

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



Week of 8 - 14 September 2002

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Equity Market Indicators					
Index	Closing Level (9/13/2002)	% Change 1 Week Ago	% Change 1/1/2001	% Change 1/1/2002	% Change 2001 Low
S&P 500	889.81	-0.5%	-30.7%	-22.5%	-6.1%
Dow Jones Industrial Avg.	8,312.69	-1.4%	-21.9%	-17.1%	3.9%
NASDAQ Composite	1,291.40	-0.3%	-43.7%	-33.8%	-7.7%
The Street.com Net	79.25	1.8%	-71.1%	-58.9%	-29.0%
Japan Nikkei 225	9,241.93	1.2%	-32.5%	-12.3%	0.3%
Japan TOPIX	908.41	1.6%	-29.1%	-12.0%	-6.9%
Korea KOSPI Composite	718.17	1.3%	37.9%	3.5%	59.5%
Korea Kosdaq	54.28	-3.5%	-2.5%	-24.8%	21.0%
Taiwan Stock Exchange	4,580.17	2.7%	-7.2%	-17.5%	36.2%
Singapore Straits Times	1,432.00	-0.7%	-24.5%	-11.8%	19.7%
Hong Kong Hang Seng	9,650.97	-0.7%	-35.1%	-15.3%	11.3%
Hong Kong GEM	132.36	-0.9%	-56.8%	-33.6%	-16.3%
China Shanghai (A-Share)	1,696.66	-0.3%	-23.7%	-0.9%	6.9%
China Shenzhen (A-Share)	503.56	-1.0%	-27.3%	0.8%	9.3%
China Shanghai (B-Share)	148.10	-0.2%	66.0%	-13.7%	91.0%
China Shenzhen (B-Share)	234.87	-1.0%	69.0%	-11.6%	90.9%

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Technology, Media, Telecommunications and Life Sciences Market Activity

NASDAQ/NYSE TMT and Life Sciences IPO Filings

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

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/2/02	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/2/02	% Change From Offer
9/10/02	BB Net Corp. [2318.JP] (Jasdaq)	Sells food material for pastry and bakery shops on the Internet. The Company provides e-commerce consulting services.	\$1.8	¥145,000	¥145,000	0.0%
9/10/02	Softfront [2321.JP] (Jasdaq)	Develops Internet telephony software	\$4.7	¥230,000	¥165,000	-28.3%
9/11/02	Tongling Jingda Special Magnet Wire Co., Ltd. [600577.CH] (Shanghai Stock Exchange)	Produces and sells a variety of electromagnetic wires for the manufacturers of compressors, electric machines, and transformers.	\$23.9	CNY9.9	CNY23.61	138.4%

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Weekly Highlights

International

Hardware

- **IDC cuts PC sales forecast** to a 1.1 per cent rise, saying key year-end holiday sales would be disappointing. It projected sales of 135.5 million personal computers, compared with 134.1 million last year and predicted an 8.4 per cent rise next year. Last year, the PC market, used to double-digit growth, shrank for the first time since 1985.

Japan

Telecommunications

- **Japan Telecom to set up a fiber-optic relay network in the Tokyo** metropolitan area to provide low-cost data communications services to corporate clients. Scheduled for completion by March 2003, the network will link the network management center that serves as the Tokyo connector of its domestic trunk line network with some 30 relay stations around the city.

Mobile / Wireless

- **Solnet to market encryption systems to corporations** for secure transmission of data over wireless LANs. The systems, which make use of the C4 Technology's proprietary Secure Wireless LAN encryption technology, consist of software that is installed on each LAN terminal and hardware that is attached between the LAN connection and the Internet line.

Software

- **Trinity Security Systems to begin marketing business software** to encode documents and tables drawn up on personal computers. The Pirate Buster for Document software works with Microsoft business software, including Word and Excel. It prevents leaks and unauthorized usage of classified information by allowing only registrants to access the data.
- **Mitsui obtains exclusive domestic marketing rights to ChannelWave** partner relationship management (PRM) software that helps companies manage their networks of sales agencies over the Internet. ChannelWave will be the first PRM software product sold in Japan.

Internet

- **NTT East and NTT West to separately start a high-speed ADSL communications service** with a maximum transmission speed of 12 megabits per second (compared with 8 megabits for conventional ADSL services). Monthly charges will be set at 3,200 yen, 100 yen higher than the firm's 8-megabit service. Users will have to contract separately with an Internet provider.

