

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



Week of 6 July - 12 July 2003

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Equity Market Indicators					
Index	Closing Level (7/11/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	998.14	1.3%	-13.6%	13.4%	27.3%
Dow Jones Industrial Avg.	9,119.59	0.5%	-9.5%	9.3%	24.0%
Dow Jones Tech. Index	294.80	0.0%	-12.6%	28.4%	62.3%
Dow Jones Telecom. Index	162.58	-2.2%	-22.0%	9.9%	39.1%
NASDAQ Composite	1,733.93	4.2%	-12.4%	29.8%	54.0%
The Street.com Net	129.01	3.2%	-34.1%	50.6%	105.6%
Japan Nikkei 225	9,635.35	0.9%	-11.4%	12.3%	19.9%
Japan TOPIX	945.78	-0.3%	-10.3%	12.2%	19.4%
Korea KOSPI Composite	704.15	1.6%	-2.9%	12.2%	19.9%
Korea Kosdaq	52.55	1.9%	-29.4%	18.5%	20.9%
Taiwan Stock Exchange	5,239.96	1.7%	-6.4%	17.7%	37.2%
Singapore Straits Times	1,544.84	3.9%	-5.0%	15.2%	14.1%
Hong Kong Hang Seng	9,911.50	2.9%	-12.7%	6.3%	12.7%
Hong Kong GEM	1,164.42	6.0%	-38.8%	22.5%	29.4%
China Shanghai (A-Share)	1,601.23	1.8%	-4.5%	12.8%	16.3%
China Shenzhen (A-Share)	437.94	1.6%	-10.6%	6.8%	12.3%
China Shanghai (B-Share)	113.32	0.7%	-33.0%	-0.2%	1.3%
China Shenzhen (B-Share)	227.46	3.9%	-13.1%	21.7%	22.9%

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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 7/11/03	% 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 7/11/03	% Change From Offer
7/11/03	Aerospace Information Co. Ltd. [600271.CH] (Shanghai)	Manufactures electronic and telecommunication equipment, as well as, provides system integration and other related services. Products include anti-fraud tax control systems and IC cards.	US\$116.9	RMB 23.04	RMB 29.13	26.4%
7/11/03	Dawnrays Pharmaceuticals Ltd. [2348.HK] (Hong Kong)	Develops, manufactures, and sells non-patented chemical medicines including cephalosporins in sterile bulk medicine and powder for injection forms, their intermediate pharmaceuticals and system specific medicines.	US\$25.4	HK\$0.8	HK\$0.83	3.8%
7/10/03	VenturePharm Labs [8225.HK] (HKGEM)	Researches, develops, and commercializes drug products.	US\$4.7	HK\$0.41	HK\$0.40	-2.4%

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Weekly Highlights

International

Media, Entertainment and Gaming

- **More than one billion illegally copied compact discs were sold last year, the latest sign that the beleaguered music industry is failing in its bid to wipe out piracy**, according to a new industry study. In 2002, the sale of pirated CD copies rose 14 percent to 1.1 billion units from the previous year and has more than doubled in the past three years, turning a street-corner trade into an estimated US\$4.6 billion business, the International Federation of the Phonographic Industry (IFPI) said in its annual piracy report. At US\$4.6 billion, the global market for pirated music now ranks as the third biggest in the industry behind the legal music markets in the United States and Japan.

Mobile / Wireless

- **The number of worldwide "hotspots" for high-speed wireless internet or Wi-Fi was expected to grow to at least 160,000 in 2007 from 28,000 this year**, according to Allied Business Intelligence. In recent months, Wi-Fi access points have been growing in cafes, hotels and restaurants as a means of offering those with mobile computers access to the Web. ABI said the market was still plagued by problems of interoperability - users often need to subscribe to several service providers to get access. It predicted that revenue generated by this market had the potential to grow by as much as 121 per cent over the next five years.
- **The craze in Asia for downloading personalized ring tones, games and pop hits on to mobile phones had rapidly developed into a multi-billion-dollar industry** with the boom expected to surge as technology improved in the next five years, analysts said. From little more than a fad five years ago, the Asian downloading market is now worth US\$1.3 billion, according to communication analysts at Pyramid Research. With the combined effects of more mobile-phone users and improving technology offering more attractive downloading options, Pyramid telecommunications analyst Connie Hsu said the industry would be worth US\$3.6 billion by 2008.
- **Sales of wireless local area network (WLAN) equipment soared nearly 80 per cent in the Asia-Pacific region last year**, but revenue rose by a slower pace as prices fell due to competition, according to Gartner. Gartner added volume sales in the region totaled 3.4 million units last year, up from 1.9 million units from the year before. Revenue, however, climbed at a slower 41.4 per cent due to falling equipment prices.

