

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



Week of 2 February - 8 February 2003

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Equity Market Indicators					
Index	Closing Level (2/7/2003)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	829.69	-3.0%	-28.1%	-5.7%	7.9%
Dow Jones Industrial Avg.	7,864.23	-2.4%	-21.9%	-5.7%	8.8%
Dow Jones Tech. Index	220.37	-4.3%	-34.7%	-4.0%	21.5%
Dow Jones Telecom. Index	143.34	-0.3%	-31.3%	-3.1%	22.8%
NASDAQ Composite	1,282.47	-2.9%	-35.2%	-4.0%	16.8%
The Street.com Net	84.83	-4.2%	-56.6%	-1.0%	39.1%
Japan Nikkei 225	8,448.16	1.3%	-22.3%	-1.5%	2.2%
Japan TOPIX	839.11	2.2%	-20.4%	-0.5%	3.0%
Korea KOSPI Composite	577.48	-2.4%	-20.3%	-8.0%	0.9%
Korea Kosdaq	42.77	-1.4%	-42.6%	-3.6%	-0.3%
Taiwan Stock Exchange	4,735.37	-6.8%	-15.4%	6.4%	25.5%
Singapore Straits Times	1,285.41	-0.8%	-20.9%	-4.2%	-3.3%
Hong Kong Hang Seng	9,150.95	-1.0%	-19.4%	-1.8%	3.0%
Hong Kong GEM	116.66	2.0%	-44.0%	5.7%	11.0%
China Shanghai (A-Share)	1,567.29	8.2%	-6.5%	10.4%	13.7%
China Shenzhen (A-Share)	449.63	6.4%	-8.2%	9.7%	15.1%
China Shanghai (B-Share)	127.27	6.6%	-24.7%	12.1%	14.0%
China Shenzhen (B-Share)	209.30	7.4%	-20.0%	11.9%	12.9%

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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 2/7/03	% 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 2/7/03	% Change From Offer
2/7/03	Headline Information and Communication, Ltd. [6634.KS] (Kosdaq)	Manufactures various wireless communications products including global positioning systems, radar detectors, and wireless transmitters	\$7.4	KRW6,600	KRW7,000	6.1%

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## Weekly Highlights

### International

#### *Telecommunications*

- **Vodafone in talks to sell the fixed-line business of Japan Telecom**, Japan's third-largest carrier, to New York investment fund Ripplewood Holdings LLC for more than 300 billion yen (\$2.5 billion). The potential deal would be one of the biggest telecom sales in Japan since Vodafone acquired a 66.7% stake in Japan Telecom in 2001, which was the largest foreign investment in Japan.

#### *Mobile / Wireless*

- **Nextel Partners and Research In Motion to expand distribution** of the new BlackBerry 6510 wireless hand-held device. The companies said Nextel Partners will now offer BlackBerry in the midsize markets it exclusively serves with Nextel's integrated wireless products. The BlackBerry 6510 from Nextel Partners will be available at an introductory price of \$499.99.
- **China Telecommunications has boosted its efforts to tap the wireless data business through a US\$500-million contract with Calypso Wireless to provide broadband video phones.** Calypso said it would be delivering an unspecified number of its cellular broadband video phones to China Telecom over the next three years. The devices provide two-way video conferencing services when connected to a WiFi access point, a type of wireless local access network technology.
- **After receiving more than \$300 million in fresh capital, Sony Ericsson Mobile Communications expects to achieve profitability without any further cash infusions from its owners.** Despite the injection and Sony Ericsson's slightly stronger-than-expected fourth-quarter shipments, some analysts still expect Ericsson to eventually back out of the company, selling its stake to Sony.

#### *Software*

- **IBM and AOL Time Warner test coordination of their business instant-messaging programs.** IBM said the pilot would more fully integrate access to AOL's Enterprise AIM system into its Lotus Sametime, allowing users to communicate across both systems using the same username and password. Currently, Sametime users have limited access to AOL's instant-messaging network.

#### *Semiconductors*

- **Global chip sales rose last year**, continuing a recovery that began in the fourth quarter of 2001. The Semiconductor Industry Association said 2002 revenue increased 1.3% to \$140.7 billion, after plunging 32% in 2001. Fourth-quarter revenue was up 1.9% sequentially to \$37.6 billion, the fourth straight quarter of continually rising growth.

