

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



Week of 1 June - 7 June 2003

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Equity Market Indicators					
Index	Closing Level (6/6/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	987.76	2.5%	-14.5%	12.3%	27.5%
Dow Jones Industrial Avg.	9,062.79	2.4%	-10.0%	8.6%	24.1%
Dow Jones Tech. Index	277.82	2.5%	-17.6%	21.0%	53.2%
Dow Jones Telecom. Index	164.17	1.6%	-21.3%	11.0%	40.7%
NASDAQ Composite	1,627.42	2.0%	-17.8%	21.9%	47.7%
The Street.com Net	122.37	1.7%	-37.5%	42.9%	99.8%
Japan Nikkei 225	8,785.87	4.3%	-19.2%	2.4%	4.3%
Japan TOPIX	869.61	3.8%	-17.5%	3.1%	5.3%
Korea KOSPI Composite	642.38	4.6%	-11.4%	2.4%	9.6%
Korea Kosdaq	47.26	0.5%	-36.5%	6.5%	8.5%
Taiwan Stock Exchange	4,740.45	5.9%	-15.3%	6.5%	23.1%
Singapore Straits Times	1,439.25	6.7%	-11.5%	7.3%	7.2%
Hong Kong Hang Seng	9,694.63	2.0%	-14.6%	4.0%	8.8%
Hong Kong GEM	1,114.75	0.1%	-41.4%	17.3%	22.6%
China Shanghai (A-Share)	1,611.54	-2.3%	-3.9%	13.6%	18.2%
China Shenzhen (A-Share)	448.78	-3.4%	-8.4%	9.5%	16.4%
China Shanghai (B-Share)	115.13	-3.7%	-31.9%	1.4%	3.7%
China Shenzhen (B-Share)	215.47	-4.5%	-17.6%	15.2%	19.3%

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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 6/6/03	% 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 6/6/03	% Change From Offer
6/2/02	Esmart Holdings Ltd. [ESMART.SP] (Singapore)	Supplies and designs intermediate products for electronic components such as integrated circuits and active and passive devices, various types of print circuit boards, mechanical & plastic parts. Also provides device-programming services.	US\$2.6	S\$0.20	S\$0.24	17.5%
6/3/03	Jiangsu Changjiang Electronics [600584.CH] (Shanghai)	A semiconductor firm whose products include discrete devices and integrated circuits. Also manufactures signal lamps and anti-theft door systems.	US\$47.8	RMB7.19	RMB14.10	96.1%
6/6/03	Superdata Software Holdings Ltd. [8263.HK] (HK-GEM)	Develops and sells integrated business management software for small and medium enterprises. Software products are off-the-shelf packaged software that is sold to retailers who in turn sell it to end-users.	US\$3.9	HK\$0.30	HK\$0.32	6.7%

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Weekly Highlights

International

Mobile / Wireless

- **The cellphone industry experienced better-than-expected sales in the first quarter, with unit sales rising 18% year-over-year to 112.7 million units**, according to Gartner Inc. Gartner said sales trends show the industry could be on pace for a double-digit percentage increase for the full calendar year. Nokia, with a 35% market share in the first quarter of 2003, continued to have more than double the market share of its nearest competitor. Despite market share of more than 50% in almost all GSM markets in Europe and Asia/Pacific, Gartner analysts said Nokia is still positioned to grow market share in these core markets through the remainder of the year. Gartner credited consumer interest in camera-phones and other high-end devices, which spurred users to upgrade their handsets.
- **The world's top three handset makers-- Nokia, Motorola and Samsung-- have been maintaining about a combined 60 percent share of the world's mobile phone handset market** since the first quarter of 2002, according to DataQuest. Their combined market share reached 60.2 percent in the first quarter of this year, slightly down from the 61.9 percent recorded in the previous quarter. The comparable figure for the previous year was 60.4 percent. Samsung became the world's No. 3 mobile phone maker in the first quarter of last year. In early 2001, Nokia, Motorola and Siemens, then the No. 3 mobile phone maker, jointly controlled a 54.8 percent share of the global handset market. Samsung officials said the latest data showed that the top three makers are strengthening their market positions, defying the aggressive marketing of challengers.

