

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



Week of 29 Dec 2002 - 4 Jan 2003

Contents

| | |
|--|-----------|
| Equity Market Indicators | 2 |
| Technology, Media, Telecommunications and Life Sciences Market Activity | 3 |
| Weekly Highlights | 4 |
| International | 4 |
| Japan | 5 |
| Korea | 6 |
| China | 8 |
| Taiwan | 8 |
| Singapore / Malaysia | 9 |
| Hong Kong | 10 |
| United States / Canada | 10 |
| Europe | 12 |
| Other Economic Data | 14 |
| Currency Exchange Rates | 14 |
| Fixed Income Prices and Yields | 14 |

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



Week of 29 Dec 2002 - 4 Jan 2003

| Equity Market Indicators | | | | | |
|---------------------------|-----------------------------|------------------------|----------------------|----------------------|----------------------|
| Index | Closing Level (1/3/2003) | % Change 1 Week Ago | % Change 1/1/2001 | % Change 1/1/2002 | % Change 2001 Low |
| S&P 500 | 908.59 | 2.1% | -29.2% | 3.3% | -3.8% |
| Dow Jones Industrial Avg. | 8,601.69 | 2.0% | -19.2% | 3.1% | 6.8% |
| Dow Jones Tech. Index | 242.51 | 4.0% | -56.1% | 5.6% | -8.7% |
| Dow Jones Telecom. Index | 154.42 | 4.6% | -43.5% | 4.4% | -18.8% |
| NASDAQ Composite | 1,387.08 | 1.4% | -39.5% | 3.9% | -0.2% |
| The Street.com Net | 90.73 | 3.1% | -66.9% | 5.9% | -18.5% |
| Japan Nikkei 225 | 8,578.95 | 0.8% | -37.3% | 0.0% | -7.1% |
| Japan TOPIX | 843.29 | 1.4% | -34.2% | 0.0% | -14.1% |
| Korea KOSPI Composite | 661.10 | -2.5% | 26.9% | 5.3% | 37.0% |
| Korea Kosdaq | 48.34 | 0.6% | -13.2% | 9.0% | 2.0% |
| Taiwan Stock Exchange | 4,626.32 | 1.3% | -6.3% | 3.9% | 32.6% |
| Singapore Straits Times | 1,339.93 | 0.6% | -29.3% | -0.1% | 11.5% |
| Hong Kong Hang Seng | 9,583.85 | 0.2% | -35.5% | 2.8% | 5.3% |
| Hong Kong GEM | 112.75 | 1.2% | -63.2% | 2.1% | -31.1% |
| China Shanghai (A-Share) | 1,379.09 | -4.7% | -38.0% | -2.8% | -13.0% |
| China Shenzhen (A-Share) | 402.03 | -3.6% | -41.9% | -1.9% | -13.2% |
| China Shanghai (B-Share) | 112.73 | -3.2% | 26.3% | -0.7% | 44.5% |
| China Shenzhen (B-Share) | 186.19 | -2.0% | 34.0% | -0.4% | 49.6% |

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



Week of 29 Dec 2002 - 4 Jan 2003

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 |
|-----------|-------------------------------|-----------------|-------------|---|--|------------|
| 12/30/02 | Molina Healthcare [MOH.us] | Healthcare | \$115 | Multi-state managed care organization that arranges for the delivery of health care services to persons eligible for Medicaid | Bank of America Securities, CIBC World Markets | SG Cowen |

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 |
|--------------|---|---|---------------|-------------|-----------------|---------------------|
| 12/30/02 | ITEQ Corporation [6213.TT] (GreTai) | Manufactures and markets copper clad laminates for the printed circuit board industry | \$3.3 | TWD15.00 | TWD11.95 | -20.3% |
| 12/30/02 | Display Tech Co., Ltd. [6667.KS] (Kosdaq) | Develops and manufactures liquid crystal display modules used in mobile phones, MP3s, and personal digital assistants | \$5.5 | KRW4,000 | KRW5,010 | 25.3% |
| 1/2/03 | L&F Co., Ltd. [6697.KS] (Kosdaq) | Manufactures and sells back light units used for liquid crystal display products | \$3.2 | KRW2,200 | KRW2,820 | 28.2% |

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



Week of 29 Dec 2002 - 4 Jan 2003

Weekly Highlights

International

Telecommunications

- **BT Group to sell its 20.76% stake in SmarTone Telecommunications** to Sun Hung Kai Properties for \$132.4 million – about a third of what the British company paid for it in 1999. The sale came after the Hong Kong property developer raised its takeover offer for SmarTone by 3% to HK\$8.50 a share.