Hardware

- **NEC to start developing and producing electronic equipment** based on its own semiconductor technology, as a subcontractor to other companies. The firm will make products on order using its own system microchips. Finished products, along with the right to manufacture and market them, will then be sold to customers.

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- **Sony launches a digital TV that can learn its owner's tastes.** CoCoon, a tuner about the size of a DVD player that connects digital TVs to the Internet by broadband, is set to go on sale in Japan in November for about ¥130,000 (\$1,080) and planned sometime later for overseas markets. CoCoon also has a browser to access some Web pages with the weather report, horoscope and the news.

Media, Entertainment and Gaming

- **Sony and Namco jointly develop voice response software for Aibo pet robots.** With the new software, Aibo robots will be able for the first time to respond verbally, engaging in conversation. The software, sold as a Memory Stick, will be available for purchase from Nov. 2, and is for use with robots in the ERS-300 series.

Korea

Telecommunications

- **Subscribers slow to upgrade usage to cdma2000 1x EV-DO network.** SK Telecom, the country's largest mobile carrier, and KTF, the No. 2 player, launched EV-DO in the first half of this year and tried to create a boom for the high-speed mobile Internet service, but local subscribers have been slow to embrace EV-DO.
- **Hanaro plans to provide domestic long-distance and international call services** by end of 2003 after receiving government approval by end of this year. Hanaro outbid rivals Dacom and Onse Telecom last week for 30 percent of Powercomm, the nation's No. 2 high-speed data cable network. KT, Dacom and Onse operate long-distance and international calls in South Korea.

Mobile / Wireless

- **Samsung Electronics wins a \$400 million order to supply handsets** to China United Telecommunications. Samsung Electronics will supply Unicom with 700,000 cell phones between October and the year-end. The agreement was signed last night in Beijing. The order is for the latest version of phones using Qualcomm, CDMA2000 1X, which allows faster transmission of mobile data.
- **Nextreaming to pioneer a variant of mobile Internet solutions** ranging from multimedia messaging services to mobile office solutions. Nextreaming was spun off from Nextreaming currently offers a variety of mobile multimedia products such as streaming servers and players. Serome Technologies, a troubled Internet telephony operator. Serome still holds a 15 percent stake in Nextreaming.

Software

- **Pimstech has agreed to merge Zamus**, a subsidiary of Ahnlab. The merger will streamline the workforce and organizations, and Ahnlab, the country's leading anti-virus solutions developer, said it would emerge as the largest shareholder after a rights offering in October.

Internet

- **Korea Electric Power picks a consortium led by Hanaro Telecom** as the preferred buyer for a controlling stake in the fixed-line unit Powercomm. KEPCO said it would start negotiations with the Hanaro-led consortium next week and hopes to finalize the deal by the end of October at the latest. KEPCO also picked another consortium led by Dacom as the second preferred bidder for Powercomm.

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Media, Entertainment and Gaming

- **Xbox expected to be put on sale in Korea from the middle of December.** The introduction of the Xbox is hoped by the distributors to open another front in the battle for the electronic gaming console market. The Xbox is likely to be priced at 256,000 won (\$199) before value-added tax, the same price as Sony's PlayStation 2.

China

Telecommunications

- **China United Telecommunications to sell up to 30 per cent of its five billion A-share offering to strategic investors.** China United's investment bankers are in talks with several domestic telecom equipment suppliers and handset manufacturers in a bid to woo them as strategic investors. The interested parties are awaiting the mainland securities watchdog's review on whether they will qualify as such investors.

Mobile / Wireless

- **China Unicom Group teams up with a mobile handset maker** for supplies of cut-price units. The chairman and chief executive of China Eastern Communications (Eastcom) said it had an agreement with China Unicom Group under which Eastcom's distribution arm would sell CDMA handsets to end-users at about a third of market prices if they signed up to Unicom's CDMA services.

Software

- **Microsoft denies threat from official support for Linux in China.** Microsoft China president Tang Jun said sales in China rose 20 per cent in the past year. The Ministry of Information Industry recently established an Open Source Alliance to bolster its support for Linux-based systems. The media has also reported that government departments have been told to give priority to domestic products.