Semiconductors

- **China's policies to encourage the growth of its domestic semiconductor industry are meeting with increasingly vocal opposition from foreign industry groups and politicians, particularly in the U.S..** Though the government's tax incentives are not new, the breadth and harshness of the criticisms they are now receiving are striking -- a reflection of both the importance of China's US\$19 billion market for semiconductors and its role as a manufacturing center. While no formal action has yet been taken against China, many groups now argue that its policies violate rules of the World Trade Organization, which China joined in 2001. Their heightened rhetoric looks likely to bring the once-obscure semiconductor-tax issue close to the top of Washington's trade agenda with China.

Japan

Hardware

- **Hewlett-Packard Japan Ltd. lowered the prices of UNIX servers for corporate information systems by 40-63%, pushing entry-level models below ¥1 million (US\$8,000).** The price cut by Japan's UNIX server leader follows a similar move by IBM Japan Ltd. in May and will likely trigger intensified price competition. HP Japan cut the prices of nine models in its HP Servers Advantage, rp2400 and rp5400 series. The biggest reduction was for the 5470 model in the rp5400 line, whose price was slashed by 63% to ¥4.8 million (US\$41,000). HP Japan commanded a leading 32.8% of the UNIX server market in shipment value last year, according to Gartner Dataquest.

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Life Sciences

- **Mitsubishi Kagaku Bio-Clinical Laboratories Inc., a clinical testing and research firm affiliated with Mitsubishi Chemical Corp., has developed a genetic test that can identify drug-resistant strains of human cytomegalovirus (HCMV).** Treatment for HCMV typically involves the use of such drugs as ganciclovir. But over the course of several months of therapy, the virus can mutate into a form resistant to the drug. When this happens, a quick change to another medication is essential or the pneumonia symptoms will worsen. Mitsubishi Kagaku BCL already provides a service for doctors analyzing the antibody titer in blood samples to track the efficacy of treatment for HCMV infections. Now the company has developed a gene test that can tell the doctor whether the patient is infected with a drug-resistant form of the virus. The test is based on the fact that drug-resistant forms of HCMV carry a unique gene sequence. Mitsubishi Kagaku BCL plans to combine this gene test with its antibody titration service to help doctors determine the best choices for therapy.

Mobile / Wireless

- **The mobile phone service of KDDI Corp. held the top spot for the second month in a row in May for net monthly increases in mobile phone service contracts,** according to results announced by the Telecommunications Carriers Association. J-Phone Co. also surpassed NTT DoCoMo Inc. knocking the mobile phone giant down into third place. The total number of mobile phone service contracts at the end of May of all the companies combined came to 76.7 million, up 0.5% from the end of April.

Semiconductors

- **Elpida Memory will get ¥81.5 billion (US\$687.2 million) in extra financing by the year-end,** giving Japan's last big maker of standard computer memory chips much-needed funds to boost production. The amount includes a US\$100 million injection by Intel Corp. and investments of ¥9.5 billion (US\$79.9 million) each by parent companies NEC and Hitachi.

Software

- **Mitsui & Co. and Amazon Japan KK have teamed up to sell software** for small office/home office operators through Amazon's Web site. The companies are offering discounts of up to 70% and target orders from 10,000 offices in the initial year. Under the alliance, the web site of License Online Ltd., a Mitsui subsidiary that sells PC software, is linked with the Amazon site, with License Online handling payments and product delivery.

Korea

Hardware

- **Samsung Electronics Co. is expected to post a second-quarter net profit of below 1 trillion won (US\$834 million),** its lowest quarterly net profit since the fourth quarter of 2001, because of the economic downturn at home and abroad. The general downturn in global economics and a host of local factors such as slumping consumption, a strike in the local distribution industry and the company's involvement in financing its credit-card affiliate are to blame.

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Internet

- **SK Communications announced that it would merge one of its units, Nate.com, with an Internet community service provider, Cyworld.** At the board of directors meeting yesterday, SK Communications passed a vote on its Internet portal's merger with Cyworld via a stock swap. Following the merger, SK Telecom, the largest shareholder of SK Communications, will see its stake drop by 7.1 percent from 89.9 percent, while Cyworld's biggest shareholder IMM Group will hold 7.8 percent of SK Communications.

