

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



Week of 12 January - 18 January 2003

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Equity Market Indicators					
Index	Closing Level (1/17/2003)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	901.78	-2.8%	-21.9%	2.5%	17.7%
Dow Jones Industrial Avg.	8,586.40	-2.3%	-14.8%	2.9%	19.4%
Dow Jones Tech. Index	238.83	-6.4%	-29.2%	4.0%	31.7%
Dow Jones Telecom. Index	155.38	-1.7%	-25.5%	5.1%	33.1%
NASDAQ Composite	1,376.19	-4.9%	-30.5%	3.0%	27.8%
The Street.com Net	92.53	-5.9%	-52.7%	8.0%	54.1%
Japan Nikkei 225	8,690.25	2.3%	-20.1%	1.3%	3.7%
Japan TOPIX	859.25	2.4%	-18.5%	1.9%	5.0%
Korea KOSPI Composite	636.46	1.3%	-12.2%	1.4%	11.1%
Korea Kosdaq	47.85	1.8%	-35.7%	7.9%	11.2%
Taiwan Stock Exchange	4,907.78	1.2%	-12.4%	10.2%	28.4%
Singapore Straits Times	1,366.83	1.5%	-15.9%	1.9%	3.6%
Hong Kong Hang Seng	9,614.59	-1.1%	-15.3%	3.1%	10.0%
Hong Kong GEM	117.27	-0.7%	-43.7%	6.2%	11.2%
China Shanghai (A-Share)	1,544.55	6.8%	-7.9%	8.8%	12.5%
China Shenzhen (A-Share)	444.76	5.8%	-9.2%	8.5%	14.1%
China Shanghai (B-Share)	128.44	8.1%	-24.0%	13.2%	15.6%
China Shenzhen (B-Share)	205.33	5.7%	-21.5%	9.8%	11.4%

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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
1/17/03	Hicel Co Ltd [6698.ks] (Kosdaq)	Manufactures thin film transistor-liquid crystal display parts	\$3.6	KRW3,800	KRW5,700	50%
1/14/03	Aiptek International Inc [6225.tt] (Gretai)	Develops, manufactures and markets digital cameras, handwriting-recognition tablets, video phones, and digital video camcorders.	\$15.9	NT\$58	NT\$49.8	-14.1%
1/14/03	Beihai Gofar Marine Biological Industry Co Ltd [600538.ch] (Shanghai SE)	Manufactures pearl products and crustacean biological pesticides. Products include pearl eyedrops, pearl powder, pearl skincare products and other pearl medicines.	\$36.4	RMB6.69	RMB13.8	106.3%
1/14/03	Chuan Choung Technology Corp [6230.tt] (Gretai)	Manufactures and markets heat pipes, heat sinks, thermal modules and CPU coolers	\$2.8	NT\$30	NT\$31	3.3%
1/14/03	Galaxy Far East Corp [6227.tt] (Gretai)	Distributes electronic components and related systems in China and Taiwan	\$18.6	NT\$80	NT\$60.5	-24.4%
1/14/03	Hauman Technologies Corp [6218.tt] (Gretai)	Provides computer system integration services	\$2.5	NT\$25	NT\$21.4	-14.4%

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Asian Equity Markets: TMT and Life Sciences IPO Pricing						
1/14/03	Para Electronics Co Ltd [6626.tt] (Gretai)	Provides computer system integration services	\$2.6	NT\$30	NT\$25.3	-15.7%
1/14/03	V-Tac Technology Co Ltd [6229.tt] (Gretai)	Manufactures applications for Micro-control units	\$3.8	NT\$53	NT\$49.7	-6.2%

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Weekly Highlights

International

Telecommunications

- **Hutchison Whampoa signs deal with Ericsson to use a technology** that lets customers make video calls between 3G phones and computers. Terms of the deal between Hong Kong-based Hutchison, among the few bullish investors on 3G service, and the Swedish telecom gear giant were not provided. Hutchison hopes to be the first in Europe to launch a 3G service in the United Kingdom and Italy.
- **SK Telecom Co due to sign a JV agreement with China Unicom.** The venture, to be based in Beijing, aims to support Unicom with the introduction of advanced data services based on CDMA2000 1x, a form of 3G mobile technology. The spokesman said that SK Telecom would hold a 49% stake, with Unicom – the smaller of China's two giant carriers – holding 51%.