Japan

Hardware

- **Hitachi said it would post ¥84 billion yen (US\$706.4 million) in pre-tax profit from the sale of most of its stake in electronics parts maker Nitto Denko**. Hitachi, which unveiled the plan to cut its stake in Nitto as part of its restructuring, said it was not revising its earnings estimates as the gain had largely been discounted in its earlier projection. A Hitachi spokesman said there were many uncertain factors, including ongoing structural reforms, that it must consider in formulating its estimates. He

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indicated that the company would revise its earnings forecast only if any of these factors was likely to have a significant impact. Hitachi said it sold 30.97 million shares in Nitto for ¥120 billion (US\$1 billion), adding the deal would contribute ¥35 billion (US\$297.1 million) in group net profit for this year. Of the total, Nitto, a maker of materials used in liquid crystal displays (LCD) and semiconductors, bought back 10 million shares, and Nomura Securities took the rest to become Nitto's top shareholder with 12.8 per cent ownership.

- **Sumitomo Mitsui Card Co. and Microsoft Co. have jointly developed a smart card system that verifies the identities of personal computer users**, preventing outsiders from accessing a firm's PCs. The system was developed in response to growing demand for corporate risk management systems that prevent such incidents as the leakage of personal information. It will be jointly marketed as soon as this month. By packaging the identity verification system with the card-issuing software, implementation costs were held to about half those of past systems. Companies will issue employee identification cards with embedded chips. By inserting the cards into external readers attached to corporate computers, only then will employees be able to access a company's network.

Internet

- **Two Japanese universities will soon lead a project aimed at developing the technology to enable instant transmission of high-resolution images and create an ultra-high-speed Internet-based data system** sources close to the matter said. Participants in the project, called the Real Time Communication Alliance, will aim to achieve data transmission speeds 10 times faster than the quickest existing fiber-optic network, at a cost comparable with ADSL service. The joint project between the academic and business worlds, in which about 50 firms, including electric equipment and materials makers, are expected to participate, aims to commercialize the technology in fiscal 2005.

Mobile / Wireless

- **NEC Corp. unveiled the world's first prototype of a mobile-phone that can be used to view terrestrial digital television broadcasting**, paving the way for new services combining broadcasting and mobile communications. The Japanese electronics maker said it aims to commercially launch the product in 2005, although it is unclear when broadcasting for mobile terminals will be available in Japan. Japan is slated to begin terrestrial digital TV broadcasting from December in major metropolitan areas. But this will be initially for TVs in homes, while programs specifically designed for mobile devices are expected to begin a few years later.

Semiconductors

- **The Association of Super-Advanced Electronics Technologies (ASET) has developed a way to fabricate high-performance masks for extreme ultraviolet (EUV) lithography.** EUV lithography is a promising next-generation semiconductor manufacturing technique that utilizes extremely short wavelengths of light to define circuit patterns as narrow as 45 nanometers on the silicon substrate. In conventional lithography, light is passed through the mask and down onto the silicon substrate to define circuit patterns. But because extreme ultraviolet light tends to be absorbed by the mask materials, for EUV lithography the mask is built on a sheet of glass and the EUV light is reflected off this mask rather than passed through.
- **Toppan Printing Co. announced that it will begin operations in semiconductors for smart labels.** The firm expects demand for such semiconductors to grow as the labels are increasingly used as a way to manage products. Toppan will entrust design, production and quality control to outside firms,

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and will sell the smart label semiconductors worldwide. The company will aim for sales of ¥10 billion (US\$84.9 million) from the operations in fiscal 2005, including sales from data readers. Toppan will entrust production to Chartered Semiconductor Mfg. Ltd., a Singapore semiconductor foundry. It will have semiconductor trader Macnica Inc. handle design and quality control. Smart labels contain tiny chips to which product data can be written. Through wireless connections, information is exchanged with external readers.

- **Matsushita Electric Industrial Co. said that it plans to commercialize system chips equipped with FeRAM (ferroelectric random-access memory) that have much finer circuit details.** It plans to launch mass production of the chips in December for non-contact smart cards that can be used for such purposes as bus or train passes. With other companies, such as Fujitsu Ltd. and Toshiba Corp., having already established basic FeRAM technology, the race to develop the market is going to be competitive. The FeRAM-embedded chips are the first such semiconductor to have a line width of 0.18 micron. The FeRAM memory capacity is 8KB. The overall area is one-fifth that of current products, which have a line width of 0.6 micron. Demand for noncontact system chips is strong from the transportation industry and for use in smart labels. Matsushita Electric plans to produce 500,000 units a month starting December and increase that figure to 1-2 million units by 2005.