#### *Hardware*

- **PC sales in the Asia Pacific region excluding Japan rise 8.6% in 2002**, outstripping the 3% growth in the global PC market, according to Gartner Dataquest. PC shipments in the region reached 21.7 million units in 2002, helping the global PC market return to positive growth. The three biggest vendors in the region were Legend (11.4% share), Hewlett-Packard (10.4%) and IBM (7.1%).

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## Japan

### *Telecommunications*

- **Fusion Communications to start a service that would cut charges** on calls from fixed phones to cellular handsets by 20-50%. The firm will charge 60 yen for three minutes, compared with the current 80-120 yen. The telecom company is expected to file an application for the new service with the Telecommunications Ministry on Thursday at the earliest, intending to launch operations on Feb. 14.

### *Mobile / Wireless*

- **NTT DoCoMo to replace the battery packs in about 840,000 camera-equipped mobile phones** made by NEC due to a glitch that caused handsets to overheat. The move, affecting the hot-selling "N504iS" model, is the biggest-ever replacement or recall by DoCoMo. DoCoMo and NEC are still estimating the cost of the replacement program.
- **NTT DoCoMo Inc. said it will be "pretty tough" for the firm to reach its target for subscribers to its third generation mobile phone service this fiscal year.** DoCoMo aims to lure 320,000 3G subscribers by the end of March, but at the end of December only had 152,000.
- **KDDI Corp. added 93,700 subscribers in January at its main mobile-phone businesses because more users signed up for its faster wireless Internet service.** The new service helped the company almost triple its net subscriber additions from the same month a year earlier, when KDDI's au Corp. and Tu-Ka units added just 32,400 users. KDDI attracted 639,000 users last month to its high-speed CDMA2000 1X service, which began in April, bringing total subscribers to 5.3 million.
- **J-Phone signed up 3,500 subscribers in January for its new mobile phone service, "Vodafone Global Standard."** Since its launch Dec. 20, only 4,700 customers have signed up for the VGS service, which offers third-generation wireless services in Japan and international roaming services abroad. J-Phone is aiming for one million subscribers to the service by the end of March 2004.
- **Users of mobile phone Internet services in Japan have exceeded 60 million people, the Telecommunications Carriers Association announced according to its survey of mobile phone companies.** Of mobile phone Internet service subscribers, 36.56 million people, or 60.7%, were signed up for the i-mode service of NTT DoCoMo Inc. Subscribers to the EZweb service of KDDI Corp. (9433) and the Tu-Ka group totaled 11.94 million people, accounting for 19.8% of all mobile phone Internet service subscribers. Subscribers to the J-Sky service of J-Phone Co. came to 11.71 million people, accounting for 19.4% of the total.

### *Software*

- **Ministry of Economy, Trade and Industry to help private firms develop an Asian version of Linux.** The initiative is designed to provide operating-system options beyond U.S. giant Microsoft Corp.'s software by creating a free platform for application software development. METI will invest about 1 billion yen from next fiscal year to support the training of software engineers.

### *Hardware*

- **Hewlett-Packard Japan to begin direct sales of personal computers, servers and workstations** to regional sales agents from later this month. The company will bypass wholesalers, which will lower the sales agents' procurement costs and lead to lower prices for end users. The company sees the move as a de facto price cut and is expecting it to help expand sales in Japan.

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## *Information Technology*

- **Sun Japan has received approval to list on the Jasdaq market.** The company originally planned to list on the then Nasdaq Japan market last July, but canceled the IPO. Ahead of the Jasdaq market IPO, the company now plans to offer 4,400 shares to the public. Of those, 2,200 are newly issued shares and 2,200 are existing shares currently held in private. HSBC Securities is the lead underwriter of the offer.
- **HP Japan opening a center** and establishing a dedicated team of consultants and technicians that will help companies make the shift from mainframes to servers. A market worth 100 billion yen has emerged from the trend among corporations to shift their information systems operations from mainframes to less costly servers, and HP Japan aims to capture a 30% share of that business.