Internet

- **Sohu.com expects SohuStock.com to become profitable by 2004.** The Chinese-language Internet portal launched its joint venture, which started online trading two weeks ago, with Sohu-Guolian Information Technology in April. Guolian is a small brokerage firm based in eastern Jiangsu province.
- **Chinese authorities lift block on Google** without explanation. Users in Shanghai and Beijing reported that they could once again view Google (www.google.com). The search engine is widely used by China's 30 million-plus Internet users because it has a powerful feature for finding Chinese-language material online.

Media, Entertainment and Gaming

- **AOL Time Warner Chief Executive remains hopeful on Warner Music and EMI merger,** but says that there are no talks at present and the regulatory climate remains uncertain. Mr. Parsons said such a merger, which was proposed three years ago but scuttled by European Union regulators, was a "brilliant transaction." He added, "It was a great idea" and "it's still a great concept. ... We live in hope."

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Taiwan

Semiconductors

- **TSMC files an application to build an integrated-circuit fabrication facility in Shanghai.** The world's largest dedicated chip foundry, said that it plans to invest a total of \$898 million, in which \$842 million will be used for the purchase, transportation and installation of machinery and equipment.

Hardware

- **CMC Magnetics to build a \$20 million plant in Shanghai** to expand production and meet demand in China. CMC, which last month began production at its first plant in China, will build the second factory after the investment is approved by Taiwan's government. Taiwan's government restricts some investments in China for fear its economy may become dependent on its political foe.

Singapore / Malaysia

Internet

- **MediaRing.com posts narrower first-half loss of \$9.7 million,** while turnover jumped 74 per cent to \$16.5 million. Koh Boon Hwee came on board as an executive director in January. The company, in the midst of a revamp to sharpen its business focus, said the main contributor to its revenue growth was its PC-to-phone service.

Hardware

- **IBM to invest \$23 million in the IBM Open Computing Centre in Singapore.** About half of that money will be spent this year and the rest over the next three years. The center will focus on training engineers, and developing and then testing software. The emphasis will be on Linux, open source and IBM's WebSphere.

Hong Kong

- **PCCW puts a price tag of about HK\$700 million on its yellow pages unit,** as the company speeds up its assets disposal program. The company said it had received expressions of interest in the unit but no decision had been made on whether to sell. An industry source said the company was asking for about 14 times its historic price-earnings ratio.
- **Cisco Systems launches contest** involving the design of advanced communications services based on IP techniques. The services competition provided a unique opportunity for students and IT professionals to help build these new services and raise public awareness on the benefits of IP telephony. The Hong Kong Institute of Vocational Education helped Cisco launch the contest.

Software

- **Hewlett-Packard forms an alliance with 19 locally based independent software vendors** to assist development of mobile wireless solutions over its iPaq PDA. Alliance members will be offered hardware prototypes and demonstration units at discounted prices for testing and research, and have premier access to beta products and support from HP's technical teams.

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Internet

- **Government to offer free digital certificates for the first year**, to drum up support for next year's introduction of smart identity cards. Hong Kong's smart ID cards contain an option to store the e-Cert digital certificates. Card holders can use them for e-banking and other activities requiring digital authentication.

Media, Entertainment and Gaming

- **Tom.com forms JV with state-owned SDX Joint Publishing** (Sanlian), marking its first move into the mainland publication business. The company has set up a 40 million yuan venture with Sanlian, which will have a 51 per cent stake. Sanlian publishes four national magazines, including Sanlian Life Weekly, and has published more than 5,500 book titles in its 70-year history.
- **Tom.com in talks to invest in Popular Computer Weekly**, one of the mainland's biggest-selling computer magazines. The transaction, if realized, would be the group's second recent acquisition of a mainland print publication. A source familiar with the situation said a deal was expected soon, although he would not say how large a stake the Li Ka-shing media flagship was seeking.

United States / Canada

Telecommunications

- **Qwest Communications seeks to eliminate \$1 billion a year in cash burn.** Qwest is looking at options for about 10 of its businesses. Those options include closing down businesses, selling them, or selling part of the assets of the businesses. The company is focused on paying down debt. Previously, Moody's Investors Service cut its rating on Qwest, moving the company deeper into junk territory.
- **House Energy & Commerce Committee subpoenas Gary Winnick, chairman of Global Crossing**, along with other top-ranking telecommunications executives. Former Global Crossing general counsel James Gorton, and Gregory Casey, a former top salesman at Qwest were also sent subpoenas.