Software

- **Sony, Philips and other investors acquire 93 percent of InterTrust Technologies**, which makes software that protects digital material, for \$453 million. The Fidelio Acquisition Company, a buyout firm owned by Stephens Acquisition in addition to Sony and Royal Philips, said it had received tenders for 92 million shares of InterTrust. The companies offered \$4.25 a share in November.

Hardware

- **Sony to spend up to \$83 million building an LCD plant in China.** The factory would allow Sony to produce LCDs in China for the first time. The plant in Wuxi, Jiangsu province, would cost between \$42 million and \$83 million and would produce high-temperature polysilicon LCDs for digital, still and video cameras.
- **IBM completes an agreement to combine its hard disk-drive operations with those of Hitachi**, forming a new company called Hitachi Global Storage Technologies. Hitachi has purchased the majority of IBM's hard-drive-related assets for \$2.05 billion. Hitachi paid 70% of the purchase price to IBM, and the remainder to IBM over the next three years.

Semiconductors

- **A British appeals court rules that Via Technologies's allegations against Intel should be tried**, reversing a ruling by a lower court. Via, based in Taiwan, makes sets of accessory chips that work with Intel microprocessors. The companies once had a licensing relationship, but since 2001 have been scrapping over Intel's allegations of patent infringement against Via's products.
- **Intel's investments in Wi-Fi potentially boost business for the Taiwan companies** that make much of the world's supply of the so-called paraphernalia. Also known by its technical name 802.11, Wi-Fi enables people to log their laptops onto high-speed wireless local-area networks without the use of cumbersome cables and connectors.
- **Global semiconductor sales rise 19.6% in November** from the year-earlier month, underscoring the recovery that has been building throughout 2002, with the wireless sector as the strongest single market, the Semiconductor Industry Association said Monday. Chip sales increased to \$12.68 billion last month from \$10.6 billion in November 2001 and were up 1.3% from \$12.51 billion in October.

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



Week of 29 Dec 2002 - 4 Jan 2003

Japan

Life Sciences

- **Japanese unit of Eli Lilly to increase its share of the Japanese market** by accelerating the development and sale of drugs for treating bone disease and nervous disorders. The firm has begun preparing to develop for the Japanese market an osteoporosis treatment employing injections of teriparatide, a bone formation agent that received U.S. FDA approval last month.

Telecommunications

- **NTT to transfer some of the back-office operations for ISP business to a Chinese firm in Dalian** by next spring in a further bid to reduce personnel costs. Wages in the northern Chinese city are less than 10% of those in Japan. The long-distance phone company of the Nippon Telegraph and Telephone group will tap a large pool of Chinese in Dalian that can speak Japanese.
- **NTT DoCoMo sells more than 4 million units of its i-shot series** digital-camera-equipped cellular phones in the six months or so since their June debut. The mobile telephone giant launched its first camera phone June 1 and has since released seven models. Last month, it equipped its 504 series phones compatible with its i-mode mobile Internet service with cameras.
- **IP Revolution to expand its services nationwide** from the current 13 prefectures. The firm, which provides high-speed fiber-optic communications services for corporate clients, will make use of Nippon Telegraph and Telephone B Flet's optical connection services to link corporate clients nationwide to its own 100Mbps network through VPNs.

Internet

- **NTT to acquire all the shares in ISP DreamNet Corp.** NTT Data currently owns a 60% stake in DreamNet, and NTT DoCoMo owns the remaining 40%. NTT Communications will purchase the shares for around 700 million yen. The move is part of an effort of the NTT group to consolidate ISP operations.