## *Internet*

- **NTT West to reduce monthly usage charges for its ADSL services** by 200-300 yen. The company is lowering its rates to keep pace with the low-priced services of competitors, such as the Softbank group. Starting in March, NTT West will charge 2,900 yen a month for its 12mbps service and 2,800 yen for its 8mbps service. Both new prices are 300 yen lower than current charges.
- **Sony Communication Network Corp. (SCN) is providing high-speed fiber-optic network communications services free of charge for a limited time in an effort to expand its customer base.** SCN is waiving installation charges of 29,000 yen and monthly fees of 7,800 yen through the end of July on applications received by March 31 for service on the network it operates using Tokyo Electric Power Co.'s fiber optic cables. For customers choosing to continue service beyond August, initial charges of 17,000 yen will be required.

## **Korea**

### *Telecommunications*

- **Hanaro Telecom posts fourth-quarter loss of 18.2 billion won** (\$15.5 million), narrower than the 56.7 billion won loss in the same period a year earlier. South Korea's second-largest broadband Internet-access provider said sales for the three months ended Dec. 31 rose to 348.8 billion won from 243 billion won a year ago as it increased its market share to 27.6% by securing 810,000 new subscribers in 2002.
- **Dacom, the nation's second largest fixed-line telecom operator, said its deficit trend was reversed in 2002 after five years of radical restructuring.** It netted 23.8 billion won in profit last year, a major turnaround from a loss of 68.8 billion won in 2001, on sales of 1.05 trillion won, up 5 percent from the previous year. It said cost reduction through structural restructuring was critical in pulling the company out of the deficit trend. Dacom plans to focus on Internet networking businesses and the development of new technology in fields such as wireless LAN and Ethernet.

### *Mobile / Wireless*

- **SK Telecom favors supporting various operating system platforms for PDAs.** The company's move to adopt a variety of PDA operating platforms, underscores SK's position - in light of Microsoft's dominance of the market - that it will not limit itself to a single operating platform. Microsoft is also moving to push its next-generation digital devices and operating platforms.
- **Wavecom to provide its products to Curitel Communications,** a major handset manufacturer in Korea. Nasdaq-listed Wavecom, a French-based major provider of integrated wireless modules, said it

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will provide its quadband WISMO (wireless standard modules) to Curitel for integration into the company's new line of sophisticated GSM/GPRS multi-media mobile phones.

- **Korean government moves to introduce a unified access code** for mobile services and number portability. Korea is currently offering cdma2000 1x service and is scheduled to offer competing 3G service known as W-CDMA in the second half of this year. Beginning in January 2004, mobile phone subscribers can receive or convert to a unified access code of 010 for third-generation (3G) service.
- **SK Telecom led the market last month in sales**, threatening to unseat rivals KTF and LG Telecom - both of which lagged behind in attracting new customers due to having been slapped with temporary business suspension orders. The total number of mobile subscribers in Korea increased 75,000 to a total of 32.417 million mobile subscribers nationwide.
- **SK may delay launch of 3G**. SK Telecom Chief Executive Officer Pyo Moon-soo said yesterday the company's roll-out of third-generation (3G) mobile phone service is dependent on the condition of the economy. The inability of mobile handset and system manufacturers to produce equipment on time is a possible threat to the company's deadline to launch its service.
- **Pantech&Curitel releases a new line of secure mobile phones** that are being billed as impervious to wiretapping. The secure mobile phone technology, developed by Pohang University of Science and Technology professor Lee Phil-joong, is equipped with what the company calls a "double" protection mechanism.
- **Although the Korean government is keen to promote a dual wireless system, carriers appear reluctant to make another major network investment fraught with risk and uncertainty.** Currently, their plans might be altered in a way that casts doubts over the viability of establishing two different, yet competing mobile networks in a country where Qualcomm's CDMA (code division multiple access), wireless technology predominates. Interestingly, SK Telecom and KTF are now confronting a dilemma in pushing for dual standards. W-CDMA 3G service is a development of next-generation wireless technology derived from the European standard - GSM (global system for mobile communication). Analysts and experts say that it will take some time before the two carriers start to refine their W-CDMA technology and develop related mobile content. Also, a dispute has arisen as to whether W-CDMA services would serve the interests of investors' amid rising worries over overlapping facility investments.

