

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



Week of 3 - 9 November 2002

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Equity Market Indicators					
Index	Closing Level (11/8/2002)	% Change 1 Week Ago	% Change 1/1/2001	% Change 1/1/2002	% Change 2001 Low
S&P 500	894.74	-0.7%	-30.3%	-22.1%	-4.5%
Dow Jones Industrial Avg.	8,537.13	0.2%	-19.8%	-14.8%	6.5%
NASDAQ Composite	1,359.28	-0.1%	-40.7%	-30.3%	-0.7%
The Street.com Net	87.99	-0.2%	-67.9%	-54.4%	-19.8%
Japan Nikkei 225	8,690.77	0.6%	-36.5%	-17.6%	-4.9%
Japan TOPIX	862.49	0.0%	-32.7%	-16.4%	-11.0%
Korea KOSPI Composite	674.85	4.2%	29.5%	-2.7%	47.0%
Korea Kosdaq	48.39	1.6%	-13.1%	-33.0%	6.5%
Taiwan Stock Exchange	4,811.01	6.9%	-2.5%	-13.3%	39.5%
Singapore Straits Times	1,425.91	-2.6%	-24.8%	-12.2%	19.1%
Hong Kong Hang Seng	9,770.68	3.9%	-34.3%	-14.3%	10.7%
Hong Kong GEM	112.92	2.0%	-63.1%	-43.4%	-29.8%
China Shanghai (A-Share)	1,590.48	0.8%	-28.5%	-7.1%	2.4%
China Shenzhen (A-Share)	464.11	-0.2%	-33.0%	-7.1%	3.2%
China Shanghai (B-Share)	130.05	0.6%	45.7%	-24.2%	72.8%
China Shenzhen (B-Share)	199.29	-0.2%	43.4%	-25.0%	67.1%

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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
11/4/02	Holtek Semiconductor Inc. [6202.TI] (Gre Tai)	Develops and manufactures integrated circuit products	\$7.7	TWD28.0	TWD29.5	5.4%
11/4/02	Datafab Systems Inc. [6199.TI] (Gre Tai)	Designs, manufactures, and markets a variety of flash memory card readers for different interfaces	\$1.9	TWD22.0	TWD30.6	39.1%
11/6/02	Daikoku Denki Co., Ltd. [6430.JJP] (Tokyo Stock Exchange)	Develops, manufactures and sells computer system used in the operation of pachinko parlor	\$16.0	¥650	¥745	14.6%
11/8/02	Dongyang Creditech Co., Ltd. [5634.KS] (Kosdaq)	Produces and sells components for cathode ray tubes	\$4.7	KRW4,000	KRW8,000	100.0%

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Weekly Highlights

International

Software

- **Spending on Internet security technology at large enterprises continues to grow**, increasing in the Asia-Pacific region an average 32 percent per year between last year and 2005. Spurred by increased investments from the government, telecommunications and financial services sectors, China will make up 17 percent of the global market by 2005, according to IDC.
- **CDC Software to serve as master reseller for all Vignette software products and services** in the mainland, Hong Kong and Taiwan. This initiative comes almost four months after Vignette, hurt by a worldwide slump in information technology sales, closed its Greater China headquarters in the SAR and another office in Singapore to focus its Asia-Pacific resources in Australia.

Internet

- **Online music sales drop 25 percent in the first nine months of 2002**, dropping to \$545 million from \$730 million in the same period a year earlier, according to ComScore Networks. Sales of digital downloads were also included in the survey but accounted for a tiny portion of the total. The popularity of free services - many of which are being sued for copyright infringement - remained strong.
- **Reuters Microsoft-powered instant messaging system introduced in Hong Kong**. About 200 financial institutions on the mainland and in Hong Kong and Taiwan had signed for the free-to-install service since its soft launch last month. The service was formally introduced after almost two years of co-development work between Reuters and Microsoft.

Japan

Life Sciences

- **SC BioSciences teams up with two foreign bioventures** to offer a drug candidate exploratory service to Japanese pharmaceutical companies. SC BioSciences will work with Proteom to conduct detailed analysis of protein data on behalf of drug companies, and with Isis Pharmaceuticals to determine the functions of genes and create substances that can inhibit the activity of disease-related genes.

Telecommunications

- **NTT Communications to begin outsourcing corporate IP networking services**. The company will develop business through subsidiaries in the U.S., Hong Kong, Australia and elsewhere to meet the needs of multinational corporations. NTT Communications will employ IP-VPN and wide-area Ethernet technology to establish networks in and among 87 countries.