Information Technology

- **Hewlett-Packard to move more consulting and integration work** to countries where costs are lower, including India and China. Rene Schuster, general manager of consulting and integration for HP's services division, said that India would play a significant role in the new HP, as well as China. In addition to India and China, some work might go to countries in Eastern Europe.

Hardware

- **Cisco confident about prospects for Asia.** Despite a lingering economic slowdown that continues to challenge the communications sector, Cisco Systems Asia-Pacific president Gordon Astles is confident about the company's prospects in the region. Mr Astles' optimism remained unfazed even when asked about the bargain-basement prices of second-hand communications network gear from North America.
- **Sanyo to begin mass production of organic electroluminescent displays** before year end. The panels will be made by SK Display – a joint venture set up with Eastman Kodak – and Sanyo subsidiary Tottori Sanyo Electric. Some \$84.8 million will be invested this year in each of these firms to produce small active-type organic EL display panels.

Japan

Telecommunications

- **NTT DoCoMo to take on half the costs of developing handsets** for DoCoMo's FOMA 3G cellular phone service. DoCoMo plans to provide handset manufacturers with around 40 billion yen in subsidies this year. Developing software and microprocessors for FOMA handsets costs more than 10 times more than it does for conventional cell phones.

Hardware

- **Konica and Minolta set their share-swap ratio for their planned October business consolidation.** Konica will exchange 0.621 shares for each Minolta share in the first phase of their consolidation.

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Konica's closing price Thursday on the Tokyo Stock Exchange was ¥875 (\$7.40), compared with Minolta's shares' close at ¥504.

- **SGI Japan to release a series of Linux servers** that can be configured to match the computational capabilities of supercomputers. Developed by parent Silicon Graphics Inc., the Altix 3000 series Linux servers are high-performance machines built around Intel Corp.'s Itanium 2 processor. The servers can be built with up to 64 Itanium 2s and a maximum of 512GB of main memory.
- **NEC and Fujitsu, working with Microsoft, are beginning domestic marketing of displays** that are connected wirelessly to personal computers so that they can be used remotely. The devices run Microsoft Windows CE for Smart Displays and enable remote operation of PCs running Microsoft Windows XP Professional.

Media, Entertainment and Gaming

- **Square and Enix decided to change their merger ratio**, following objections to the earlier terms of the deal by Square's top shareholder. The initial merger agreement between the two companies called for 0.81 Enix share to be exchanged for one Square share. The companies said 0.85 Enix share will now be exchanged for one Square share.

Semiconductors

- **Major Japanese chip makers are getting ready to expand production** of advanced semiconductors that employ new technologies in a bid to boost their competitiveness by offering new products. Fujitsu and NEC are going to begin, and Toshiba is ready to expand, mass production of a new type of semiconductor that offers double the memory capacity of conventional chips of the same size.

Venture Capital / Investments

- **Nippon Information Development, an information system developer, to go public** on the Nasdaq over-the-counter market on Jan. 29. The company plans to use the proceeds from the IPO to foster engineers and recruit personnel who are capable of developing software for Net-linked home appliances, a promising sector, President Koichi Komori said.
- **Sodick to go public on the Hong Kong Stock Exchange in fiscal 2004** in order to raise funds for its growing China operations. The numerically controlled electrodischarger manufacturer hopes to cash in on growing demand for machine tools in Greater China. Sodick plans to set up a supervisory firm, tentatively named Sodick China Holdings, in Hong Kong by March and eventually to list that company.

Korea

Mobile / Wireless

- **Nokia to stop selling phones in South Korea made by local manufacturer Telson Electronics** and is likely to close its R&D operation in the country. The company will produce its own handsets for the Korean market, where it has struggled to make much headway. Nokia makes more than one out of every three mobile phones sold world-wide.
- **Ministry of Information and Communication to amend rules governing handset subsidies**, which ban mobile operators from providing discounts to customers for handset purchases. Under the

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proposed amendment, mobile operators will be able to sell cellphones at a discount if they are outdated models, or if they are models that are based on new technology.