Media, Entertainment and Gaming

- **Korea's mobile game market is showing signs of a slowdown, reflecting the overall downdraft in the high-tech sector.** Korea is one of the leading mobile-oriented countries, with three wireless operators offering advanced cdma2000 1x services to more than 32 million subscribers. The mobile sector witnessed strong growth over the past years, prompting some analysts to claim that the industry is largely immune to negative market conditions. But the mobile gaming industry, which is estimated to be worth about 200 billion won (US\$166.7 million) in 2003, is sputtering amid growing signs of a slump in the wireless sector as a whole. The majority of developers are struggling to jack up their profitability. Com2us, a major mobile game developer, is expected to achieve its revenue target of 5 billion won (US\$4.2 million) in the first six months, thanks largely to its market dominance and continued release of new titles. Yet minor developers are finding it increasingly hard to meet their own revenue targets.

Mobile / Wireless

- **The Korean Ministry of Information and Communication said that W-CDMA would be fully deployed across the nation by June 2006.** Now that the ministry has finalized the implementation schedule, SK Telecom and KTF will be pressed hard to go ahead with the controversial new service despite growing concerns about overlapping facility investment. Korea is already offering 3G services using U.S.-based Qualcomm's cdma2000 1x technology, but the government is eager to push carriers to implement W-CDMA as well, a move that analysts say will benefit domestic handset makers only.
- **Korea's camera-module market for mobile phones is heating up as LG Innotek Co. and Samsung Electro-Mechanics recently joined the sector.** Mass production of their camera modules will start from September for LG. The initial product will have a 300,000-pixel image sensor, while modules with charged-couple devices providing better picture quality will be introduced in November. LG's foray into the camera-module market reflects the firm's resolve to nurture its value-added mobile parts business. Samsung Electro-Mechanics, meanwhile, developed an ultra-slim camera module in late 2002 and began rolling out the product in January this year with the first shipments going out to customers in March. Samsung said it is targeting camera-module revenues of 80 billion won (US\$66.7 million) this year, 210 billion won (US\$175 million) in 2004 and 330 billion won (US\$275 million) in 2005.

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China

Hardware

- **The annual result for Legend last week highlighted some transitional risks the firm had to face** in its quest to be the next Dell in China. Legend started branching out to develop computer and technology-related businesses. Last year, Legend made a HK\$33 million (US\$4.2 million) provision on a 40 per cent stake in Yestock, and the company saw drastic profit deterioration in its handset manufacturing business in the first three months of this year. Two months ago, Legend re-branded its products "Lenovo" to generate growth outside China. Legend Group president and chief executive Yang Yuanqing believed the company had strengthened core competencies in the past year by expanding value-added services and technological innovations.

Information Technology

- **Distributors of Internet games and films will soon have to obtain special licenses before sending the material to millions of computer users in China.** The decision by the Ministry of Culture is an effort to control violent, sexually explicit or anti-government content. From July 1st, the ministry will allow only registered companies to distribute "cultural products" via the Internet, and make them apply for special licenses. The rules cover music and artwork and apply both to for-profit and non-profit distribution, including redistribution. They follow last year's State Council order that government ministries in charge of the Internet do more to guard against banned content. However, people in the information technology field say the regulations will not change much. High-profile game and movie distributors are based overseas and the government lacks co-ordination to control the person-to-person distribution of films or games within the country

Internet

- **China's Huawei Technologies Ltd. is ordered by a U.S. federal judge to stop using some software that rival Cisco Systems Inc. claims was stolen and copied.** The preliminary injunction bars Huawei from using a portion of the software that runs Cisco's routers, and from using user manuals and on-line help files that Cisco claims were copied. Huawei said it had unknowingly obtained a small amount of Cisco software in 1999. The Chinese company promised to re-introduce its routers without the tainted software.

Mobile / Wireless

- **SK Telecom said it would form a joint venture with Eastern Communications Co., stepping up its efforts to make inroads into the Chinese mobile market.** The joint venture will be named FaceOne, a marketing unit that SK Telecom hopes will set the stage for its bid to win a significant share of the Chinese CDMA market. Under the agreement, FaceOne will be in charge of the mobile phone marketing, distribution networks and development of value added services to help China Unicom to expand its user base. SK Telecom will apply its marketing, distribution and service know-how to the joint venture. SK Telecom said it would invest US\$3 million in the joint venture through its subsidiary, SK Telecom China, securing a 35 percent stake of the startup. Eastern Communications is a unit of the Putian Group, a telecom equipment maker in China that has a total of 54 subsidiaries. The group posted US\$7.8 billion in revenue last year.