Mobile / Wireless

- **Federal regulators free major carriers of their obligation to pay the \$16 billion** they bid during a government spectrum auction. The Federal Communications Commission will release an order seeking public comment on different options for resolving the issue. At least one of the proposals would allow the carriers to opt out of the auction and free themselves of their remaining debt altogether.

Software

- **Microsoft's flagship word processor has a security flaw** that could allow the theft of computer files by "bugging" a document with a hidden code. It was exploring how to fix the problem and whether to extend the repair to an older version of the software still used by millions. The flaw would most likely occur in the workplace, where Word is the most prominent word processing program.

Internet

- **Bush administration considering the creation of a fund for Internet security enhancements.** Federal officials writing the plan are also discussing sweeping new obligations on companies, universities, federal agencies and home users designed to enhance security of the Internet.

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- **Amazon.com and Expedia involved in a lawsuit about nonpayment** for advertising and marketing services. Amazon filed a complaint against Expedia in Washington state's King County Superior Court, saying the Internet travel company hadn't made payments under an agreement to promote its services on Amazon's Web site.
- **America Online unit shakes up senior management** and disbanded the department that negotiated the barter agreements with advertisers now under investigation by the U.S. government. America Online President Ray Oglethorpe, 58, will leave immediately. America Online Chief Financial Officer Joseph Ripp will become the Internet unit's vice chairman along with Ted Leonsis.
- **Yahoo and SBC Communications to begin offering their high-speed Internet service** to small-business and residential customers. The co-branded digital subscriber line service initially will be offered to new customers in the 13 states where SBC operates, with existing customers of a joint Yahoo/SBC dial-up telephone Internet offering to be migrated over in coming months.

Semiconductors

- **Intel to build special security features into its microprocessor chips** for the first time, a move designed to address problems such as computer viruses and tampering by malicious hackers. The technology, dubbed LaGrande, could become a factor in a widening debate over how to prevent personal-computer users from unauthorized copying of digital information, such as movies or music.
- **Intel and VeriSign to create digital identity cards** that PC makers can install on notebook computers that use Intel's forthcoming Banias processor, to help improve security for mobile-computer users. The agreement will allow PC manufacturers to include VeriSign digital identity cards on their notebooks so users don't have to separately install VeriSign software on their machines.

Hardware

- **Jabil Circuit to close a Boise, Idaho, plant** and fire its 500 workers amid a slump in demand from telecommunications equipment makers. The factory, which will close by the end of the year, assembles products including printed circuit boards used in telecommunications gear. Work performed there will be moved to plants in Michigan and Florida.
- **Hewlett-Packard to tap its Indian software units** to boost its technology consulting services business. The company has 3,500 computer-code writers in India including engineers that work for Digital GlobalSoft, which became part of HP with the acquisition of Compaq Computer.

Media, Entertainment and Gaming

- **AOL Time Warner to miss forecasts because of a persistent Internet ad slump.** The unit's ad sales will fall as much as 40 percent to \$1.62 billion. AOL Time Warner also said in a statement it will meet overall 2002 revenue and profit forecasts. Chief Executive Richard Parsons, who has pledged to "under promise and over deliver," has cut estimates for the unit twice in two months.
- **Microsoft in talks to acquire closely held U.K. video-game maker Rare.** Rare is 49 percent owned by Nintendo, and has developed games for the world's No. 2 video-game maker such as "Goldeneye." Microsoft, whose Xbox game console competes with Nintendo, is trying to boost demand for the machine by offering more exclusive games.

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Europe

Telecommunications

- **Telecom Italia buys phone-directories group Pagine Gialle** from Fininvest in a stock-swap deal valued at €138.6 million (\$135.7 million). TI said it would acquire the unit from Fininvest, the unlisted holding company owned by Italian Prime Minister Silvio Berlusconi, for 214.29 million ordinary shares in TI's yellow-pages unit Seat PG, or 1.9% of Seat's capital.
- **Siemens's fixed line telecom unit ICN to shed 2,700 jobs in Munich**, completing cuts first suggested last month. ICN has agreed 400 voluntary redundancies, while it was aiming to transfer 2,300 to a company set up by Siemens to help retrain and find employment for the workers. ICN said earlier it was considering cutting up to 4,000 jobs, adding later that it would go ahead with at least 1,300.