Hardware

- **Hewlett-Packard Japan to close one of its two domestic factories** for personal computers and other hardware. HP Japan will close its Tama factory on the outskirts of Tokyo and concentrate production at its Akishima plant, also in Tokyo. It produces lower-end models of desktop PCs, workstations and PC servers at the Tama factory now, but all this output will be consolidated at the Akishima factory.
- **NEC now the most popular PC manufacturer among potential buyers**, replacing Sony, according to a survey conducted by Nikkei Market Access. The questionnaire survey was returned by 814 readers, of whom 487 said they planned to purchase a computer between October 2002 and January 2003. The survey asked potential buyers to list the brands they were considering.

Media, Entertainment and Gaming

- **NTT to employ WDM technology to launch this autumn the nation's fastest broadband service**, one that also offers up to 500 TV programs, company sources said. Existing coaxial cable will suffice to receive the service, under which a single optical fiber as thin as a human hair will deliver up to 500 TV programs.

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



Week of 29 Dec 2002 - 4 Jan 2003

- **Cybird to begin offering Walt Disney character ring-tone melodies and images this month** to i-Mode subscribers in Europe. NTT DoCoMo is beginning to offer i-Mode services to European users through affiliates, and Cybird is developing its business abroad.
- **Sony to release a portable digital audio player capable** of recording and playing for about three times longer than current models. Dubbed Network Walkman NW-MS70D, the product will come with a 256-megabyte flash memory that allows recording of up to 11 hours and 40 minutes of music. The player also allows 33 hours of continuous playback thanks to its low power-consumption circuit chip.

Information Technology

- **Trans Cosmos completes tender offer to obtain majority ownership stake in DoubleClick Japan.** Trans Cosmos paid about \$14 million for the 45,049 shares. Trans Cosmos boosted its stake to about 62% of the voting shares from 36.4%. Meanwhile, DoubleClick reduced its stake to 15.6% from 38.2% of DoubleClick Japan's common shares outstanding.
- **All but one of 11 major systems developers expect operating profits to rise** for the fiscal year ending March 2003 due to strong demand from government agencies. Itochu Techno-Science is the only systems developer predicting a decline in operating profit. Demand for systems development from the public sector is strong, and orders from financial institutions have remained solid.
- **NTT develops a way to prevent computer attacks** by detecting their sources through bridge devices, which serve as a kind of security checkpoint. The new technology prevents "distributed denial of service" (DDoS) attacks, in which attackers disable computer systems by sending a flood of data to targeted computers through programs initially sent to third-party computers.

Korea

Telecommunications

- **Foreign investors to take management control of Hanaro Telecom** as it goes ahead with its fund-raising plan. Hanaro's board approved a plan to raise \$1.35 billion to buy a controlling stake in its rival Thrunet and to fund other corporate activities. Some \$650 million from foreign investors such as AIG and NewBridge Capital will be used to purchase over 70 percent of the shares in Thrunet.
- **Domestic and foreign players competing for SK IMT's high-profile 3G telecom equipment** bidding. Those familiar with the matter said SK IMT was expected to announce the winner last week, but a delay occurred amidst mounting speculation. SK IMT - a unit of SK Telecom, plans to introduce W-CDMA service in the third quarter next year, competing head-on with KT ICOM.

Internet

- **Hanaro to buy a 72% stake in Korea Thrunet**, a deal that will help the two companies better compete with market leader KT Corp. Hanaro, which is the country's second-largest Internet access provider, will pay for the 55.86 million shares in stock worth \$105.1 million. The deal values each Korea Thrunet share at \$1.88.
- **Dacom to form a joint venture with Thailand's Asianet to run an IDC**, often called an Internet farm. The venture will be launched in June with paid-in capital of 3.3 billion won, Dacom said. Dacom will provide to the joint venture infrastructure and know-how, as well as operational and technical support for the Internet service.

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



Week of 29 Dec 2002 - 4 Jan 2003

- **Korea Communications Commission (KCC) to crack down on any illegal marketing** in connection with a new high-speed Internet access service. KCC said that it has received a host of complaints alleging violations of regulations regarding the so-called VDSL (very high bit rate digital subscriber line) Internet access service that is expected to replace existing ADSL services.
- **Avatars helped Internet venture firms solidify their income sources this year**, suggesting that the home-grown fee-based service model is playing a pivotal role. NeoWiz began to charge a fee for avatar virtual accessories in its online chatting service called SayClub. The company posted 18.72 billion won in revenue from its avatar service in the first 10 months of this year.