## *Hardware*

- **LG.Philips LCD signs deal with Gyeonggi Provincial government** to build the world's largest LCD plant in Paju, northwest of Seoul. The signing ceremony, held at a hotel in southern Seoul, marked the beginning of a major boost for Gyeonggi Province's local economy, and an opportunity for LG.Philips to establish its position as a global leader in the worldwide LCD market.
- **The local post-PC market will grow by 58 percent year-on-year in 2003 and personal digital assistants (PDAs) are projected to lead the industry.** The Ministry of Commerce, Industry and Energy (MOCIE), in a 2003 Post-PC White Book it jointly published with the Korean Electronics Technology Institute (KETI) said the domestic post-PC market, which reached 200 billion won last year, would expand 58 percent to 317 billion won in 2003. It anticipated that PDAs would account for 63.1 percent or 200 billion won of total post-PC sales this year, followed by automobile-use auto-PC with 90 billion won in sales and thin clients, a portable computer device that relies on most of the function of the system being in the server, with 7 billion won.



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## China

### *Mobile / Wireless*

- **China Mobile (Hong Kong) secures upgrade from Moody's Investors Service.** Moody's on Wednesday raised its ratings outlook on the company from "stable" to "positive" - its first upgrade for China's No 1 mobile operator in more than three years. China Mobile's debt rating was kept unchanged at Baa2, still a notch above the lowest investment grade.
- **China United Telecommunications would be in a much better position to compete for high-end users with rival China Mobile Communication by year-end when the carrier had completed its third-phase code division multiple access (CDMA) network expansion.** By then the entire network would be upgraded to a CDMA2000 1X network, a 2.5 generation network with faster and larger data transmission capacity as well as voice transmission quality. China United had signed seven million CDMA users in the first year of operation and was targeting another 14 million users this year.

### *Software*

- **Microsoft unprofitable in China.** Microsoft has admitted running losses in China for the past 10 years and could wait another decade or two before turning a profit in China. Microsoft would have earned nearly \$400 million if it had been paid for its share of software installed in new computers in China last year, but its revenue was only \$85 million, according to IDC.

### *Semiconductors*

- **U.S. restrictions on high-tech exports may keep Intel's first Asia CPU plant from Shanghai.** The U.S. Commerce Department's bureau of industry and security ranks countries at four tiers for computer exports. Malaysia and South Korea are considered tier-one countries - the most lenient category. China, on the other hand, is lumped in tier three alongside the likes of Afghanistan, Cambodia and Serbia. **Intel officials were quick to reject the report.**

### *Venture Capital / Investments*

- **Shanghai attracted 50.6 billion yuan (HK\$47.7 billion) in domestic investment last year, equivalent to more than 130 million yuan every day, and officials say the city wants to draw even more.** The figure was up 84.6 per cent from 2001, according to figures released yesterday by Shanghai's Industrial and Commercial Bureau. Domestic investors mostly targeted the trade, restaurant and manufacturing industries last year, although the technology and service sectors started to gain favour, the industrial bureau said, without giving figures.

### *Hardware*

- **Legend Group shores up its lead in the Asia-Pacific's PC market during 2002,** growing at twice the pace of global PC leader HP. Market research firm Dataquest said in a statement from Singapore that PC sales in the Asia-Pacific region, excluding Japan, grew 8.6 per cent to 21.7 million units sold during 2002, or nearly three times the global industry rate.



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## Taiwan

### *Telecommunications*

- **The Taiwan government plans to sell up to 500 million shares -- about 5% of its stake -- in Chunghwa Telecom Co. starting late this month.** The ministry, which owns 82% of Chunghwa Telecom, will submit an application to the Securities and Futures Commission soon for the sale. The Taiwan government, which successfully sold a 13.5% stake in December, plans to privatize the island's largest phone company by the end of the year -- which means it plans to cut its holdings to less than 50%, though it might remain a significant shareholder.

### *Hardware*

- **Taiwan takes top spot in world-wide LCD shipments in 2002**, beating South Korea and Japan, according to U.S. market research firm DisplaySearch. Chi Mei Optoelectronics, AU Optronics and other Taiwanese manufacturers rushed to build new plants last year, beating South Korean rivals such as Samsung Electronics and LG Philips LCD.

## Singapore / Malaysia

### *Telecommunications*

- **Pacific Internet posts first profit.** Fast-growing demand for broadband access helped the Internet service provider end two years of annual losses in 2002. The company, 42%-owned by local conglomerate SembCorp Industries Ltd., ended the year with a net profit of US\$1.67 million for 2002, reversing a US\$8.62 million loss in 2001, and beating its 2002 profit target of US\$1.5 million.
- **Singapore Telecommunications Ltd. posted an unexpected gain in third-quarter earnings after its Optus unit in Australia delivered its first profit since being acquired in 2001.** Net income rose 2 percent to S\$296 million (\$170 million), or 1.66 Singapore cents a share, in the three months ended Dec. 31, from S\$291 million, or 1.63 cents, a year earlier. Optus, Australia's second-largest phone company, recorded a profit of A\$22 million (\$13 million).