Mobile / Wireless

- **Cybird to sell CDs and DVDs through cellular phone networks**, jointly with Kadokawa Shoten Publishing. Tokyo Walker and other city guide magazines published by Kadokawa will feature special pages offering new music CDs and DVDs. Cybird will edit the pages and ship the products ordered. Revenue from the service will be divided between the two partners in an undisclosed proportion.

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Software

- **NEC launches a new SCM system** that reduces to as little as four days the time needed from the drafting of sales-performance-based production plans to the manufacture and delivery of products. Configured at a cost of some 3 billion yen, the new value chain management system integrates data from sales and production units, parts suppliers and overseas manufacturing facilities.

Venture Capital / Investments

- **Softbank sells 17.5 million shares in Yahoo for \$294 million**, cutting its stake in the US Internet portal to 4 percent from 7 percent. In 1996, Softbank held 37 percent of Yahoo and at the height of the Internet bubble its stake was worth billions of dollars, but it has been selling off its shares in the US portal in an effort to slash its debts and finance its ADSL Internet access business.

Hardware

- **IBM Japan and Cisco Systems partner in the storage business.** Cisco has developed a switch used in creating SANs (storage area networks), which link multiple servers and storage hardware. The switch is compatible with the iSCSI and Fibre Channel standards. Under the partnership, IBM Japan and group member ProStorage will both start selling Cisco's switch.

Media, Entertainment and Gaming

- **Viacom to build a movie theme park in Fukuoka Prefecture** and is calling for investment from Japanese companies. If the Viacom project materializes, Japan will have three theme parks that originated in the U.S., including Tokyo Disneyland and Universal Studios Japan. The project faces intensifying competition among theme parks and Japan's protracted economic slump.
- **Yuke's Co. develops tools for creating online games for PlayStation 2.** In addition to other aspects of games, developers must create technology to control communications including interactive chats when creating Internet games. Yuke's is licensing the technology, which is compatible with the communications service for online games launched by KDDI, to software development firms.

Korea

Telecommunications

- **Telco companies to invest \$10.84 billion on high-speed broadband networks by 2005**, according to the Ministry of Information and Communication. As of Oct. 10, the number of broadband Internet subscribers surpassed 10 million, a ministry spokesman said. KT had the largest number of broadband subscribers at 4.6 million, followed by Hanaro with 2.9 million, and Korea Thrunet with 1.3 million.
- **KT 3Q net profit nearly doubles year-on-year to 305.7 billion won**, helped by lower non-operating expenses and higher compensation for offering telephone services to remote areas. But it said it expects to be unprofitable in the fourth quarter after spending more on high-speed Internet services to compensate for slumping fixed-line sales.

Mobile / Wireless

- **LG Telecom share of the wireless telecommunications market shrinks to 14.63 percent** in October. KTF attracted 112,000 new customers in the same period for 10.49 million customers, expanding its market share to 32.46 percent at the end of last month. SK Telecom, the market leader,

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experienced a 0.08 percentage point reduction in its market share in the face of the government's crackdown on handset subsidies.

- **KTF purchases a 15 percent stake in KT ICOM** in a deal valued at \$217.1 million. KTF is now hinting at the possibility of acquiring an additional stake in KT ICOM, sparking speculation that it would speed up the merger process. KTF management appears to be willing to accelerate the small-scale merger so that the company can start its 2003 fiscal year as a new entity.

China

Telecommunications

- **China Telecom stages a dramatic relaunch of its IPO by slashing the offer size 55 percent**, keeping intact the offer price range and dividend payout ratio in a last-ditch attempt to ensure sufficient demand to fill the book. China Telecom will issue 7.55 billion H shares to Hong Kong and international investors, sharply down from the 16.8 billion shares it had planned to sell.
- **China Telecom to cut its capital expenditure budget for the next two years** by 8.32 billion yuan. According to its revised listing prospectus, the mainland fixed-line giant has cut its capital expenditure budget for 2003-04 to 48.5 billion yuan. This is down from 56.82 billion yuan for the two years in its first prospectus.
- **UTStarcom to provide \$35 million worth of telecommunications equipment to China Netcom.** Under the latest deal, Alameda, California-based UTStarcom will supply gear for Netcom's fixed-line network in north China's Heilongjiang province. UTStarcom has won contracts worth a combined \$80 million with China Telecom and China Netcom in the last month.
- **AT&T is pessimistic about foreign companies' prospects in China.** AT&T (China) president Arthur Kobler said domestic interests were resisting reform, multinationals would have to accept multiple setbacks and cautioned foreign investors to avoid falling into the black hole of the "China growth market."

