 million or US\$0.07 loss per share. The company had US\$313.6 million in cash and cash equivalents at the end of the quarter. The company is aiming to achieve total revenue for the year in a range of US\$300-320 million, which includes PAS deferred revenue through the end of this year at the rate of US\$23 million per quarter. The target to generate 10 percent of total sales this year from the new Operational Support Service business was based on a level of progress in organic and acquisition activities that may not be achieved in the year. The company is targeting annualized operating expenses of less than US\$100 million. The company is also committed to breaking even in 2011 on a full year basis.

Software

- **Citrix Systems has acquired user personalization technology services provider RingCube.** The technology from RingCube enhances virtual desktop adoption by eliminating the tradeoff between user personalization and centralized IT management. With the acquisition of RingCube, Citrix solidifies its position in desktop virtualization, assisting enterprise customers transform traditional desktop management into a 'private desktop cloud' service. The terms of the acquisition were not disclosed.

Technology

- **Cisco Systems Inc. announced that its profit and sales beat analysts' estimates.** Cisco has reigned in operating expenses, unveiling a plan to cut about 6,500 jobs worldwide and closing the Flip video camera unit to concentrate on its more profitable switches and routers. Though the company's gross margin, or the percentage of profit left after production costs, narrowed to 62.7 percent, Cisco forecast earnings this quarter that may top analysts' estimates. Profit, excluding some costs, was 40 cents a share in the fiscal fourth quarter. Analysts on average had predicted 38 cents, according to Bloomberg data. Sales rose 3.3 percent to US\$11.2 billion in the period.

Semiconductors

- **Nvidia Corp forecast higher sales than analysts estimated after the company gained market share from Advanced Micro Devices Inc. (AMD)** Third-quarter revenue is projected to rise 4 percent to 6 percent from the second quarter, indicating sales of as much as US\$1.08 billion. That compares with the US\$1.05 billion predicted by analysts on average, according to Bloomberg data. Nvidia is wooing customers away from AMD in the market for so-called discrete graphics chips, which are used in notebook computers, according to Mercury Research analyst Dean McCarron. The company has also started winning more orders for its Tegra processors from makers of mobile phones.

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Europe

Telecommunications

- **Telecom Italia is the latest big-five incumbent to record lower profit in 1H11, as a goodwill write down on its domestic business dragged the firm to a loss during the period.** The operator swung to a loss of 2 billion euros (US\$2.86 billion) during the period. Sales were maintained by the firm's operations in Argentina and Brazil, which negated a 6.7 percent decline in domestic revenue. The results make Telecom Italia the fourth incumbent in Western Europe to report lower income for the first half, with Deutsche Telekom revealing profit for the period declined by a third to 828 million euros (US\$1176 million), and France Telecom and Telefonica also suffering.
- **Wind Telecomunicazioni Spa has secured a waiver from most of its existing lenders to raise around 800 million euros (US\$1,140 million) in a bridge loan that will be refinanced in the bond market.** The Italian telecoms company is expected to appoint lead banks on the new one-year loan imminently, having solicited banks on the new financing during the waiver consent process.

Semiconductors

- **Intel Corp. will invest as much as US\$300 million to back the development of technology to speed up the introduction of notebook computers to be called "ultrabooks."** Intel said it will put the money in companies building hardware and software to create thinner, lighter laptops that can go all day without a battery charge. The investments will take place over the next three to four years. Intel is trying to fire up demand by adding some of the features that have made iPad tablet and its competitors a threat to personal-computer sales. In May Intel said the new computers will be less than an inch thick, have days of battery life on standby, start up in seconds and sell for less than US\$1,000. Intel is aiming to convert 40 percent of consumer laptops to the new category by the end of 2012.