### *Information Technology*

- **Singapore Computer Systems (SCS), which recently saw a change in its top management, has announced a 33 per cent fall in full-year earnings, citing slower orders and an investment asset impairment.** The information technology services provider saw net income drop to \$11.8 million for the year ended Dec 31, 2002, from \$17.6 million the year before. SCS said if not for an allowance for impairment in investment-related assets, the net profit would have fallen only 7 per cent. Going forward, SCS says it expects economic conditions to remain uncertain. Stronger competition is also expected, but the group is aiming to achieve revenue and net profit growth of about 20 per cent and 50 per cent respectively this year.

## Hong Kong

### *Telecommunications*

- **PCCW chairman presence in London arouses speculation over possible acquisition targets.** Among targets identified by Britain's Sunday Times were London-based Internet service provider

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Energis, a Macau mobile phone operation and a Japanese Web-hosting business, both owned by Cable & Wireless.

- **Nasdaq-listed telecommunications equipment supplier UTStarcom is seeking a secondary listing on the Hong Kong stock exchange, hoping to tap Asian investors' funds.** UTStarcom said it was only studying the option and did not have a target date for the Hong Kong listing because it needed special approval from the HKEx, which normally lists only those companies registered in Hong Kong, China, Bermuda and the Cayman Islands

## *Mobile / Wireless*

- **Hutchison Whampoa looks set to extend its mobile businesses in India** with plans to take over interests in Escotel Mobile Communications from First Pacific. A person familiar with the plans was reported as saying the Li Ka-shing controlled conglomerate was buying Escort Telecom's mobile phone service licence in Punjab, the state with the fastest growing number of subscribers.

## **United States / Canada**

### *Telecommunications*

- **WorldCom to cut 5,000 jobs in the latest round of cost cuts** as the long-distance company tries to emerge from bankruptcy under new Chief Executive Michael Capellas. Mr. Capellas, who took over as CEO and chairman in December, had warned that layoffs were "inevitable" after unveiling a 100-day turnaround plan for the company three weeks ago.

### *Internet*

- **Hotels.com profit more than triples in the fourth quarter**, although the results fell short of its already lowered forecasts. The online travel company reported net income of \$17.7 million, or 30 cents a share, compared with earnings of \$4.8 million, or eight cents a share, a year earlier. Revenue rose 92% to \$272.6 million from \$141.7 million.
- **Expedia posts wide increase in earnings** and greater than expected revenue in the fourth quarter and said its chief executive will resign. The online travel company reported fourth-quarter earnings of 33 cents a diluted share, compared with eight cents a diluted share a year ago. Fourth-quarter revenue totaled \$164 million, higher than Wall Street anticipated.
- **Travelocity to have direct access to Six Continents' central reservation systems** for all its chains. While individual hotels may still negotiate their own deals with Travelocity and other Web sites, Six Continents hopes they will find it easier to work through the central system. The deal marks an effort by Six Continents to gain better control of Internet sales of its hotel rooms.
- **FBI seeks to question several former PurchasePro.com officers** in the past few weeks. The FBI has contacted the former PurchasePro executives to schedule interviews but hasn't told them the nature of its inquiry. People familiar with the situation said the Department of Justice and the Securities and Exchange Commission are focusing on America Online and some of its former executives.
- **Overture Services Inc. posted another jump in revenue, matching recently raised guidance.** Revenue was \$199.6 million, a 97% increase from revenue of \$101.2 million in the year-ago quarter, and a 16% sequential increase from \$172.7 million in the third quarter. Looking forward, Overture sees first-quarter earnings of 13 to 14 cents a share on revenue of \$215 million to \$220 million. Traffic-acquisition

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costs as a percentage of revenue are expected to be between 63% and 64%. Wall Street expected the company to earn 23 cents a share on revenue of \$223.4 million for the first quarter. For the full year, Overture is targeting revenue of about \$1 billion. Traffic-acquisition costs, as a percentage of revenue, are expected to increase by 0.25 to 0.5 percentage point per quarter from the end of the first quarter of 2003 through 2004.