- **KT to boost its market share in both fixed-line and wireless Internet-access operations** this year, targeting a total of 6.75 million subscribers. KT's Megapass services provides Internet access through an existing telephone line, or through an optical Internet line, while Nespot offers wireless high-speed Internet access. KT said it targets about 5.7 million subscribers from Megapass this year.

Internet

- **Hanaro cancels plan to purchase a 71.95% stake in Korea Thrunet** citing the financial burden. In its disclosure to the Kosdaq Thursday, Hanaro said that a due diligence of Thrunet suggested that its short-term financial burden is too significant in relation to the synergy from the acquisition. The purchase, if completed, would have cost Hanaro \$166.2 million.
- **Korea's major dot-com players post record earnings** last year, offering a glimmer of hope for a sector that has had to grapple with the protracted slump in the high-tech industry. Daum posted 225.2 billion won in revenue and 15.3 billion won in operating profit in 2002. NHN posted 74 billion won in revenue and 30 billion won in operating profit last year. Yahoo! Korea said it posted 13 billion won in operating profit last year. NeoWiz, a major Internet community service provider, said it posted 41.5 billion won in revenue and 8.6 billion won in operating profit last year. Empas, a search engine, said it posted 13 billion won in revenue and 5.2 billion won in operating profit in 2002.

Hardware

- **Samsung Electronics fourth-quarter net income jumps almost fourfold** to \$1.28 billion from the year-earlier level amid a global industry downturn that is forcing technology giants such as Intel Corp. of the U.S. to cut capital-spending plans. The world's No. 1 memory-chip maker cautioned that a weaker dollar and concerns about the U.S. economy could pinch growth in the first half of this year.

China

Telecommunications

- **Upcoming shake-up at China's telecommunications regulator fuels speculation** of a rise in domestic inter-connection fees during the second quarter. Sources at China Telecom were quoted over as saying an increase could be imminent as the company expects approval from the Ministry of Information Industry (MII) during the second quarter of this year.

Internet

- **The NBA launched its official Chinese-language Web site (china.nba.com)**, calling it a one-stop shop for basketball enthusiasts in China. The U.S. professional basketball league is running the site with the help of Sohu.com. Charles Zhang, Sohu's chief executive and president, said a beta version of the site has received 1.2 million hits during the three weeks it has been up.
- **Federal agents investigating Chinese companies**, on suspicions they were involved in alleged attempts to steal vital commercial technologies from two Silicon Valley companies. Authorities see the two cases as part of an emerging pattern of trade-secrets theft aimed at helping Chinese enterprises. In both instances, the alleged thieves were arrested at San Francisco airport as they tried to board flights to China.

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- **Internet users in China reaches 59.1 million by the end of 2002**, according to the latest survey by the China Internet Network Information Center, as the world's second-largest Internet user population continued to grow. The Internet user population increased by 13.3 million people since the center's previous survey at the end of June 2002.

Mobile / Wireless

- **Motorola willing to invest in China's home-grown 3G mobile technology.** Motorola is one of the leading developers of the rival CDMA2000 1x technology and also develops handsets for the European 3G system - universal mobile telecommunications system (UMTS). According to the TD-SCDMA Forum, a Chinese industry group, four 3G licenses are likely to be awarded by Beijing this year.

Taiwan

Hardware

- **3Com files a patent infringement lawsuit against D-Link Systems Inc.**, a 90%-owned unit of Taiwan-based D-Link Corp. The lawsuit is specifically in reference to certain of D-Link's network interface card products. Don Drinkwater, director of IP licensing for 3Com, said that 3Com believes several of D-Link's products infringe upon 3Com Ethernet patents.
- **Acer aims for an 18.9 per cent rise in consolidated revenue** this year, with consolidated earnings per share of between NT\$3 and NT\$5. The company is also considering selling its 20 per cent stake in consumer-products affiliate Benq Corp. The targets, based on consolidated revenue of NT\$125.8 billion for this year, are not directly comparable with Acer's unconsolidated headline results.