Hardware

- **Hynix Semiconductor sale of flat-panel display unit is facing obstacles** after a creditor bank said it is against providing financing to buyer BOE Technology Group of China. Hynix, in need of cash to upgrade its chip-production technology, signed a final agreement to sell its thin-film-transistor liquid-crystal display business to BOE for more than \$380 million in November.
- **Hynix Semiconductor's creditors approve a \$4.09 billion debt-relief plan**, in the latest bailout of the troubled South Korean computer-chip giant. The plan includes a 1.9-trillion-won debt-for-equity swap and a rollover of Hynix's three trillion won of debt by 2006. The bailout, mainly by state-controlled banks, will likely raise complaints from foreign competitors.
- **Samsung Electronics to provide wireless mobile equipment to PT Telekomunikasi Indonesia** (TLK) in a deal valued at about \$200 million through 2005. The news confirms an earlier report by local Korea Economic Daily. Samsung Electronics, which provides memory chips and mobile handsets, will provide CDMA2000 1X systems with delivery expected between 2003 and 2005.
- **Samsung Electronics board approves a plan to invest \$1.23 billion** in its 12th memory-chip production line, to "strengthen our memory-chip business," Samsung Electronics said in a disclosure to the Korea Stock Exchange. The 12th production line, in Hwasung, Kyunggido, south of Seoul, is slated to mass produce DRAM and flash-memory chips next year.

Information Technology

- **Ministry of Information and Communication to invest \$811.4 million next year in R&D** projects in the IT sector. Of that amount, the ministry earmarked \$590 million for IT technology developments and another \$141 million for the training of technicians and engineers. It also plans to spend \$81 million in technology standardization and supporting research projects.
- **IT industry output estimated to grow 12.3 percent year-on-year** to \$177 billion this year, according to a report by a government-affiliated research group. The growth will be mainly backed by increasing exports of IT-related goods, offsetting the slowdown in local demand, the Korea Information Society Development Institute (KISDI) said.
- **LG CNS aims to overtake No. 1 player Samsung SDS this year.** The country's second-largest systems integrator recently recruited Jung Byung-chul as its new chief executive. Jung, 56, had served as a CEO for LG Electronics, which is the largest shareholder of LG CNS. Jung expressed his will to challenge Samsung SDS in earnest this year.

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



Week of 29 Dec 2002 - 4 Jan 2003

China

Telecommunications

- **China's home-grown 3G mobile technology is still in testing** and will not be available until next year at the earliest, its main developer said. The government-backed standard, called TD-SCDMA, is a potential rival to Europe's WCDMA service and Qualcomm's CDMA2000 when the world's biggest cellular market chooses 3G technologies.
- **China Mobile (Hong Kong) is subsidizing a limited number of handset sales** in a bid to move existing high-end users up to a new generation of high-tech phones. Disclosure of the program came just weeks after China Mobile criticized its chief rival, China Unicom, for using similar subsidies to meet subscriber targets for Unicom's year-old CDMA wireless phone service.
- **China Telecom defies regulators by continuing to offer a controversial call-forwarding service**, which the mainland's two mobile companies say will unfairly cut into their revenues. China Telecom branches in Guangzhou, Shenzhen and Dongguan on Saturday began selling a device that allows fixed-line phones to receive calls forwarded from mobile handsets without paying the wireless operator.

Internet

- **China has closed more than 3,300 Internet cafes in a safety crackdown** launched after a fire in June at a Beijing cafe killed 25 people. Nearly 12,000 other Internet cafes have been closed temporarily while they make improvements. The fatal fire June 16 in Beijing's university district came amid complaints by some officials that such businesses were endangering the safety and morals of young people.

Information Technology

- **Mainland banks are forecast to accelerate IT spending over the next few years** as increased competition fuels a nationwide infrastructure overhaul, industry experts say. IT spending by mainland banks is expected to grow 23.9 per cent per year, reaching \$10.5 billion by 2005, according to a recent report by Celent Communications.