Telecommunications

- **KDDI Corp. and four other major telecom carriers filed a lawsuit against the Telecommunications Ministry on July 17th,** protesting its approval of Nippon Telegraph and Telephone Corp.'s request for a 5% hike in interconnection fees it charges. Each of the five non-NTT companies will soon hold board meetings to finalize the decision to sue the ministry. Non-NTT companies use NTT's phone lines connecting households to offer their phone services and therefore have to pay usage fees to NTT. The fees are calculated by dividing the costs of the phone lines with the amount of use. Due to the spread of mobile phones, NTT's revenues from fixed-line services have declined. To make up for this, the company has asked for an average of 5% hike for the interconnection charges for fiscal 2003 and 2004.
- **NTT DoCoMo Inc. will release a new cellular phone model featuring a built-in fingerprint sensor.** The mova F505i's fingerprint authentication feature enables the owner to lock certain functions, such as the phone directory and e-mail. The mova F505i also has a 1.28-megapixel camera for high-resolution imaging. At 105 grams, it is the lightest of the 505 series. The price has been left open, but the phone is expected to initially retail for around ¥30,000 (US\$255).
- **Vodafone Group Plc of the U.K. has reached a final agreement with U.S. investment fund Ripplewood Holdings LLC to sell Japan Telecom Co. for ¥262 billion (US\$2.2 billion).** Japan Telecom President William T. Morrow will remain in office even after the acquisition. But Ripplewood Holdings plans to tap Timothy Collins, its chief executive officer, and former Motorola Inc. Executive Vice President Merle L. Gilmore as executive directors. With its ample funds, Ripplewood Holdings will expand Japan Telecom's operations in the data communications market. Ripplewood will establish an acquisition fund totaling ¥262 billion (US\$2.2 billion) to buy all of Vodafone subsidiary Japan Telecom Holdings Co.'s Japan Telecom shares. Of the total, Ripplewood will raise about ¥200 billion (US\$1.7 billion) through loans from financial institutions. It will then contribute most of the remaining roughly ¥60 billion (US\$509.3 million) and take management control of Japan Telecom.
- **Nippon Telegraph and Telephone Corp. said it has developed a new technology for embedding data in images so that users of camera-equipped mobile phones will be able to go directly to**

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particular Web sites by taking pictures. Photos used in posters or magazines could contain the embedded Internet data, which would be used to connect mobile phones to related Web sites. Using the new technology, which uses a form of digital watermarking, advertisers would be able to place images of their products in magazines or elsewhere, and mobile phone users would then be able to read more detailed information at the company's Web site.

Korea

Hardware

- **Doestek Corp. said that it secured an order from NEC for its timing-controller chip.** The company did not reveal the value of the deal. It is the first time that a Korean firm has exported the cutting-edge LCD part, a market that is currently dominated by Japanese and U.S. companies. Doestek completed development of the controller chip in April last year after three years of research. Doestek expects to post sales of 15.2 billion won (US\$12.8 million) next year, or a 7 percent share of the global market for the product estimated at 170 billion won (US\$144.1 million).
- **Daewoo Electronics is now accelerating its move to take a share of the digital TV market in Korea,** as it is planning to roll out new models later this month. The move came as its rivals, Samsung Electronics and LG Electronics, ratcheted up their marketing effort for digital TVs both at home and abroad. The advent of digital broadcasting is also playing a part in promoting the sales of digital TVs. Daewoo has been lagging behind its rivals in the digital TV market, but it is now resolved to catch up with Samsung and LG by introducing new, high-powered models. Daewoo has already introduced 42-inch and 50-inch PDP TVs, but it plans to expand the lineup drastically later this year, starting with tuner-included 50-inch and 61-inch PDP models.

Information Technology

- **South Korean exports of information-technology products rose 27% from a year earlier to US\$4.64 billion** in June, helped by an increase in demand for semiconductors, mobile handsets and computer monitors, said the Information and Communication Ministry. Month by month comparison, June's IT exports were up 8% from May's US\$4.3 billion. Semiconductors continued to lead South Korea's IT exports higher, up 23% from a year earlier to US\$1.7 billion. Sales of wireless equipment abroad rose 40% to US\$1.3 billion, of which sales of mobile handsets amounted to US\$970 million, up 35%.

Internet

- **Hanaro Telecom has approved a plan to issue 500 billion won (US\$421.8 million) in shares in collaboration with LG, that would fend off a bid led by American International Group (AIG).** The move opens the door for LG Group, which has a 13 per cent stake in Hanaro, to push through a plan to link its telecommunications units and strengthen its foothold in South Korea's broadband services market.

Media, Entertainment and Gaming

- **NCsoft said that it has forged a strategic tie-up with MSN Korea,** a unit of U.S.-based software giant Microsoft Corp., to jointly promote games through MSN Messenger 6.0, a new version of Microsoft's popular instant-messenger software. MSN Korea launched its new real-time messenger a significant upgrade for Korean users, according to company officials. The new version includes a host of

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upgrades and new services, supporting not only virtual characters, or avatars, but also easy-to-use video chatting.

- **Sony Korea has forged a strategic partnership with KT Corp to conduct joint marketing to the fast-growing video game segment**, sending a warning to its upstart gaming rival Microsoft Korea. Under the deal, Sony Korea's gaming unit, Sony Computer Entertainment Korea, is set to sign a joint marketing pact that will promote Sony's gaming device in conjunction with KT's wireless LAN service, Nespot. Sony's move to join forces with KT, however, came as a surprise to observers, largely because KT has long maintained close relations with Microsoft. Although the existing partnership between KT and Microsoft may not change drastically, Sony's efforts to strengthen its position in the video game market through KT's much-coveted fixed-line network are likely to alarm top decision-makers at the software giant, industry watchers said.