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- **Lucent Technologies said it would invest US\$50 million in China to develop a research facility dedicated to third-generation (3G) mobile communications technologies.** The decision to increase investment in China is due to the success of the Chinese research and development division, said Mary Chan, president of global wireless research and development for Lucent Mobility Solutions Group. The facility will focus on code division multiple access (CDMA) and universal mobile telecommunications system (UMTS) technologies. Lucent already has about 3,000 employees in China at centers in Beijing and in the eastern cities of Shanghai and Qingdao.
- **Nokia Corp. has been granted a license to make and sell mobile products using CDMA technology in China.** BNMT, Nokia's manufacturing joint venture in China, is now able to proceed with its plans to introduce its first CDMA-based products in China. The company intends to start deliveries of its first CDMA terminals to the Chinese market during the second half of 2003.

Taiwan

Hardware

- **Formosa Plastics Corp. is entering the market for plasma display panels** with a cost-cutting strategy it hopes will grab market share from larger rivals in Japan and South Korea, according to a top executive at the Taiwanese industrial conglomerate. Its Formosa Plasma Display Corp. venture began pilot production in April of standard 42-inch plasma display panels used in large flat-panel television sets. The company expects to start mass production in August and to produce 10,000 panels a month by year-end.
- **Spurred on by SARS fears, Taiwan electronic firms have hedged their expansion of operating in the low-cost mainland with projects in Eastern Europe.** The island's leading downstream computer firms are building plants in the Czech Republic, Hungary and Poland, seeking an alternative cheap base to the mainland to serve the large Western European market.

Telecommunications

- **Chunghwa Telecom said the parliament's decision to restrict government sales of its shares would not derail plans to offer some of the stock as American depositary receipts (ADRs) overseas.** The decision of the legislators followed the government's proposal to convert 13.8 per cent of Chunghwa shares into ADRs, said spokeswoman Shen Fufu.

Singapore / Malaysia / Philippines

Mobile / Wireless

- **Digital Telecommunications believes there is still enough room left in the Philippines' mobile-phone industry to carve out a niche for itself,** no matter how expensive the battle. When it first launched Sun Cellular in March, Digitel picked up 100,000 subscribers almost immediately through an aggressive promotional campaign. People in the industry say the company has doubled its subscribers since then.

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Semiconductors

- **Chartered Semiconductor Manufacturing will post a smaller-than-expected quarterly loss,** largely on demand for a new generation of high-end chips used for computer memory, graphics and other advanced applications. The Singapore chipmaker's stronger forecast came on the heels of Taiwan Semiconductor Manufacturing Co. announcement that shipments would surge more than 20 per cent in the second quarter on increased consumer demand. But Chartered disappointed investors by forecasting revenue growth of only 17 to 20 per cent for the three months to June - below market expectations of about 20 to 25 per cent.

Telecommunications

- **Singapore Technologies Telemedia (STT) had a binding contract to buy Global Crossing that forbade the bankrupt telecommunications firm from considering another offer** from United States investor Carl Icahn. Mr. Icahn's United States-based XO Communications said it had offered more than US\$700 million to buy Global Crossing. STT had agreed to pay US\$250 million for a 61.5 per cent stake in the U.S.-based fiber-optic network and STT's binding contract with Global Crossing meant it could not consider a competing bid.

Hong Kong

Media, Entertainment and Gaming

- **Hong Kong has so far failed to carve its niche in the booming online gaming market which is one of the region's most lucrative technology businesses, with subscriptions last year valued at US\$533 million, according to International Data Corp.** South Korea has the biggest share of the online gaming market at 54.3 per cent, followed by Taiwan with 25.9 per cent, says IDC. The mainland has 16.8 per cent, while online-savvy Hong Kong has a share of just 2.5 per cent. *Lineage*, the world's biggest online MMORG, is the flagship game of Korea's NCSoft. With more than three million subscribers and over 300,000 players at any one time, it is probably the most popular MMORG in Japan, Korea and Taiwan. Another hot online game developed by a Korean company is *Legend of the Mir*. It is probably the most popular MMORG in China, with about a million subscribers and 200,000 players at any time. The U.S. pay-to-play business model differs from that in Asia, with most online games charging a flat monthly fee of about US\$10. In Asia, many MMORGs are pay-as-you-go, with game time cards for sale at software stores. Each card offers about eight hours of online play.