Mobile / Wireless

- **Growth of Internet and mobile phone use in China to spur wireless data uptake.** According to the International Telecommunications Union (ITU), China overtook the United States as the country with the most mobile subscribers last year. The ITU report predicted the growth of the mobile Internet would follow the same growth pattern because of the high penetration rate of mobile phones in the country and the growing popularity of SMS.

Software

- **Microsoft to open a software training center the city of Nanjing in Jiangsu province** with Jiangsu NandaSoft, a maker of network security software. The center will assist software developers throughout Jiangsu. Microsoft and NandaSoft engineers will also work with each other at the facility. Microsoft already has similar training facilities in Beijing and Shanghai.

Internet

- **China Travel International Investment (CTII) to pay PCCW and Softbank** Investment International (Strategic) HK\$80 million for the 20 percent it does not already own in an online ticketing

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operator. The acquisition price was arrived at with an estimate that China Travel Net and its subsidiaries would generate a net profit of HK\$44 million for the financial year to December 31.

Hardware

- **Sun Microsystems denies Microsoft will overshadow Sun's position in China.** Andy Lark, vice-president of Sun's global communications and marketing, said while Sun's stand was open-source, the software titan's was proprietary. "Many governments, including the Chinese government, see the benefits [of open-source] and that's why they are demanding Microsoft's source-code," he said.

Media, Entertainment and Gaming

- **Jiangxi is requiring 3,200 Internet cafe users to buy access cards that identify them to police,** further tightening official monitoring of who uses the Internet and what they do online. Jiangxi's system requires customers to register their names, ages and addresses, information which is then loaded into a police database. More than 200,000 users had obtained cards so far.

Singapore / Malaysia

Telecommunications

- **SingTel wins a multi-million dollar deal with insurance firm Marsh** to manage a virtual private network (VPN) for the latter's Asia-Pacific operations. SingTel did not reveal the value of the deal. But an associated two-year deal won by Optus earlier to manage all of Marsh's voice services in Australia is worth \$3.2 million.

Mobile / Wireless

- **MobileOne refutes rival StarHub's claim to be the first to offer MMS to Hong Kong.** M1 said HK CSL had confirmed that M1 - not StarHub - was first in Singapore to offer the service. However, a spokesman for StarHub said Hong Kong CSL approved its media release claiming to be first. M1 said its customers can send and receive MMS in 25 countries and territories.
- **MobileOne indicates a price range of \$1.30 to \$1.60 a share for its IPO.** M1, which has approval is set to kick-off book building for the deal with a roadshow in Hong Kong. The company, which has a third of the mobile phone market in Singapore, has issued some 1.05 billion shares which would give it a market value of between \$1.37 billion and \$1.68 billion at the indicated prices.

Venture Capital / Investments

- **UOB in talks with several mainland lenders with a view to buying into a mainland group** as competition mounts in its small home market. There is speculation that one of the targets could be Fujian Industrial Bank - the mainland's 12th-largest lender, based in Fuzhou. Last year DBS Group bought Hong Kong's Dao Heng Bank Group.

Hardware

- **Toshiba and Matsushita Electric Industrial open a \$1 billion plant in Singapore** to make LCDs for computers and televisions. The plant will position Singapore to cash in on the emerging LCD market, currently worth \$35 billion globally a year. This market is expected to grow at 17 percent annually due to the growing popularity of PDAs, slim television panels and computer monitors.

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Hong Kong

Mobile / Wireless

- **Hutchison Whampoa keeping 3G plans under wraps** in the face of skepticism over a commercial launch planned for this year. Hutchison scheduled the fourth quarter of this year for the launch of "3", its 3G mobile brand in Britain and Italy. The company started delivering 3G handsets to 1,000 users last month, but since then has given no details on progress. The company stressed it has no launch deadline.

Software

- **IBM Software announces a new software solution called Dynamic Workplaces**, consisting of four upgrades to its Lotus software that will enable enterprises to increase efficiency through advanced collaboration technology. Dynamic Workplaces was deployed in IBM for six months before the announcement. The solution reached all 330,000 of its employees worldwide.