China

Hardware

- **3Com, which has suffered several years of diminishing sales, hopes to turn its fortunes around through its joint venture with the mainland's Huawei Technologies.** Senior 3Com officials said the venture was on track to being operational in the next few weeks, paving the way for the company's return to profitability and prominence. The emphasis on China means the 3Com-Huawei partnership is keen to seize business away from top foreign networking gear brands - including Cisco Systems and Nortel Networks - in a market expected to invest about US\$120 billion on network infrastructure over the next four years.
- **Digital China, a computer product distributor, has formed an exclusive distribution alliance with Great Wall Computer**, hoping to sell a million PCs a year within three years. Once a leading brand in China, Great Wall has lagged in recent years as the market has become increasingly crowded. Under the agreement, Digital China would distribute Great Wall's PC products while Great Wall would focus on PC manufacturing and product research, company executives said.

Internet

- **Sohu has profits of US\$7.5 million for the second quarter, a 63 per cent increase from the previous quarter.** The company appears to have bucked the SARS slump, with advertising revenue jumping 51 per cent quarter-on-quarter to US\$6.8 million, accounting for about a third of total turnover. It also reported US\$12.5 million in non-advertising revenues - mainly from short messaging-related services and e-commerce sales - compared with US\$9.9 million in the first quarter, as more people stayed at home during the SARS outbreak. Quarterly revenue at the Internet company totaled US\$19.3 million, up 34 per cent from the previous quarter and 216 per cent a year ago. It had previously forecast a profit of US\$4.6-\$5 million on estimated revenues of \$14.6-\$16 million. Gross margin grew from 64 per cent to 68 per cent. Following the steps of Sina, Sohu announced it would sell US\$65 million 20 year, zero coupon convertible notes through a private offering. Proceeds from the offering will be used for general corporate purposes, including possible acquisitions and investments, Sohu said. Sina had issued convertible bonds worth US\$100 million. The Sina notes do not bear interest and have a zero yield to maturity but can be converted into Sina ordinary shares at a conversion price of about \$25.79 per share.

Mobile / Wireless

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- **Consumer activity in China's major cities is showing signs of resuming its pre-SARS levels**, according to market-research data. During one week last month, mobile-phone sales in China's 20 largest cities were higher than during a similar period before the outbreak of severe acute respiratory syndrome, according to market-research firm GfK Asia. Mobile-phone sales, along with a lot of other consumer activity, plunged during the height of the outbreak. GfK Asia had previously reported that mobile-phone unit sales dropped 30% from year-earlier levels in some SARS-affected parts of China during March and April.
- **Nokia, the world's largest mobile handset maker, is catching up with rival Motorola in the Chinese market**, narrowing the gap between the two in the first half. Colin Giles, vice-president and general manager of Nokia Mobile Phones in China, said a strategic shift towards localization had helped boost the Finnish company's market share. He said Nokia was now lagging Motorola by a very thin margin and was confident it could outpace its American rival to become the top-selling handset brand in China.

Software

- **Veritas, storage management specialist, hopes its diverse business strategy will help accelerate its Greater China expansion.** Veritas Greater China president Pong Pak-wah said he expected that half of the company's new business in the region would soon come from selling application performance management (APM) software, which is forecast to have a global market worth US\$11 billion by 2006. That technology comes from its acquisition of APM firm Precise Software Solutions last month. The total value of the merger is US\$609 million - about US\$400 million in cash and 7.4 million in Veritas common stock shares. Precise Software has a handful of Greater China customers, including Hong Kong CSL, China Mobile and China Unicom. Veritas plans to retrain its sales staff and hire new marketing personnel who will target APM installations in the government, financial services, telecommunications, utilities and manufacturing sectors.

Taiwan

Mobile / Wireless

- **Far Eastone Telecommunications is to acquire local competitor KG Telecommunications for some NT\$29 billion (US\$843 million)**, the Commercial Times reported. Far Eastone had agreed to acquire part of KG Telecom at NT\$12 (US\$0.35) per share and buy the rest through a swap of 0.6 Far Eastone share for one KG Telecom share, the newspaper said quoting unnamed sources close to the deal. At the end of April, Far Eastone was Taiwan's third-largest cellular phone operator with a market share of 17.5 per cent on a customer base of 4.36 million, followed by KG Telecom's 13.5 per cent share with 3.36 million subscribers.

Semiconductors

- **Taiwan Semiconductor Manufacturing Company said the Taiwanese government cut its stake in a US\$822 million sale**, taking advantage of rising technology stocks to reduce its deficit. Taiwan Semiconductor shareholders sold about 79 million American depositary receipts (ADRs) at US\$10.40 each, a 0.7 per cent discount to yesterday's \$10.47 closing price. Taiwan's Cabinet-run development fund sold 97.8 per cent of the units, reducing its stake to 7.65 per cent from 9.56 per cent, the company said. The chipmaker's ADRs are up 60 per cent this year as rising orders from makers of computers and mobile phones have made its factories the busiest they have been in more than two years.