Media, Entertainment and Gaming

- **China Eastern Airlines to buy a 45% stake in Eastern Aviation Advertising** from its parent China Eastern Air Holding for \$2 million in cash, to be funded by internal resources. China Eastern said the acquisition is expected to help reduce advertising and promotional costs for the airline.

Taiwan

Telecommunications

- **Chunghwa Telecom executives and workers rallied to the defense of Chairman Mao Chi-kuo** after local media reports that he may be ousted by the government, which owns 82 percent of the nation's biggest phone company. The Commercial Times newspaper, citing Minister of Transportation and Communications Lin Ling-san, said that Mao would be replaced by someone closer to the ruling DPP party.

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



Week of 29 Dec 2002 - 4 Jan 2003

Venture Capital / Investments

- **Silicon Integrated Systems has sold \$138 million of new shares overseas** to help pay off bank loans and buy new equipment for its first chip plant. The company sold 25 million global depositary receipts with each unit equivalent to 10 local shares. The price was equal to \$0.55 per share.
- **Nanya Technology to sell \$400 million of new shares in the US** to help finance a 40-percent increase in spending next year. The company plans to sell 400 million shares in the form of American depositary receipts for about \$1 each, spokesman Moor Chen said. That's 62 percent more than a recent closing share price. Nanya hired UBS Warburg LLC for the sale.

Hardware

- **Compal Electronics to boost production by a quarter next year** on stronger demand from Dell Computer Corp and other customers. Compal said it will increase output to five million laptops from four million this year and shift manufacturing to China, where production will rise to 70 percent of total output from 50 percent. The shift will improve per-unit gross margins by about 2 percentage points.
- **Taiwan Cellular selects Nokia Oyj as its 3G network equipment supplier**, an executive of Taiwan Cellular said. Over the weekend, Taiwan Cellular signed an \$109 million agreement with its subsidiary, Howin Technologies. In the deal, Howin will purchase the 3G core and radio-access network equipment from Helsinki-based Nokia.
- **Hon Hai Precision Industry clinches a \$488 million order** for 2 million computers from Dell Computer Corp, the world's largest manufacturer of computers, Chinese-language media reported. The bare-bones system, which does not include a monitor, is likely to be the OptiPlex SX260, a slim desktop computer aimed at corporate users.

Media, Entertainment and Gaming

- **Hong Kong's Next Media to launch the Taiwan version of the Apple Daily** in April. "[We] will aim [to sell] 400,000 copies per day. We have hired between 400-500 reporters," said the deputy editor-in-chief of the Apple Daily's international division. The Chinese-language Apple Daily in Taiwan will have 160 pages, twice the number of Taiwanese papers.
- **Tom.com Ltd to sell 23 percent of its magazine businesses in Taiwan** in exchange for a bigger stake in a Taiwan publisher as the company seeks to cut production costs. Tom.com will sell the stake in Business Weekly and youth magazine Sharp Point in Taiwan to Cite Publishing, a new venture in which Tom.com will hold 77 percent and 241 Home Media Group Ltd shareholders will have 23 percent.

Singapore / Malaysia

Telecommunications

- **Indonesia's sale of a stake in Indosat to Singapore Technologies Telemedia has closed** and can't be delayed, the Singapore government-linked company said. ST Telemedia bought a 41.9% stake in Indonesia's second biggest telecommunications operator for \$634 million. The Indonesian parliament told the government in a letter to "delay" the sale of the stake to ST Telemedia.
- **StarHub to introduce a residential fixed-line phone service on Friday**, taking on former monopoly Singapore Telecommunications (SingTel). StarHub's service, to be offered through its cable-TV lines,

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



Week of 29 Dec 2002 - 4 Jan 2003

will cost \$5.63 a month and include 300 minutes of free domestic call time, the closely held company said.

Hong Kong

Life Sciences

- **Hong Kong breakthrough in stem-cell transplants transforms heart patients' lives.** In the first human trial of the technique, University of Hong Kong doctors took stem cells from patients' own bone marrow and injected them into their damaged heart muscles or blocked blood vessels. The stem cells formed new muscle and vessels.