Hong Kong

Telecommunications

- **Six new carriers have applied to enter Hong Kong's fixed-line market** as rivals to PCCW Ltd. and three other incumbents, with two receiving the go-ahead so far, a spokeswoman at the Office of Telecommunications Authority said Friday. Hong Kong Broadband, a subsidiary of City Telecom Ltd., and Eastar Technology, a unit of Henderson Cyber Ltd., have clinched approval to operate fixed lines.
- **A spin-off for PCCW's property assets could be approaching** with sales about to begin at its Cyberport residential project. Although no timetable has been set, Hong Kong's dominant telecommunications carrier plans to group its property assets under PCCW Infrastructure, in what the market sees as a restructuring exercise aimed at reducing debt.

Information Technology

- **Hong Kong Science and Technology Parks Corp (HKSTP) coalition proposes new IT plan** that focuses on semiconductor design and wireless application initiatives. The plan is being pushed by a coalition comprising the HKSTP, electronics industry associations and major academic institutions.

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United States / Canada

Life Sciences

- **Johnson & Johnson to acquire 3-Dimensional Pharmaceuticals Inc.**, a drug-discovery firm in a transaction valued at \$88 million. The deal will help Johnson & Johnson find new drug candidates while bulking up its chemical library. Johnson & Johnson will pay \$5.74 for each 3-Dimensional share, which is an 89% premium to 3-Dimensional's Wednesday closing price of \$3.03.

Telecommunications

- **AT&T delays merit raises for managers by six months** and froze the creation of new management jobs, citing the ailing economy and the particular hardships facing the telecommunications industry. Roughly half of the nation's largest long-distance company's 60,000 employees are eligible to get merit raises, and will get the increases in September instead of March.

Software

- **Motorola to acquire the rest of its Next Level Communications Inc.** unit that it doesn't already own for about \$30 million. Next Level, however, in response to Motorola's statement, said it hasn't been for sale. Motorola, which owns 74% of the unit, initially acquired a stake in Next Level through its acquisition of General Instrument in 2000. Next Level develops integrated broadband access platforms.
- **A federal judge set a timetable for when Microsoft will have to incorporate a version of Java** programming language on Windows. Microsoft will get 120 days after he issues an injunction against the software giant. Within that time, Microsoft will have to release a new version of its latest Windows operating-system software that incorporates Java.
- **Microsoft to begin paying a regular annual dividend to shareholders.** The surprise move comes on the heels of President Bush's recent proposal to eliminate the federal tax on dividends. Microsoft's dominance in the market for computer operating systems has generated so much money that it now appears able to fund extensive R&D as well as a payout to shareholders.

Internet

- **Yahoo swings to a fourth-quarter profit and reports a 51% jump in revenue.** The Internet concern reported net income for the 2002 fourth quarter of \$46.2 million, or eight cents a share. Yahoo has recently begun showing signs that its diversification efforts are paying off. Its prospects for advertising-revenue gains are also starting to improve. Yahoo raised its forecasts for 2003 revenue.
- **Yahoo to be paid \$11.2 million in break-up fees if its acquisition of Inktomi is terminated.** Yahoo, based in Sunnyvale, Calif., said on Dec. 23 that it would buy Inktomi, of Foster City, Calif., for \$235 million. Yahoo is interested in expanding its capabilities and technology for searching the Web as it tries to provide better services to users and ways to generate revenue.

Venture Capital / Investments

- **Technology sector may be stabilizing, but investors shouldn't expect a recovery,** according to a Goldman Sachs analyst. Goldman technology analyst Laura Conigliaro said that, although there's been little to suggest an upturn in 2003, tech companies have strongly outperformed the broader market since October, meaning it might be time to give those shares a rest.