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- **Taiwan memory chipmakers are raising billions of dollars to buy new equipment**, even as giant competitors are still reeling from years of heavy losses. The island's smaller chipmakers are taking advantage of a rebound in memory prices that is sending share prices sharply upward to fund a technology race against United States-based Micron Technology and South Korea's Hynix Semiconductor. Taiwan's four leading makers of dynamic random access memory (DRAM) chips plan to issue as many as 1.1 billion shares this year to pay for at least US\$2.1 billion in capital spending over this year and next.
- **Taiwan's United Microelectronics Corp (UMC) said its June sales rose 4.72 per cent from a year earlier to NT\$7.0 billion (US\$204.5 million)** but they were down from NT\$7.4 billion (US\$215.4 million) in May. In the six months to June, the sales of the world's second-largest contract microchip maker rose to NT\$39.6 billion (US\$1.2 billion) from NT\$30.7 billion (US\$893.7 million) previously, it said.

Singapore / Malaysia / Philippines / Indonesia

Telecommunications

- **Global Crossing Ltd. creditors reaffirmed their support for the sale of a majority stake in the troubled telecommunications company to Singapore Technologies Telemedia Pte. Ltd.** following revelations that a senior Pentagon aide opposes the deal. STT has been trying to purchase Global Crossing's 100,000-mile fiber-optic network since January 2002, a year after the company filed for Chapter 11 bankruptcy protection. Pentagon review is part of a broad multi-agency approval process used when foreign companies express interest in domestic technology and telecom companies.

Hong Kong

Internet

- **Hong Kong may ban access to sex, violence and gambling over the Web at Internet cafes, according to the latest government proposals to regulate the industry.** The surge in popularity of internet cafes and video-game arcades in Hong Kong has prompted the Home Affairs Bureau to recommend a series of voluntary regulations covering a range of issues including content filters, safety measures and the age of patrons. Community concerns have been raised over the possibility that young patrons may have access to pornographic, violent or gambling websites, and that these centers may also provide venues for vice-related and triad activities. Further concerns have also been raised over fire and public safety at Internet cafes and games arcades.

Mobile / Wireless

- **Peoples Telephone urged its rivals to call a halt to the price war** plaguing the industry after reporting that its first half earnings had doubled. Peoples said its interim net profit was HK\$200.8 million (US\$25.7 million), up from HK\$89.3 million (US\$11.4 million) in the first six months last year. The operator's EBITDA rose 53.1 per cent year on year in the first half to HK\$320 million (US\$41 million). However, its average revenue per user fell to HK\$230 (US\$30.8) a month from \$240 (US\$30.8) last year.

Telecommunications

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- **PCCW Ltd. said net profit at PCCW-HKT Telephone Ltd. slid 8.1% in the first quarter amid a 2.7% drop in revenue.** In addition, the telecommunications unit returned to the debt market for the first time since November 2001 to sell US\$500 million of bonds. Net profit at the Hong Kong telecom operator fell to HK\$937 million (US\$120.1 million) from HK\$1.0 billion (US\$130.7 million) a year earlier, but the company gave no reason for the slide. Meanwhile, revenue fell to HK\$3.6 billion (US\$456.4 million) from HK\$3.7 billion (US\$469.2 million).
- **Hutchison Telecom is expected to launch Hong Kong's first third-generation (3G) mobile phone service next month,** with a campaign to lure users with special offers. The company, which is selling the long-awaited service under the name "3," said that users who register with its Web site by July 23 and sign up for the service two weeks before the launch, would be given 333 free local video call minutes. 3G, the third generation of mobile phone services, will allow users to make video calls and enjoy high-speed Web browsing. The phones will have larger color display screens to better utilize the technology. But many unknowns remain. The company has yet to announce when the exact launch date will be, saying only that it will be in August. The costs for the phones and service are also a mystery. Hutchison Telecom will become the first to offer 3G mobile phone technology here. The company has already launched 3G services in Britain, Italy, Sweden, Austria and Australia.

United States / Canada

Hardware

- **Juniper Networks Inc. said second-quarter earnings doubled on a gradually improving market for telecommunications equipment and projected more of the same.** The maker of Internet-switching gear reported net income for the three months ended June 30 of US\$13.6 million compared with net of US\$6.2 million a year earlier. Revenue surged 41% to US\$165.1 million from US\$117 million. Part of the increase reflects the Unisphere acquisition. Juniper didn't provide a breakout of revenue from the former Unisphere products. Revenue climbed 5% from the first quarter, marking the fourth consecutive quarter of sequential gains after a long period of declining sales.
- **Redback Networks Inc. announced a potential debt-for-equity swap that would eliminate almost all of its debt** and leave debt holders owning most of the maker of networking equipment. Redback, a smaller rival of Cisco Systems Inc. and Juniper Networks Inc., said it has agreed with holders of 67 percent of its 5 percent convertible subordinated notes due in 2007 to exchange the notes for common stock. The deal, which provides for the exchange of US\$467 million in debt for common stock, would give the note holders about 95 percent of Redback's common stock.
- **NCR Corp., the leading maker of automatic teller machines, said it expects to report a second-quarter profit,** beating Wall Street estimates of a loss. NCR forecast second-quarter net income of 6 cents-to-9 cents a share. Analysts' average estimate is a loss of 4 cents a share, according to First Call. In the same period a year earlier, NCR posted a net profit of 32 cents a share. The company said it sees revenue in the second quarter of about US\$1.37 billion, on par with analysts view of US\$1.36 billion-to-US\$1.38 billion, but down 1 percent from the same period in 2002.
- **EMC Corp., which makes computers that store data, said that it will buy Legato Systems Inc. for US\$1.3 billion** in stock and that its second-quarter earnings will meet or beat targets. EMC, one of the leading data storage equipment makers, said it will pay 0.9 EMC share for each Legato share. EMC

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said it will take a charge for some of Legato's costs when the deal closed but expected the transaction to slightly boost its diluted earnings per share in 2004.