Mobile / Wireless

- **Microsoft has launched the Smartphone in Hong Kong in an effort to secure its foothold in the mobile phone market.** The QTek 7070, featuring Microsoft's Smartphone 2002 operating system, is being offered through partners Synergy Technologies and CSL. Hong Kong is the second market in which the phone has been launched in Asia, after the Philippines. Microsoft has gotten off to a poor start, as reports of software glitches led to a lackluster response, and British mobile phone maker Sendo launched a lawsuit against the software giant for allegedly stealing its software. Plans to launch the phone in Germany three weeks ago with T-Mobile were cancelled reportedly due to technical glitches.

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Telecommunications

- **Cable & Wireless PLC sold its remaining stake in PCCW Ltd. for about US\$400 million**, a move analyst said would lift a major uncertainty that has clouded the Hong Kong company's stock for months. C&W said it placed 651.9 million shares -- its remaining 14% stake in the former Hongkong Telecom -- with investment bank Citigroup Inc.. C&W has long said that the stake wasn't a core holding -- a matter that came into prominence after the company appointed a new chairman a few months ago as part of a massive restructuring plan. The sale of its PCCW stake came a day after the U.K. company reported an even bigger loss than a year earlier and announced it would withdraw from the U.S. market and cut 1,500 jobs in its U.K. business.
- **Hutchison's H3G UK launched two tariff plans charging voice calls at 4.5 pence (US\$7.4 cents) to five pence per minute, well below the peak rates of between 15 and 22 pence** offered by most British 2G operators. The aggressive pricing strategy indicates a clear shift by Hutchison on its 3G services, moving away from high-end mobile data services back to basic voice services that can satisfy the needs of more than 90 per cent of mobile users.

United States / Canada

Hardware

- **Palm Inc. agreed to buy struggling Handspring Inc. for US\$192 million in stock.** The deal adds a new chapter to the tale of the scrappy Silicon Valley entrepreneurs Donna Dubinsky and Jeff Hawkins who started Palm in 1992. They, along with Ed Colligan who helped to build Palm, left in 1998 to launch Handspring. Now, Ms. Dubinsky, Handspring's CEO, will take a Palm board seat, and Mr. Hawkins, the technical guru and inventor of the original Palm Pilot, will become Palm's chief technology officer.
- **IBM said it is being investigated by the Securities and Exchange Commission regarding sales it booked in 2000 and 2001.** The firm said the agency is examining revenue from customer transactions, adding it believes the probe arose from a separate investigation of a customer of an IBM unit that makes point-of-sale products for retailers. A spokesman for IBM said the company would cooperate fully with the SEC's investigation but would not name the customer. A spokesman for the SEC declined to comment.

Information Technology

- **Bankrupt telephone company WorldCom Inc. got court approval to amend a technology outsourcing contract with computer services company Electronic Data Systems Corp.** The agreement called for WorldCom to pay EDS about US\$600 million a year for information technology services over the next three years.

Internet

- **USA Interactive agreed to buy all 28.3 million remaining USA warrants owned by Vivendi Universal for US\$407.4 million.** USA Interactive owns online travel agents Expedia and Hotels.com, as well as Ticketmaster and the Home Shopping Network. It sold its cable, film and TV operations to Vivendi last year.

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- **AOL Time Warner and Microsoft promised to try to make their popular Internet instant-messaging programs work together.** Instant messaging allows users to set up "buddy lists" that indicate which of their friends are online, and whisk messages between them in real time. The networks that facilitate these chats are closed, so unlike with e-mail, members of AOL's instant-messaging programs can't reach people on the services operated by Yahoo or Microsoft's MSN. Although bridging the services is possible through programs like one called Trillian, the general lack of "interoperability" frustrates many big users. Several investment banks got together last year to push the Internet companies to develop standards that would let instant messages securely cross networks like e-mail.