Internet

- **Priceline.com to cut its workforce by 15 percent after its 3Q loss swells to \$24.2 million.** The layoffs will not affect Hutchison-Priceline.com, a 65:35 joint venture between Hutchison Whampoa and Priceline that is recording growth in air-ticket sales and hotel bookings. Hutchison-Priceline.com is continuing to offer promotions as part of its marketing strategy.

Media, Entertainment and Gaming

- **Tom.com is in the hunt for entertainment media assets** as it continues its quest to build a cross-media platform for the Greater China region. Chief executive Sing Wang said Tom.com would be interested in investing in television and video production, and TV advertising agencies, but declined to confirm whether it was interested in TV or pay-TV stations.

United States / Canada

Telecommunications

- **The lead attorney against Qwest demands proceeds from sale of yellow-pages business** be given to stockholders instead of using the money to pay down its \$26 billion in debt. The motion also asks the court to freeze proceeds from the insider stock sales of Joseph P. Nacchio, Qwest's former chief executive, and its founder, Philip Anschutz.
- **WorldCom acknowledged that its false profits could top \$9 billion.** The Securities and Exchange Commission, which disclosed the \$9 billion sum in an amended complaint filed in federal court, slapped WorldCom with additional civil fraud charges and said the company misled investors for more years than it had previously disclosed, possibly going back to early 1999.
- **Global Crossing is undergoing federal review of its \$250 million deal** that would give majority control of its assets to a Hong Kong conglomerate and a company controlled by the Singapore government. The U.S. Defense and Justice departments and the U.S. Federal Bureau of Investigation are examining how the transaction will affect national security, law enforcement and public-safety issues.
- **AT&T to pay \$37 million for the assets of Velocita**, a telecommunications company once heavily backed by Cisco but now in Chapter 11 bankruptcy protection. AT&T was the only bidder for Velocita's network of underground ducts, fiber-optic lines and other equipment used in telecommunications networks, paying creditors \$2 million in cash and \$35 million in AT&T stock.

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- **Verizon sells shares representing about 5 percent of Cable & Wireless**, the biggest manager of Web sites for businesses. The biggest U.S. local-telephone company sold 128.4 million Cable & Wireless shares, raising \$282 million for the purposes of lowering \$61.6 billion of debt. Verizon is reviewing all foreign shareholdings, which include phone providers in Venezuela and Italy, for possible sale.

Mobile / Wireless

- **Sendo abandons work on new products that use Microsoft technology** and switched to a rival system from Nokia. Although Sendo is one of the launch partners in Microsoft's Smartphone program, the company has given up on its Z100 Smartphone. Sendo could get access to the source code for Nokia software to customize products, while it could not with Microsoft.

Software

- **Microsoft and the Justice Department are prepared to agree to minor changes** imposed by a judge to the settlement in their landmark antitrust case. Lawyers for the company, nine states and the Justice Department's antitrust division said they would not object to the changes, which give U.S. District Judge Colleen Kollar-Kotelly authority to enforce the agreement over the next five years.

Semiconductors

- **IBM has built a transistor that can run at speeds of 350 billion cycles per second** - three times as fast as current technology. The transistor could lead to building extremely fast microchips, speeding up data transfers in wireless networks. The IBM transistor is built with silicon-germanium, which is made of two materials - silicon, the most widely used semiconductor, and germanium, which is similar to silicon.

Media, Entertainment and Gaming

- **Warcraft III on store shelves.** Blizzard's first game was Warcraft, so this series holds a special place in the hearts of fans. Warcraft III is a three-dimensional, highly tactical real-time game and creates a real-time strategy game with multiple - in this case four - yet different races and still maintains game balance. Many developers have problems delivering games that are balanced when only two sides exist.
- **Microsoft running its own data centers for its new Xbox Live**, a service it expects to unveil next week that will let Xbox users play over the Web. Its data center, located south of the Seattle airport, houses 130 of the 500 computer servers that will power the games. Sales of the Xbox have gotten off to a slow start since it hit the market a year ago.

Information Technology

- **Procter & Gamble ends talks with EDS** over what could have been one of the largest computer-outsourcing contracts. The deal could have run 10 years with a value of about \$7 billion. But when EDS slashed revenue and earnings estimates, P&G decided to reconsider, and now plans to outsource back-office work piecemeal to different vendors over the next six months to two years.
- **IBM to use "e-business on demand" technology to cut costs** by \$2.5 billion next year. e-business on demand involves software that automatically integrates different applications without requiring human programmers to write lots of new code. Savings will come from workforce reduction, consolidation of data centers, and from adopting industry standards.