Internet

- **Yahoo! Inc. said second-quarter earnings more than doubled and raised its financial forecast for the year**, as the Internet company continues to exploit demand for online advertising and fee-based services. The company raised its 2003 revenue forecast to between US\$1.26 billion and US\$1.31 billion, up from US\$953 million in 2002. Previously, Yahoo had predicted yearly revenue would be between US\$1.22 billion and US\$1.28 billion. Yahoo's second-quarter net income was US\$50.8 million compared with \$21.4 million a year earlier. Revenue also was impressive, rising 42% to US\$321.4 million from US\$225.8 million. That figure exceeded the company's forecast in April of US\$295 million to US\$315 million. The Internet portal company has been on a growth tear lately, following a long campaign to rebuild its business following the Internet slump.
- **In the first-ever ratings of junk-e-mail-blocking software by the influential Consumer Reports magazine**, the top spot was nabbed by SAProxy, a free program from a little-known start-up. The software, developed by Stata Labs, received top ratings in large part because of its nearly perfect record at properly identifying non-spam messages and allowing them into users' inboxes, according to Dean Gallea, who led Consumer Reports' testing of the programs.
- **In addition to being annoying, spam costs American businesses billions of dollars in lost time, business and productivity as it reduces consumer confidence in the Internet**, officials told lawmakers. One estimate shows that businesses lose about US\$10 billion a year because of lost productivity, bandwidth costs and money spent on anti-spam tools. In addition, consumers are likely to delete legitimate business e-mails as they delete spam. A House Judiciary subcommittee plans to vote on an anti-spam bill soon, which would let consumers opt out of receiving spam and provide criminal and civil penalties to fight fraudulent spam.

Life Sciences

- **Genentech Inc. reported a second-quarter net profit, compared with a year-earlier loss, as sales of the biotechnology company's cancer drugs Rituxan and Herceptin climbed higher.** Genentech, the world's second-biggest biotech company, posted a net profit of US\$132.3 million compared with a year-earlier net loss of US\$213.6 million which included US\$518 million in litigation charges. Operating revenue was up 29 percent to US\$799.7 million.

Media, Entertainment and Gaming

- **Reality dating and online matchmaking are getting together, in television promotional projects tied to well-known online brands** including Match.com, Nerve.com and iVillage. Match.com, one of the largest dating sites in the U.S., announced a partnership with CBS reality show "Cupid," the latest union between TV and Internet personals. Several other offerings are in the works. These shows are the newest twist on reality dating, as producers try to differentiate their offerings in a popular, but crowded, field. Adding online dating as a variation on the love theme comes as a number of Internet brands are moving onto television. This week, some Fox stations began test runs of a show based on reunion site Classmates.com, and Sony Pictures Television has a show based on auction site eBay in the works for fall 2004.
- **RealNetworks Inc. reached a deal with the Ladies Professional Golf Association to webcast the Canadian Open**, which is set to become the first major professional golf tournament streamed live

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over the Internet. The Web coverage will include 10 hours of coverage and will be free, although subscribers to RealNetworks' RealOne SuperPass paid multimedia service will have access to a higher-quality online-video feed.

- **The music industry is rolling out its big guns against "peer-to-peer" users, preparing to sue people who illicitly offer songs online.** Now file-sharing software providers are firing back. As the major record labels move toward filing the first wave of promised copyright-infringement lawsuits against major Internet tune distributors, song swappers will soon be offered increased protection against identification. That's because companies that supply peer-to-peer software are promising to reinforce their privacy shields, making it more difficult for the music industry to identify song sharers and target them for litigation. The peer-to-peer companies are also preparing to lobby lawmakers and rally their users. Regardless, the two sides appear headed for an extended cat-and-mouse game, with peer-to-peer firms boosting identity protections and the entertainment companies finding ways to see through them.
- **Television commercials are coming to your desktop.** A combination of improved technology, the proliferation of high-speed Internet connections, and the failure of some other online-advertising formats is spurring advertisers to take their TV spots online. The ads vary in style and intrusiveness. Some, much like TV ads, appear interspersed among video content that users request, like sports highlights or music videos. Others pop up without warning on top of, or in between Web pages. This format allows advertisers to minimize their creative costs, and for some traditional advertisers, gives them an attractive way to dabble in the Web. The popularity of the ad formats is even sparking a rise in prices in some cases, a rarity in today's online-ad economy.