Mobile / Wireless

- **Nokia has unveiled two new budget color-screen handsets aimed at the mass market.** The phones, aimed at the youth market, would strengthen Nokia's portfolio of budget-priced phones, a key segment that accounts for about 70 per cent of all handsets sold globally, and enable the Finnish company to keep ahead of the competition.
- **NTT DoCoMo may boost its stake in a U.K. high-speed wireless venture** with Hutchison Whampoa. Royal KPN NV last month said it is seeking to sell its 15 percent stake in the venture after it wrote off 1.2 billion euros (\$1.2 billion) of the value of its holding. DoCoMo, the world's biggest cell-phone company by sales, now owns a fifth of the venture.
- **MobilCom may file for bankruptcy protection** after partner France Telecom said it will pull the plug. Europe's No. 2 phone company, which owns 28.5 percent of MobilCom, yesterday said it will stop funding the German mobile phone provider and abandoned plans to make an offer for the rest of the company as it tries to cut \$68.4 billion in debt.

Internet

- **Private Media offers to acquire the trademark and Web address of now-defunct Napster**, offering \$2.4 million in common stock as part of a plan to offer an Internet file-sharing service for adult movies. Private Media, Barcelona, said it plans to create a service that will allow users to share free movie files, as well as premium movies that users must pay to access.

Media, Entertainment and Gaming

- **Vivendi receives an offer of 3 billion to 3.5 billion euros (\$3.4 billion) for its publishing unit** from a group of buyout firms led by BNP Paribas's private-equity arm. BNP Paribas's PAI Management has proposed buying a 35 percent stake in the unit, which includes Houghton Mifflin, Kohlberg Kravis Roberts, Apax Partners, Bain Capital, Blackstone Group and Thomas H. Lee Partners.
- **Vivendi's banks will demand it repay them with proceeds from asset sales** as a condition for a 3 billion-euro (\$2.94 billion) loan. Vivendi is negotiating with Citigroup, Societe Generale, BNP Paribas and at least four other financial institutions because it needs cash to stay in business after debt soared.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (9/13/2002)	% Change 1 Week Ago	% Change 1/1/2001	% Change 1/1/ 2002	% Change Last 12 Mth.
Japanese yen	¥/US\$	121.7000	-2.6%	6.4%	8.2%	-3.6%
Hong Kong dollar	HK\$/ US\$	7.7991	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2760	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7734	-1.3%	2.3%	4.1%	-2.3%
South Korean won	KRW/ US\$	1203.8500	-0.6%	-4.6%	9.1%	7.8%
New Taiwan dollar	NT\$/ US\$	34.3950	-1.0%	4.0%	1.6%	0.5%
Australian dollar	US\$/A\$	0.5502	0.4%	-1.6%	8.0%	6.9%
New Zealand dollar	US\$/NZ\$	0.4737	0.7%	6.6%	13.7%	11.7%
Philippine peso	PHP/ US\$	52.2600	-0.7%	4.5%	-1.3%	-1.9%
Euro	US\$/€	0.9718	-1.0%	3.1%	9.3%	5.6%
British pound	US\$/£	1.5519	-0.5%	3.7%	6.7%	5.4%

Fixed Income Prices and Yields							
Note	Currency	Current (9/13/2002)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	109.4063	4.91%	107.8906	4.86%	106.7656	4.93%
Japan 30-year	¥	107.8695	2.04%	105.1210	1.92%	100.0175	2.20%
Hong Kong 10-year	HK\$	122.9013	6.08%	123.4476	3.78%	121.3782	4.10%
China (10/2027)	US\$	120.0880	6.25%	118.7869	6.04%	115.4279	6.27%
Singapore 10-year	S\$	110.4153	4.19%	110.8442	3.05%	110.9326	3.05%
South Korea 10-year	US\$	123.3578	7.20%	123.4264	4.14%	121.6965	4.49%
Australia 15-year	A\$	108.0245	6.02%	108.8360	5.40%	107.8090	5.53%
New Zealand (07/2009)	NZ\$	104.7990	6.68%	105.4784	6.01%	104.8834	6.12%
Philippines 20-year	PHP	121.0082	15.08%	120.2015	15.08%	120.0383	15.11%
India 20-year	INR	129.0628	8.29%	129.2629	7.65%	128.0524	7.76%
UK 30-year	£	98.2900	4.32%	98.7630	4.32%	97.7502	4.39%
Germany 30-year	€	109.0300	5.04%	109.0176	4.90%	109.4603	4.88%

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