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Europe

Telecommunications

- **BT Group signs a seven-year \$990 million contract with Unilever** to manage and develop the Anglo-Dutch consumer-goods giant's communications infrastructure. BT Group will deliver an array of voice, data and mobile-phone services, plus develop new technologies on behalf of Unilever. The deal will provide \$108.6 million in revenue for BT during the first year.
- **Nokia and anti-virus software specialist Trend Micro form a strategic alliance** to develop more advanced Internet security appliances for enterprises. The pact with Tokyo-based Trend Micro marked the end of a two-year partnership between Nokia Internet Communications, the Finnish company's security appliance arm in Silicon Valley, and Network Associates' McAfee Anti-Virus unit.

Mobile / Wireless

- **Vodafone Group renews a \$6.7 billion offer for Vivendi Universal's stake in Cegetel**, a price Vivendi rejected as too low last week. Vivendi can counter Vodafone's offer to Cegetel's other two shareholders between Nov. 21 and Dec. 10, Vodafone said. Vivendi Chief Executive Officer Jean-Rene Fourtoun is weighing whether to raise the stake in Vivendi's most profitable asset.

Media, Entertainment and Gaming

- **Nokia to launch a portable game console** as it seeks to expand beyond its sluggish core market. Nokia said its game console will have a color screen, a wireless connection and a resemblance to Nintendo's Gameboy Advance product. It will formally unveil the product in February 2003 but declined to say when it will be available to consumers or how much it will cost.
- **Infogrames Entertainment reports a 33% jump in its first-quarter revenue.** The company said continued growth in the U.S. and a rebound in Europe helped its revenue rise to \$180.3 million. Investors interpreted the numbers as a sign that the European videogame market is pulling out of a recession and as a good sign ahead of the holiday shopping season.

Information Technology

- **Rivals Logica and CMG have agreed to merge** and announced a 6% reduction in their combined work force. The companies projected higher-than-expected cost savings, sending shares higher, but analysts weren't convinced the reduced research and development costs and planned staffing cuts would be entirely beneficial. Merger talks between the two companies were announced early in October.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (11/8/2002)	% Change 1 Week Ago	% Change 1/1/2001	% Change 1/1/ 2002	% Change Last 12 Mth.
Japanese yen	¥/US\$	119.8400	1.9%	4.8%	9.9%	0.4%
Hong Kong dollar	HK\$/ US\$	7.7994	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2772	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7586	0.3%	1.5%	4.9%	3.6%
South Korean won	KRW/ US\$	1198.5000	1.8%	-5.1%	9.6%	6.7%
New Taiwan dollar	NT\$/ US\$	34.3420	0.9%	3.8%	1.8%	0.4%
Australian dollar	US\$/A\$	0.5641	0.8%	0.9%	10.7%	9.5%
New Zealand dollar	US\$/NZ\$	0.4966	1.0%	11.8%	19.2%	18.3%
Philippine peso	PHP/ US\$	52.8250	0.6%	5.7%	-2.3%	-1.7%
Euro	US\$/€	1.0133	1.7%	7.5%	13.9%	13.4%
British pound	US\$/£	1.5917	1.7%	6.4%	9.4%	9.3%

Fixed Income Prices and Yields							
Note	Currency	Current (11/8/2002)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	109.4375	4.93%	104.9844	5.04%	111.2500	4.66%
Japan 30-year	¥	107.0125	2.06%	106.5560	1.85%	101.7320	2.10%
Hong Kong 10-year	HK\$	122.5767	6.09%	121.9248	3.94%	123.0680	3.80%
China (10/2027)	US\$	116.6736	6.43%	112.9418	6.45%	124.9117	5.63%
Singapore 10-year	S\$	113.8548	4.06%	112.9437	2.74%	112.4030	2.83%
South Korea 10-year	US\$	123.2160	7.20%	122.9547	4.12%	123.8830	4.00%
Australia 15-year	A\$	108.1075	6.01%	108.2080	5.46%	107.3410	5.57%
New Zealand (07/2009)	NZ\$	104.6117	6.69%	104.7837	6.12%	104.8040	6.12%
Philippines 20-year	PHP	121.7586	14.99%	120.8566	15.00%	120.7443	15.01%
India 20-year	INR	133.8996	7.99%	132.7324	7.34%	129.4750	7.62%
UK 30-year	£	96.3300	4.41%	96.0180	4.49%	98.7128	4.33%
Germany 30-year	€	106.4300	5.17%	105.1968	5.15%	109.4304	4.88%

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