## *Semiconductors*

- **Cisco Systems posts a record quarterly profit**, but sales dipped and chief executive John Chambers blamed the "most challenging environment the information technology industry has ever faced". Mr Chambers added that companies' ability to predict their business is slightly tougher than it was a quarter ago, and he forecast another possible decline in sales in the current financial third quarter.
- **Intel expects rebound in corporate spending on IT**, driven by the need to update aging desktop computer. Among the factors that will drive upgrades are an aging base of installed computers, an increase in security problems and the fact that Microsoft is dropping support for Windows 98 this year.

## *Venture Capital / Investments*

- **CSFB places Frank Quattrone on administrative leave** after discovering an e-mail indicating that the star investment banker knew of pending regulatory probes of allocations of initial-public-offering shares at the firm when he advised his employees that they "clean up" files involving the firm's banking activities. Mr. Quattrone initially told CSFB's legal staff that he had no idea there was a probe.

## *Hardware*

- **Sollectron signs a manufacturing and supply agreement with Hewlett-Packard** valued at \$1.4 billion over five years. Sollectron said it will produce printed circuit boards and memory modules for H-P's mid- and high-end enterprise servers at its facilities in Puerto Rico. The contract should give a boost to Sollectron, an electronics contract manufacturer.
- **Sun Microsystems to unveil a makeover of its Unix server product line**, including the announcement of a powerful midrange computer. The computer maker also will unveil a 1.2 Gigahertz Ultra Sparc chip, blade servers and storage-management software. The company's fastest chip presently is its 900 Megahertz Ultra Sparc III.

## *Media, Entertainment and Gaming*

- **Pixar Animation Studios said fourth-quarter earnings rose 30% and that it will soon complete "Finding Nemo,"** a movie that could trigger a turning point in its rocky relationship with **Walt Disney Co.** Pixar attributed the quarter's robust results to better-than-anticipated sales of the home video of its recent hit movie, "Monsters, Inc.", as well as other titles. "Finding Nemo" is Pixar's third film in a five-picture deal that it has with Walt Disney. Under the deal's terms, Pixar splits profits from its movies with Disney, which distributes the pictures.
- **Ted Turner, AOL Time Warner Inc.'s largest individual shareholder, sold \$20 million in the company's shares the week after he resigned as vice chairman.** Turner, who founded Cable News Network and other cable- television networks, sold 1.8 million shares at prices from \$11 to \$11.82 a share between Jan. 31 and Feb. 4, according to filings with the Securities and Exchange Commission. He said on Jan. 21 he'd resign as vice chairman at AOL Time Warner, the world's largest media company.

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- **Hughes Electronics Corp. officials have had some preliminary but "high-level meetings" with SBC Communications Inc. about a possible SBC bid for the satellite-television broadcaster.** While the talks have stopped short of negotiations or the start of due diligence, the contacts indicate that SBC could turn out to be competing with News Corp. to gain control of Hughes or Hughes's DirecTV broadcast unit. News Corp. hasn't yet submitted a formal bid, but it is widely expected to begin discussions with General Motors Corp., the parent of Hughes, shortly

## *Information Technology*

- **Electronic Data Systems Corp.'s fourth-quarter net income fell 11%, and the second-largest computer-services supplier warned profits this year would lag expectations because of continued anemic technology spending.** EDS earned \$360 million, or 75 cents a share, compared with net income of \$405 million, or 82 cents a share, in the year-earlier period. Excluding a 24-cent-a-share gain from the sale of a unit and a restructuring credit, income was \$246 million, or 51 cents a share. Revenue for the Plano, Texas, company fell 5% to \$5.51 billion from \$5.80 billion a year ago. The company slashed its estimate of 2003 free cash flow to a range of \$700 million to \$900 million, from \$1 billion previously.
- **Despite key contract wins in the computer-services market, International Business Machines Corp. expects business conditions in that industry to remain challenging throughout 2003.** While spending on technology gear will remain challenging this year, IBM is seeing some areas where companies are willing to plunk down money. IBM believes many companies have stabilized their businesses and are picking areas to spend money on, in an attempt to better position themselves from a competitive standpoint. IBM indicated there could be future acquisitions in services in such areas as business-process outsourcing, much of the company's focus will be on integrating its acquisition of PricewaterhouseCooper's consulting arm, PWC, which the company bought for \$3.5 billion