Media, Gaming and Entertainment

- **Virgin Media announced that it had sold its 50 percent stake in UKTV, home to 10 channels including Dave and GOLD, to Scripps Networks for 239 million pounds (US\$394 million) as part of its strategy to move away from content production.** Scripps, which will also pay about 100 million pounds (US\$162 million) to acquire the outstanding preferred stock and debt owed by UKTV to Virgin Media, said the deal would support its strategy of international expansion in key markets.
- **Rovio Entertainment Oy, the creator of the "Angry Birds" mobile-phone game, is in talks to receive funding that would value the company at about US\$1.2 billion.** The game maker is considering taking a strategic investment from a company in the entertainment business. Rovio may use any new funds to fuel its expansion. The company will make an "Angry Birds" movie and open offices outside of Finland, and is seeking to capitalize on the popularity of its brand in countries such as China, where it aims to sell stuffed animals and clothing in 200 retail stores. The most likely investors in Rovio include game developers Electronic Arts, Zynga, and News. and Walt Disney Co., said Michael Pachter, managing director of research at Wedbush Securities Inc. These companies could help Rovio reach new audiences.

Mobile/ Wireless

- **Nokia Corp. will stop selling both feature phones and Symbian-based smartphones in the U.S. and Canada as it tries to put all of its muscle behind the company's huge bet on Microsoft Corp.'s Windows Phone.** The company will also focus exclusively on sales through traditional wireless carriers. In the past, Nokia has sold its smartphones at full price to consumers,

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Weekly Market Review



Week of 8 August 2011 - 14 August 2011

after finding carriers unwilling to significantly subsidize or market the products. However, Nokia said it needs to put all of its efforts into its Windows Phone products, which are due out later this year.

South Africa/Middle East/Latin America

Telecommunications

- **The board of Telefonos de Mexico said it agreed to move forward on an offer by Carlos Slim's America Movil to buy the part of the telephone company that it does not already own.** America Movil, which already owns almost 60 percent of Telmex, said it was seeking to buy the rest of the company in a deal worth about US\$6.5 billion.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 8/12/11)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2011	% Change 1/1/2010
Japanese yen	¥/US\$	76.6700	-2.2%	-4.4%	-5.5%	-17.5%
Hong Kong dollar	HK\$/ US\$	7.7919	-0.2%	0.0%	0.2%	0.5%
Chinese renmenbi	RMB/ US\$	6.3892	-0.8%	-1.2%	-3.0%	-6.4%
Singapore dollar	S\$/ US\$	1.2118	-0.4%	-1.3%	-5.5%	-13.8%
South Korean won	KRW/ US\$	1,078.9000	1.1%	2.0%	-3.7%	-7.3%
New Taiwan dollar	NT\$/ US\$	28.9740	-0.1%	0.5%	-0.7%	-9.3%
Australian dollar	US\$/A\$	1.0354	-0.8%	-2.8%	1.5%	15.4%
New Zealand dollar	US\$/NZ\$	0.8319	-1.3%	0.4%	6.8%	14.9%
Philippine peso	PHP/ US\$	42.6200	0.1%	-0.7%	-2.3%	-8.2%
Euro	US\$/€	1.4248	-0.2%	1.5%	6.5%	-0.5%
British pound	US\$/£	1.6276	-0.7%	2.3%	4.3%	0.8%

Fixed Income Prices and Yields

Note	Currency	Current (on 8/12/11)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	100.41	3.73%	109.31	3.85%	102.78	4.21%
Japan 30-year	¥	103.66	2.00%	105.44	1.91%	102.47	2.07%
Hong Kong 10-year	HK\$	103.10	1.82%	102.29	1.98%	99.09	2.34%
China (06/16)	US\$	103.14	3.78%	103.72	3.83%	104.89	3.58%
Singapore 10-year	S\$	104.95	1.69%	103.90	1.81%	101.01	2.14%
South Korea 20-year	KRW	11,231.89	3.90%	11,008.00	4.05%	10,481.18	4.41%
Australia 15-year	A\$	108.29	4.57%				
New Zealand (12/17)	NZ\$	111.89	4.46%	110.95	4.58%	106.53	5.09%
Philippines 20-year	PHP	100.83	7.92%	100.38	7.96%	128.79	8.26%
India 30-year	INR	96.86	8.59%	96.43	8.64%	96.36	8.64%
UK 30-year	£	105.06	3.95%	106.15	3.89%	101.77	4.14%
Germany 30-year	€	129.66	3.16%	130.41	3.15%	125.73	3.37%

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