Telecommunications

- **Hutchison Whampoa to launch a 3G mobile service** that it believes could create a new era for the world, and chairman Li Ka-shing is hopeful the Chinese Year of the Goat will bring it luck. Mr Li said Hutchison would launch the service in Europe first, before its Hong Kong debut after the first quarter.

Venture Capital / Investments

- **Compass Technology to raise \$19 million to \$26 million** through a share offer on the Growth Enterprise Market in mid-January. Chief executive Cheung Wah-cheung said the stock exchange had approved the listing plans but he declined to confirm the size of the issue, which will be managed by ING. The company will use the funds to establish a Shanghai production plant next year.

Information Technology

- **Technology park launched in Guangzhou's southern Nansha island**, aimed at strengthening Hong Kong's position in the Pearl River Delta. The ceremony that marked the completion of the first phase of Nansha Information Technology Park, a JV between the Hong Kong University of Science and Technology (HKUST), the Fok Ying Tung Foundation and the Guangzhou government.
- **CDC Australia a subsidiary of chinadotcom corporation, signs an agreement to acquire Praxa**, an Australian IT professional services organization and subsidiary of US-listed ManTech International. Praxa, established in 1982, is focused on the development of relationships with large organizations that have a need for outsourced application development, management and maintenance.

United States / Canada

Life Sciences

- **Prozac now formally available for depressed children.** The FDA declared that there is finally proof that Prozac alleviates depression in children eight years and older, the first drug among the newer antidepressants, which boost the mood regulator serotonin, to win such approval. The FDA also approved Prozac's use in children with obsessive-compulsive disorder.
- **Parents of a newborn claimed to be the world's first cloned human are balking** on whether to allow DNA testing on the child, said the head of Clonaid, the cloning company that says it brought the baby to life. Many experts have expressed skepticism about the company's claim that the baby was a clone, saying they needed to see a DNA matching as proof.

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



Week of 29 Dec 2002 - 4 Jan 2003

- **The experimental drug Antegren may benefit people suffering from relapsing forms of multiple sclerosis.** Antegren is co-developed by Biogen Inc. and Elan Corp. of Ireland. The findings could give a boost to Biogen, based in Cambridge, Mass., a biotechnology pioneer with only a single product currently on the market: its billion-dollar MS drug, Avonex.

Telecommunications

- **Qwest Communications to cut 320 jobs in five states** – Colorado, Wyoming, Nebraska, Iowa and Utah – as a result of weak demand for phone service. The Denver phone company told union officials it hopes to achieve the cuts through attrition and other voluntary measures, but might have to resort to layoffs to reach the targeted number.
- **R.H. Donnelley completes acquisition of Sprint's directory publishing business** for \$2.23 billion in cash. Donnelley said it will now publish all 260 Sprint Yellow Pages directories in 18 states and will continue to be the exclusive sales agent for 129 SBC Communications Inc. (SBC) directories in Illinois and northwest Indiana.

Mobile / Wireless

- **AT&T Wireless Services is reducing and delaying its plans to launch 3G** mobile-telephone network in a significant rollback of its efforts, citing the need to maintain "a prudent level of capital expenditures." The third-largest U.S. wireless carrier said it has revised an agreement with NTT DoCoMo and now will upgrade its network in just four cities by the end of 2004.

Software

- **Microsoft places bet on Longhorn**, the code name for the next, top-secret version of Microsoft's cash-cow Windows software, a product Microsoft hopes will ring up new sales and stave off competitors such as the rival Linux operating system. However, Longhorn is expected to share key attributes with another operating system Microsoft tried unsuccessfully to launch nearly 10 years ago.
- **Federal judge orders Microsoft to distribute Sun's Java programming technology** to prevent Sun from being permanently injured in an emerging marketplace. U.S. District Judge J. Frederick Motz granted Sun's request for a preliminary injunction against Microsoft. The judge said he would issue an order requiring Microsoft to include Sun's latest version of Java with the Windows operating system.
- **British phone maker Sendo accuses Microsoft of stealing trade secrets** and conspiring to drive it out of business so that Microsoft could control the burgeoning market for Web-enabled cellphones. The suit potentially hundreds of millions of dollars in damages. Sendo had been a Microsoft partner in the software giant's problem-plagued effort to extend its ubiquitous Windows software to mobile phones.
- **Vignette expects to exceed its previous revenue targets**, and anticipates laying off about 20% of its work force in connection with its recent Epicentric acquisition. The Austin, Texas, software provider now pegs fourth-quarter total revenue and licensing revenue, excluding sales from Epicentric products, to be better than third-quarter levels of \$32.7 million and \$11.4 million, respectively.