Mobile / Wireless

- **Sharp Corp. and Texas Instruments Inc. said they will team up to develop components for high-end mobile phone handsets with built-in cameras,** to meet what they expect will be surging demand for such products in the next few years. The two companies will develop a comprehensive system combining Sharp's high-definition camera module, flash memory and liquid crystal display with TI's advanced chipsets and processors. Sharp and TI aim to meet demand from companies looking for technology to make the advanced handsets. Rather than targeting major makers such as Nokia Corp., Sharp and TI will instead focus on marketing their system to midsize handset makers in Asia and Europe.
- **McDonald's Corp. plans to announce a big rollout of wireless Internet service in about 75 restaurants in the San Francisco Bay Area, according to a published report.** McDonald's, the world's biggest restaurant chain, said in March that it would team up with Intel Corp. to market wireless Web connectivity in some of its restaurants. It started the push with 10 sites in Manhattan. Several restaurants and retailers, including Borders Group and Starbucks Corp have started to make wireless "hotspots" available at their locations. The hotspots, which use Wi-Fi let people surf the Web and check e-mail when they're within a few hundred feet of a transmitter.

Software

- **Enterprise software company Autonomy Corp. agreed to buy video-software maker Virage Inc. for about US\$24.8 million.** In a statement, U.K.-based Autonomy said it will pay US\$1.10 a share cash for Virage shares, representing a premium of just under 2% based on Virage's closing price of \$1.08 a share. Autonomy said it plans to incorporate Virage's video technology into its automated information

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management products. The boards of both companies approved the transaction, and stockholders representing about 40% of Virage shares outstanding have agreed to vote for the deal.

- **Oracle Corp., does not know if it will raise the its US\$6.2 billion offer for rival PeopleSoft Inc.** The business software developer has already upped its offer to US\$19.50 per PeopleSoft share from an original US\$16, and some analysts say Ellison could add another price hike to the acrimonious takeover battle. PeopleSoft has vociferously rejected Oracle's bid and added "poison pills" to the potion -- agreeing a US\$1.77 billion merger with smaller rival J.D. Edwards & Co. and creating new contracts that would require any PeopleSoft buyer to refund clients up to five times the value of their license agreement.
- **Microsoft announced that it will begin awarding actual shares of Microsoft, rather than stock options, to employees** starting in September. The change in the company's compensation practices could drastically alter the technology landscape. Many tech firms rely on stock options, which give a person the right to buy stock at a predetermined price, to reward their employees. But this practice has sparked intense debate on Wall Street since options are not included as an expense on a company's income statement. That has caused some critics to maintain that this makes tech companies look more profitable than they really are. Microsoft said that as a result of the changes in its compensation policy, the company will now expense all equity-based compensation, including previously granted stock options.

Telecommunications

- **Charter Communications Inc. unveiled a US\$1.7 billion junk-bond refinancing deal intended to push back maturities on the debt-laden cable company's bonds.** Separately, Charter said that a special committee of the company's board reached a preliminary decision in its investigation of a deal between Chairman Paul Allen and Comcast Corp. Charter said it would sell the senior notes through several indirect subsidiaries and use most of the proceeds to finance debt tender offers. It also plans to use up to US\$500 million of the proceeds to repay the credit facility borrowings of one or more of its units. The tender offers would enable Charter to buy back up to about US\$1.1 billion of its convertible notes maturing in 2005 and 2006 at a discount price of 82.5 cents and 80 cents on the dollar, respectively.
- **WorldCom Inc. cut its financial guidance for 2003 through 2005, saying its revenue targets will be difficult to reach due to pricing pressures.** The weaker forecast came after a federal judge approved a US\$750 million settlement of fraud charges that toppled the company. The company said it expects revenue of US\$24.5 billion in 2003, US\$24.6 billion in 2004 and US\$25 billion in 2005. Sales have been roughly flat or lower each month since WorldCom filed for bankruptcy last year. WorldCom previously said it expected revenue of US\$24.7 billion in 2003, US\$25.8 billion in 2004, and US\$27.8 billion in 2005.
- **Missouri Attorney General Jay Nixon filed lawsuits against AT&T Corp. and two other long-distance carriers for allegedly continuing to make telemarketing calls even after Missouri consumers asked them to stop.** Mr. Nixon filed the lawsuits in St. Louis against AT&T, MCI Inc. and SBC Communications Inc.'s Southwestern Bell. The three long-distance carriers are exempt from Missouri's No Call Law, but Mr. Nixon said the trio violated the Federal Telephone Consumer Protection Act by making the telemarketing calls even after they were asked to stop. The federal act requires all telemarketers to stop calling back consumers for one year after the companies have been told

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not to call back. The companies are also required to put those consumers' phone numbers on a do-not-call list.

Europe

Hardware

- **Luxembourg-based satellite operator SES Global SA is seeking to spur growth, despite a world-wide slump** affecting the entire sector, by restructuring part of its U.S. operations and emphasizing development of novel technologies to expand transmission of data and video across the oceans. The so-called Cross Links initiative envisions creation of an additional U.S. business unit. The plan shows that in spite of the downturn in space and telecommunications businesses, SES management is committed to aggressively rolling out enhanced services to try to grab new markets across both the Atlantic and the Pacific. But the strategy also entails significant risks, partly because there is an oversupply of satellite as well as fiber-optic capacity spanning the oceans, and the Luxembourg company is going up against entrenched competitors that already have been forced to slash prices for such services.
- **Logitech International SA reiterated its fiscal first-quarter revenue guidance of US\$218 million**, but lowered its operating income estimate because of heavy competition and weak demand. The Swiss maker of keyboards, mice and other computer periphery products said it now expects operating income of US\$7 million to US\$8 million for the quarter ended June 30th, compared with its previous estimate of US\$14 million. Logitech earned operating income of US\$12.6 million on revenue of US\$195.1 million the previous year.