## **Europe**

### *Telecommunications*

- **Ericsson posts seventh straight quarterly loss as customers cut spending.** The fourth-quarter net loss widened to 8.3 billion kronor or 0.58 krona a share, from 3.5 billion kronor, or 0.31 krona a share, in the year-earlier period, it said. Sales fell 37 per cent to 36.7 billion kronor. Ericsson predicted the market for wireless networks will fall as much as 10 per cent this year. **Assa Abloy AB boss Carl-Henric Svanberg was appointed its new chief executive**, signaling the start of a new era for the struggling Swedish telecommunications-equipment maker. But investors welcomed the change, sending Ericsson's shares up 14% to 6.70 kronor (79 U.S. cents or 73 European cents) in midday trading in Stockholm.

### *Mobile / Wireless*

- **Hutchison 3G UK, a 65 per cent subsidiary of Hutchison Whampoa, will adopt a strategy of undercutting its British 2G rivals when it signs up its first paid customers as early as the middle of March.** Hutchison said it had signed up 130,000 people for the Italian service, and indicated "tens of thousands" had signed up for the service in Britain, to be marketed under the "3" brand. In a bid to speed up the customer take-up rate in Britain, Hutchison is offering a 50 per cent discount on handsets for the first 20,000 customers to sign up before the end of the first quarter.

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## *Internet*

- **Tripod, a consumer Web publishing service of Terra Lycos SA, introduces Blog Builder** tool last week, marking increased interest by big Internet players in the fast-growing world of Weblogs, the popular diary-like Web sites known as "blogs." Terra Lycos, based in Spain, hopes the new service will drive growth in subscribers to its paid Tripod service.

## *Media, Entertainment and Gaming*

- **Nokia to roll out its N-Gage portable game console across five continents**, including North America, in time for the holiday selling season. The device resembles Nintendo Co.'s Game Boy Advance console but has a built-in phone that, unlike the Game Boy, will allow users to compete against players over a cellular network.

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Week of 2 February - 8 February 2003

## Other Economic Data

### Currency Exchange Rates

Currency	Units	Current Rate (on 2/7/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	120.2700	-0.3%	-8.6%	-1.2%	12.0%
Hong Kong dollar	HK\$/ US\$	7.7993	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2800	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7446	-0.3%	-5.6%	-0.6%	5.1%
South Korean won	KRW/ US\$	1184.0000	-0.8%	-9.9%	0.1%	11.5%
New Taiwan dollar	NT\$/ US\$	34.7495	-0.1%	-0.7%	-0.3%	0.7%
Australian dollar	US\$/A\$	0.5903	0.5%	15.8%	5.1%	15.5%
New Zealand dollar	US\$/NZ\$	0.5496	0.8%	32.0%	4.8%	31.5%
Philippine peso	PHP/ US\$	53.9750	-0.2%	4.5%	-0.7%	-5.1%
Euro	US\$/€	1.0821	0.4%	21.7%	3.1%	24.1%
British pound	US\$/£	1.6319	-0.9%	12.3%	1.4%	15.3%

### Fixed Income Prices and Yields

Note	Currency	Current (on 2/7/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	108.7031	4.81%	108.1250	4.84%	106.5000	4.94%
Japan 30-year	¥	115.2885	1.44%	117.6635	1.34%	112.6005	1.56%
Hong Kong 10-year	HK\$	121.9619	3.82%	121.9379	3.84%	122.0361	3.85%
China (10/2027)	US\$	117.1200	6.14%	116.5487	6.18%	115.1148	6.29%
Singapore 10-year	S\$	117.2130	2.09%	116.3074	2.23%	115.3963	2.37%
South Korea 10-year	US\$	122.0924	4.09%	122.0887	4.11%	122.5260	4.07%
Australia 15-year	A\$	110.9435	5.11%	110.4460	5.18%	110.1930	5.21%
New Zealand (07/2009)	NZ\$	106.5807	5.76%	105.7200	5.92%	104.8949	6.08%
Philippines 20-year	PHP	128.0952	14.09%	129.8863	13.89%	132.6300	13.58%
India 20-year	INR	138.3826	6.86%	141.5016	6.62%	146.6214	6.25%
UK 30-year	£	98.5960	4.33%	98.4154	4.35%	95.9318	4.50%
Germany 30-year	€	112.3000	4.70%	112.1015	4.71%	109.2678	4.89%

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