Internet

- **Yahoo to buy Internet search pioneer Inktomi for about \$235 million** as it tries to expand its revenue sources. Yahoo, which started as a directory to find information on the Web, has been trying to refocus on its roots in search to drum up more advertising and transaction revenue throughout its network. Inktomi, an early technology leader in the field that has struggled lately, could help that effort.

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



Week of 29 Dec 2002 - 4 Jan 2003

- **Managers of the ".biz" Internet domain to pay roughly \$1.2 million to settle charges** that their system for handing out hot names like "www.show.biz" amounted to an illegal lottery. The agreement marks the end of a rocky legal road that domain manager NeuLevel has traveled since launching one of the first alternatives to established domains like ".com" last year.
- **Netflix reports a huge jump in subscribers over last year**, driven by holiday sales of DVD players. Netflix, also said it will stop reporting the number of customers it loses each month – its so-called churn rate – outside of quarterly earnings reports. Previously, Netflix included the churn rate and the number of new trial subscribers in releases once or twice a quarter along with other business news.

Venture Capital / Investments

- **IPO market for technology and telecommunications companies finally may be back in action**, analysts and investment bankers say. Since its recent low in October, the Dow Jones Technology Index has risen 29% to 327.84. The Dow Jones Telecommunications Index has performed even better, climbing 35% from its September low. The Nasdaq Composite Index has risen 20% in the same period.

Media, Entertainment and Gaming

- **Walt Disney has sued Blockbuster**, claiming the nation's largest movie-rental company cheated it out of more than \$120 million. The breach-of-contract suit claims Blockbuster used shady accounting, sold videotapes prematurely and failed to account for hundreds of thousands of missing videotapes under a 1997 revenue-sharing agreement.
- **Walt Disney to merge its television-animation unit with the Disney Channel organization** as part of a drive by the entertainment company to increase production of cartoon series for its cable and broadcast networks. The move is part of a broader reorganization of Disney's animation operations. Until now, all Disney animation had been overseen by animation chief Thomas Schumacher.

Information Technology

- **JP Morgan Chase signs a \$5 billion seven-year contract for IT services with IBM** as it moves to cut costs, mirroring similar moves by other banks. The deal - the largest services contract IBM has received from the financial services sector - is a coup for the computer maker, which is increasingly focused on selling services rather than computers and other hardware, its traditional products.
- **ABN Amro Holding completes a five-year, \$1.3 billion outsourcing agreement to hire EDS** to manage the technology services and applications development in its wholesale-banking unit. EDS will hire about 2,000 bank employees and contract workers who run and maintain the bank's networks stretching across six countries.

Europe

Telecommunications

- **Liberty Media to sell a 21% stake in Liberty units** that hold interests in three international cable companies to an entity controlled by cable entrepreneur Bill Bresnan. Liberty said its indirect ownership interests in Telewest Communications PLC, the No. 2 U.K. cable operator, will decline to 20% from 25%, while its stake in Irish company Chorus Communications Ltd. will decline to 39.5% from 50%.

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



Week of 29 Dec 2002 - 4 Jan 2003

Hardware

- **Alcatel sells \$641 million in bonds** that investors must convert into its stock to institutional investors to help raise cash. The Paris-based company estimated it will get about 500 million euros from the sale. Investors must convert the notes into shares in 2005, and can start doing so as early as this month, Alcatel said in a faxed statement.

Media, Entertainment and Gaming

- **Pearson expects no recovery in the advertising market next year** after ad sales at the newspaper declined 11 percent in the second half. The London-based company, also the world's largest educational publisher, said sales of textbooks to U.S. colleges and narrower losses at Internet businesses will probably help boost profit excluding some costs by 40 percent this year.