Media, Entertainment and Gaming

- **Sun Microsystems invests in the multi-million dollar gaming industry with the formal establishment of the Sun Game Technologies Group.** Chris Melissinos has been tapped to be the Chief Gaming Officer and to oversee Sun's efforts to coach online gaming companies on huge swings in demand computing and client/server issues. The Massive Multiplayer Online Game (MMORG) marketplace has been gaining lots of momentum and creating its own buzz and MMORG network developer Zona, estimates the number of dollars spent on MMORG subscriptions will jump to US\$2.7 billion by 2006. Sun has been quietly involved in the gaming industry for the past two years having participated in the Game Developer Conference and E3 as well as hosting the javagaming.org, a discussion forum where developers can share ideas on Java technology in the industry. Sun has also been working behind the scenes with key players like Electronic Arts, Sony and BioWare to figure out what companies involved in massive, online, multi-player gaming need to run simultaneous environments.
- **Shares of Pixar Animation Studios Inc. and Walt Disney Co. jumped on the opening box office success of the underwater tale "Finding Nemo," which sold about US\$70.6 million in tickets in its first three days.** The computer-animated family movie, produced by Pixar and Disney set a new opening record for a cartoon, surpassing the US\$62.5 million release of "Monsters, Inc." in 2001, also a collaboration between the two companies.
- **TiVo Inc., a maker of television-recording devices, unveiled a TV audience measuring system that allows it to report the second-by-second viewing habits of its subscribers to advertisers and network programmers.** The system represents a potential new revenue stream for the maker of digital video recorders (DVR), which is trying to transform itself into a media services company and seeking other ways of making money beyond the monthly subscriber fees it collects. The new service, which will produce a quarterly viewing report, will track a sample of TiVo's more than 700,000 users, whose DVRs allow them to record more than 40 hours of shows, as well as pause live TV, instantly replay favorite scenes, or fast-forward through commercials.
- **A partnership Microsoft and AOL Time Warner would accelerate use of the Internet as a platform for films, music and other digital content.** The two tech titans agreed to work together in a variety of areas, especially to promote digital media - a way to deliver Hollywood films, music and other forms of entertainment via the Internet and personal computers. AOL Time Warner, whose empire includes Hollywood's Warner Brothers studios, Warner Music and a vast publishing operation, including magazines such as Time and Sports Illustrated, will get a number of benefits from collaboration with Microsoft. Meanwhile, Microsoft would get a wider audience for its Windows Media Player, the software used for "streaming" audio and video.

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- **EMI, the music group that includes Capitol Records, has sued Bertelsmann, saying support of the music-swapping service Napster led to the infringement of EMI's copyrights.** The suit is similar to one brought last month by the Universal Music Group. It claims Bertelsmann's 2000 investment in Napster kept the service alive for another year, during which people illegally swapped and downloaded countless copies of songs by EMI artists.

Mobile / Wireless

- **A federal appeals court ruled that consumers can keep their telephone numbers when they change phone companies.** While Congress could still stall or kill the move, further legal action is unlikely and the ruling deals a huge blow to the already slowing wireless telecommunications industry. The industry has been lobbying members of Congress to further delay or kill implementation of the rule, which has already been delayed several times and is now scheduled to go into effect on Nov. 24th. The CTIA reiterated its contention that the Federal Communications Commission hasn't laid out sufficient ground rules for implementing portability. Most importantly, the wireless industry is making a push to turn the rule to its advantage and force the FCC to mandate that landline carriers allow customers to switch their numbers to wireless phones on a widespread basis.
- **The Bush administration may allow private companies to lease valuable government spectrum on the secondary market for use by a growing array of Wi-Fi wireless devices.** That and other policy changes meant to promote efficient use of scarce spectrum will be the subject of a yearlong study by an interagency task force announced by Commerce Secretary Don Evans.
- **Microsoft Corp. announced that it will begin selling US\$10 dollar monthly subscriptions for a wireless service** that can beam sports scores, news, stock quotes and other information to wristwatches later this year. The service, called MSN Direct, is part of a broader push by Microsoft into portable computing devices outside of its core area of software for desktop and notebook personal computers. The service will work with watches running a Microsoft technology called SPOT, or Smart Personal Objects Technology.

Semiconductors

- **Intel narrowed its second-quarter revenue forecast saying sales of microprocessors were strong while demand for communications chips remained weak.** The company now expects revenues to be between US\$6.6 billion and US\$6.8 billion, compared with its previous forecast of between US\$6.4 billion and US\$7 billion. The company does not release earnings forecasts. Analysts expect Intel to earn 13 cents per share on revenues of US\$6.6 billion for the second-quarter that ends June 30th, according to Thomson First Call.