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Hardware

- **Dell Computer to begin selling retail-store systems including electronic cash registers** as the world's largest PC maker continues to expand its ambitions beyond its traditional turf. The company plans to sell a pair of PC-based cash registers along with the specialized software, services and peripherals required to link retail-store checkout lanes to corporate information systems.
- **Solectron receives a payment of about \$48 million from Lucent Technologies Inc.** over a canceled supply agreement between the two companies. Solectron agreed to unwind the \$2 billion, three-year contract to supply optical-networking equipment to Lucent by the end of November. Lucent was to repurchase the equipment and unused inventory from its optical product lines that Solectron acquired.

Media, Entertainment and Gaming

- **AOL Time Warner Inc. Chairman Steve Case to resign from the top job** at the huge but troubled media conglomerate he helped create, succumbing to months of pressure from disgruntled shareholders and board members alike. The AOL Time Warner board unanimously elected Chief Executive Richard Parsons to chairman.

Europe

Mobile / Wireless

- **Bouygues SA bought back a 16% stake in its mobile-phone unit, Bouygues Mobile,** from E.On AG for €1.1 billion (\$1.17 billion), as the German energy group moves to concentrate further on its core business. "By divesting our stake in Bouygues Telecom, we are continuing to resolutely focus on our core-business energy," E.On Chief Executive Ulrich Hartmann said.
- **SAP AG unveils a new business-software platform to match offerings** by Microsoft Corp., International Business Machines Corp., Oracle Corp., among others. Analysts predict the platform, called NetWeaver, on its own won't boost SAP's revenues, but that it could help SAP sell more of its core-application products to users.

Hardware

- **Ericsson to sell optoelectronics unit to Northlight Optronics AB,** part of the company's effort to streamline operations and return to profitability. Financial terms of the deal weren't disclosed. Ericsson said its 48 optoelectronics's employees will be transferred to Northlight immediately, while Ericsson will retain a 9.9% stake in the supplier of optoelectronic components and modules.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (1/17/2003)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	117.8300	1.3%	-10.5%	0.8%	12.6%
Hong Kong dollar	HK\$/ US\$	7.7991	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2770	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7327	0.3%	-6.2%	0.1%	5.8%
South Korean won	KRW/ US\$	1173.4500	0.4%	-10.7%	1.0%	12.2%
New Taiwan dollar	NT\$/ US\$	34.4630	-0.1%	-1.5%	0.5%	1.4%
Australian dollar	US\$/A\$	0.5925	1.5%	16.3%	5.5%	14.6%
New Zealand dollar	US\$/NZ\$	0.5521	2.6%	32.6%	5.3%	28.6%
Philippine peso	PHP/ US\$	53.6100	-0.1%	3.8%	0.0%	-4.4%
Euro	US\$/€	1.0674	0.9%	20.0%	1.7%	20.8%
British pound	US\$/£	1.6126	0.3%	11.0%	0.2%	12.3%

Fixed Income Prices and Yields

Note	Currency	Current (1/17/2003)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	106.8594	5.03%	104.9063	5.05%	107.3594	4.89%
Japan 30-year	¥	117.7040	1.87%	114.3765	1.48%	109.4090	1.71%
Hong Kong 10-year	HK\$	121.6593	6.14%	120.7548	4.04%	120.8435	4.05%
China (10/2027)	US\$	114.9360	6.53%	113.3688	6.42%	115.1493	6.29%
Singapore 10-year	S\$	115.4310	4.01%	114.7424	2.45%	114.3355	2.52%
South Korea 10-year	US\$	122.1324	7.27%	121.6222	4.24%	122.7554	4.02%
Australia 15-year	A\$	109.2465	5.95%	108.7220	5.39%	109.8400	5.26%
New Zealand (07/2009)	NZ\$	105.0184	6.67%	104.7124	6.11%	104.6483	6.13%
Philippines 20-year	PHP	134.6576	13.55%	133.4078	13.50%	128.8900	14.01%
India 20-year	INR	148.1164	7.22%	146.2515	6.28%	139.7599	6.77%
UK 30-year	£	97.3700	4.36%	96.3104	4.48%	95.9131	4.50%
Germany 30-year	€	110.3400	4.99%	109.4306	4.88%	108.6791	4.92%

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