Information Technology

- **France Telecom to sell its Dutch cable-television unit Casema to three buyout firms** for \$665 million in cash to reduce borrowings. Carlyle Group, Providence Equity Partners and GMT Communications Partners have received approval from Dutch competition authorities for the purchase. A previous attempt to sell Casema to Liberty Media was derailed by regulators.

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



Week of 29 Dec 2002 - 4 Jan 2003

Other Economic Data

| Currency Exchange Rates | | | | | | |
|-------------------------|------------|----------------------------|------------------------|----------------------|-----------------------|--------------------------|
| Currency | Units | Current Rate (1/3/2003) | % Change 1 Week Ago | % Change 1/1/2001 | % Change 1/1/ 2002 | % Change Last 12 Mth. |
| Japanese yen | ¥/US\$ | 119.6300 | 0.2% | 4.6% | -0.7% | 9.5% |
| Hong Kong dollar | HK\$/ US\$ | 7.7988 | 0.0% | 0.0% | 0.0% | 0.0% |
| Chinese renmenbi | RMB/ US\$ | 8.2768 | 0.0% | 0.0% | 0.0% | 0.0% |
| Singapore dollar | S\$/ US\$ | 1.7438 | -0.5% | 0.6% | -0.5% | 5.7% |
| South Korean won | KRW/ US\$ | 1196.9500 | 0.1% | -5.2% | -0.9% | 8.8% |
| New Taiwan dollar | NT\$/ US\$ | 34.8040 | -0.2% | 5.2% | -0.5% | 0.4% |
| Australian dollar | US\$/A\$ | 0.5676 | 1.1% | 1.5% | 1.1% | 9.0% |
| New Zealand dollar | US\$/NZ\$ | 0.5283 | 1.6% | 18.9% | 0.7% | 22.9% |
| Philippine peso | PHP/ US\$ | 53.5000 | -0.3% | 7.0% | 0.2% | -3.4% |
| Euro | US\$/€ | 1.0428 | -0.1% | 10.7% | -0.6% | 16.5% |
| British pound | US\$/£ | 1.6113 | 0.5% | 7.7% | 0.1% | 11.3% |

| Fixed Income Prices and Yields | | | | | | | |
|--------------------------------|----------|--------------------|--------|------------|--------|-------------|--------|
| Note | Currency | Current (1/3/2003) | | 1 Week Ago | | 4 Weeks Ago | |
| | | Price | Yield | Price | Yield | Price | Yield |
| US 30-year | US\$ | 106.3594 | 5.05% | 107.8750 | 4.86% | 105.6563 | 5.00% |
| Japan 30-year | ¥ | 110.8400 | 1.99% | 109.7015 | 1.69% | 108.2785 | 1.76% |
| Hong Kong 10-year | HK\$ | 121.9895 | 6.12% | 121.3138 | 3.98% | 120.5379 | 4.12% |
| China (10/2027) | US\$ | 114.2310 | 6.57% | 117.0190 | 6.15% | 114.2809 | 6.35% |
| Singapore 10-year | S\$ | 115.1000 | 4.02% | 115.1724 | 2.41% | 113.0293 | 2.71% |
| South Korea 10-year | US\$ | 122.4936 | 7.25% | 123.4325 | 3.93% | 121.7702 | 4.28% |
| Australia 15-year | A\$ | 108.8500 | 5.97% | 110.0190 | 5.24% | 107.0340 | 5.60% |
| New Zealand (07/2009) | NZ\$ | 104.5293 | 6.70% | 104.7800 | 6.10% | 104.0556 | 6.24% |
| Philippines 20-year | PHP | 129.9208 | 14.05% | 128.7181 | 14.03% | 129.8961 | 13.90% |
| India 20-year | INR | 146.6336 | 7.30% | 142.3771 | 6.57% | 138.4956 | 6.87% |
| UK 30-year | £ | 95.1140 | 4.47% | 95.5545 | 4.53% | 94.3461 | 4.60% |
| Germany 30-year | € | 107.8850 | 5.10% | 108.6744 | 4.92% | 106.4864 | 5.06% |

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