Software

- **Oracle Corp. is making an unsolicited US\$5.1 billion cash offer to purchase PeopleSoft Inc., a move PeopleSoft denounced as a desperate move to break up its recently announced deal to acquire J.D. Edwards & Co.** Oracle announced that Chairman and Chief Executive Larry Ellison sent a letter to PeopleSoft indicating his desire to discuss the offer with the company's board. Analysts said that buying PeopleSoft would help Oracle expand and improve its applications business, which sells software to manage accounting, employees and customers. Oracle, whose primary business is database software, has struggled with shrinking sales in recent quarters.

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- **PeopleSoft will exchange 0.86 share of its stock for each share of J.D. Edwards.** J.D. Edwards' current shareholders will own about a quarter of the combined company after the deal closes. The deal would create the world's second-largest provider of enterprise applications software, which links its customers' back-office applications such as accounting and supply chain management and databases.
- **Microsoft chief executive Steve Ballmer warned his staff that cheap Linux-based software is a growing threat to the software titan.** Linux had grown as a rival since IBM decided two years ago to spend a billion dollars to offer its customers an alternative. As businesses cope with shrinking budgets and dissatisfaction with Microsoft's attention to customers, non-commercial software such as Linux was seen as an "interesting" alternative, Ballmer said. Many customers were looking at Linux because it would let them move to an Intel microchip-based computer while using existing UNIX software skills and applications. Linux's weakness is its lack of a central body investing in its development in areas such as engineering, manageability, compatibility and security, Mr Ballmer added.

Europe

Information Technology

- **Electronic Data Systems Corp. will provide 41,700 desktop seats to Barclays PLC as part of a seven-year, US\$350 million outsourcing agreement.** EDS said the contract, under which it will provide managed desktop services, will allow the British bank-holding company to lower its operating costs.
- **Telefon AB L.M. Ericsson signed a five-year contract to let Hewlett-Packard Co. handle most of its information technology operations.** The deal, which was first announced in April, calls for HP to take over Ericsson's IT infrastructure, including data-center management and help-desk support. Nearly 1,000 Ericsson workers will be transferred to HP as part of the deal, which will cover the Swedish company's operations worldwide.

Internet

- **eBay will restructure the fees it charges sellers who sell their wares on its nine national European Web sites.** Seller fees, which amount to up to 5 percent of the final sale price, will be inclusive of value added taxes (VAT). VAT rates vary across Europe, ranging as high as 17.5 percent in the U.K. and 25 percent in Sweden. The VAT rate is likely to put a noticeable dent in the auctioneers' European revenue base. To offset the potential loss in revenue, the company will impose higher selling fees in Britain and Germany, its two largest European markets. In the U.K., the listing fee will be raised from five pounds to six pounds.

Mobile / Wireless

- **Sendo Ltd., a U.K.-based maker of mobile phones, said that it had started legal action against the U.K. arm of Orange SA for alleged patent infringement.** Sendo said Orange's SPV Smartphone infringed on a patent granted to them relating to the design of the circuit board. The company is seeking damages and an injunction against sales, according to a statement from Sendo Chief Executive Hugh Brogan.

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- **Tesco PLC, the United Kingdom's No. 1 supermarket chain has decided to add mobile phones to its shelves.** Tesco said that it is forming a 50-50 joint venture called Tesco Mobile with mmO2 PLC to sell Tesco-branded mobile-phone services in stores throughout the U.K. mmO2 Chief Executive Peter Erskine said the venture aims to gain 5% of the U.K. mobile-phone market over the next five years, which he termed "significant" because the U.K. market has 50 million mobile-phone users.
- **Nokia Corp. signed a marketing agreement with Warner Music International to deliver music content for its upcoming Nokia 3300 cell phone, which also plays music.** The Nokia 3300 -- expected to be released in June -- includes a 64-megabyte multimedia memory card with short music clips, allows music samples to be the actual ring tones, and ships with a CD-ROM with recordings featuring artists from Warner Music International. The phone supports MP3 and AAC compressed audio-file format, which can be transferred from a personal computer with a USB cable. It also features a built-in FM stereo.

Software

- **Invensys PLC unveiled details of the sale of its Baan unit to General Atlantic Partners LLC and Cerberus Partners LP for US\$135 million as consolidation in the software industry accelerated.** Analysts predicted the pace of such deals would continue to pick up. The U.S. private-equity investors plan to merge Baan, once Europe's second-largest software maker before it fell on hard times in the late 1990s, with SSA Global Technologies Inc. of Chicago, which they also control. Baan, based in the Netherlands, and SSA specialize in software that helps companies manage their manufacturing activities. With nearly US\$600 million in combined revenue, SSA and Baan would be the fourth-largest maker of specialized business applications known as enterprise resource-planning software.
- **Invensys PLC said its full year loss nearly doubled because of weak markets and poor performances in some businesses.** Invensys, which makes software and systems for controls and automation equipment, said the net loss for the fiscal year ended March 31st widened to £1.4 billion (US\$2.4 billion) from £869 million (US\$1.4 billion) the previous year.

Telecommunications

- **Spain's Telefonica Moviles SA plans to invest US\$1.5 billion in Mexico through 2005,** as it consolidates its position as the No. 2 mobile-phone operator in that country. The investment represents the company's long-term commitment to Mexico and follows a meeting between Cesar Alierta, chief executive of parent company Telefonica SA, with Mexican President Vicente Fox. The company aims to have between 6 million and 7 million Mexican customers by 2006, but is not planning any acquisitions in the country.
- **European Union antitrust authorities stepped up their battle against France Telecom** by announcing a €320,000 (US\$373,000) contract to outside consultants to study the French government's bailout of its telecom flagship. The lucrative contract demonstrates the regulator's determination to pursue the investigation and underlines the newfound importance of economic analysis in antitrust investigations. Yet it also suggests how difficult the case could be to crack. Months of fact-finding lie ahead in what could become a test of the EU's ability to stop countries from subverting the marketplace.

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- **Czech operator Cesky Telecom has reached a deal with AT&T Wireless and Verizon Communications to buy 49 percent of Czech mobile leader Eurotel for US\$1.1 billion.** The Cesky Telecom board is set to meet to approve the purchase, likely to be the biggest equity deal in the region this year. Cesky already holds 51 percent of Eurotel. The price is significantly less than a previously reported US\$1.3 billion because Eurotel has yet to make an unspecified dividend payment to shareholders.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 6/6/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.7200	0.0%	-9.8%	0.0%	4.9%
Hong Kong dollar	HK\$/ US\$	7.7985	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2771	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7230	0.4%	-6.7%	0.8%	4.0%
South Korean won	KRW/ US\$	1195.7500	0.9%	-9.0%	-0.8%	2.9%
New Taiwan dollar	NT\$/ US\$	34.6495	0.2%	-1.0%	0.3%	-1.4%
Australian dollar	US\$/A\$	0.6587	0.9%	29.2%	16.6%	15.3%
New Zealand dollar	US\$/NZ\$	0.5757	-4.2%	38.3%	5.3%	13.4%
Philippine peso	PHP/ US\$	53.4600	-0.4%	3.5%	-0.3%	-5.4%
Euro	US\$/€	1.1700	-1.1%	31.5%	11.6%	23.8%
British pound	US\$/£	1.6589	0.6%	14.1%	2.9%	13.4%

Fixed Income Prices and Yields

Note	Currency	Current (on 6/6/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	115.5781	4.39%	115.9219	4.38%	110.7031	4.68%
Japan 30-year	¥	127.3440	0.96%	126.9390	0.97%	127.2950	0.96%
Hong Kong 10-year	HK\$	126.5239	2.98%	126.1202	3.05%	123.2693	3.52%
China (10/2027)	US\$	153.8151	4.02%	150.9817	4.16%	143.3894	4.54%
Singapore 10-year	S\$	119.2220	1.72%	119.5700	1.68%	119.2479	1.75%
South Korea 10-year	US\$	126.3516	2.99%	125.8853	3.10%	123.5828	3.53%
Australia 15-year	A\$	113.3510	4.79%	112.7680	4.87%	111.3890	5.04%
New Zealand (07/2009)	NZ\$	109.6231	5.14%	109.1575	5.23%	108.0430	5.45%
Philippines 20-year	PHP	148.0184	12.02%	148.1411	12.01%	137.3490	13.07%
India 20-year	INR	149.4934	5.99%	148.8855	6.04%	145.7988	6.27%
UK 30-year	£	97.4020	4.41%	98.1785	4.36%	95.7133	4.52%
Germany 30-year	€	114.0690	4.59%	114.1174	4.59%	110.8548	4.78%

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