Internet

- **Overture Services Inc. has displaced Google Inc. as the Web-search technology provider to Freeserve PLC**, the United Kingdom's largest Internet service provider, and opened a new front in the two search-services companies' hot competition. Until now, Overture and Google have competed to provide Web sites with text advertisements for search-results pages. But now they are vying to supply search technology itself, a turn of events made possible by Overture's purchases of Fast Search & Transfer's Web search unit and AltaVista Co.

Media, Entertainment and Gaming

- **Several record companies are suing the Madrid-based operator of a music Web site, accusing it of illegally selling copyright songs over the Internet.** The music companies, including Arista Records, BMG Music, Capitol Records and Sony Music Entertainment, seek up to US\$150,000 per copyright song and other financial damages against Sakfield Holding Co., operator of Puretunes.com. Ten unnamed individuals were also listed as defendants in the suit, which was filed July 3 with the U.S. District Court for the District of Columbia. The record companies contend the court has jurisdiction over Sakfield because the company is doing business in Washington, D.C., and has maintained the Puretunes site through an Internet service provider based there. According to the suit, Sakfield unlawfully copied and distributed thousands of songs from artists through the Web site.

Mobile / Wireless

- **Ericsson's chairman said he saw no improvement in the weak market for mobile networks.** Ericsson, the world's biggest producer of mobile networks, will report its second-quarter results on July 18 and analysts expect another pretax loss as the company struggles to cut costs faster than sales fall.

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The company said at the end of April it expected the market for mobile networks to shrink more than 10 percent this year in dollar terms or 15 to 17 percent in euro terms, similar to competitors Nokia and Motorola.

Software

- **SunGard Data Systems Inc. offered to acquire London-based insurance and government-software company Sherwood International PLC for US\$105 million.** Sherwood will merge with the financial-software company's business in the United Kingdom. During the past year, SunGard expanded its technology base through acquisitions of several smaller software firms, including Caminus and HTE Inc.

Telecommunications

- **Deutsche Telekom AG issued convertible bonds worth €5 billion (US\$5.66 billion).** The coupon was at the top of a proposed 0.25 to 0.75 per cent range. Meanwhile, the premium over the reference stock price of €12.70 -- at which the bonds can convert into shares -- came in at the low end of a proposed 38 to 43 per cent range. The successful one-day sale reflects a rush to raise cash before the traditional summer break in Europe. But the record offering also suggests that the recent rally in global stock markets has unleashed pent-up activity in other financial markets. It came on the same day as another, smaller convertible-bond offering and about the same time as two large European initial public offerings of stock and some smaller U.S. IPOs. There also has been a flurry of mergers and acquisitions in recent weeks.
- **Hutchison Whampoa is beginning to silence critics of its British third-generation (3G) mobile operation by more than doubling subscriber growth thanks to a string of price-cutting promotions.** Hutchison's British subsidiary 3UK has been signing up 1,000 to 1,500 subscribers a day, equivalent to 30,000 to 45,000 subscribers a month, according to brokerage CLSA. This compares with the disappointing early take-up of just 25,000 users in the first two months after Hutchison launched its 3G services in Britain in mid-March, fuelling doubt among analysts and investors over the success of the company's expensive investment. The boost came from an aggressive pricing strategy launched last month through which 3UK is offering voice calls for half the price its second-generation rivals are charging. It has also slashed its handset prices by up to 80 per cent or is giving them away.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 7/11/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	117.9100	0.2%	-10.4%	0.7%	-1.3%
Hong Kong dollar	HK\$/ US\$	7.7991	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2772	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7561	-0.4%	-4.9%	-1.2%	-1.0%
South Korean won	KRW/ US\$	1178.5000	0.2%	-10.3%	0.6%	-0.2%
New Taiwan dollar	NT\$/ US\$	34.3700	0.0%	-1.8%	0.8%	-3.4%
Australian dollar	US\$/A\$	0.6592	-2.9%	29.4%	17.4%	17.7%
New Zealand dollar	US\$/NZ\$	0.5916	-0.5%	42.1%	12.8%	21.8%
Philippine peso	PHP/ US\$	53.4400	-0.1%	3.5%	0.3%	-5.5%
Euro	US\$/€	1.1291	-1.7%	26.9%	7.6%	12.6%
British pound	US\$/£	1.6307	-2.1%	12.2%	1.3%	3.9%

Fixed Income Prices and Yields							
Note	Currency	Current (on 7/11/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	110.6719	4.68%	110.5156	4.69%	119.5938	4.17%
Japan 30-year	¥	113.6470	1.50%	112.8680	1.54%	130.1990	0.86%
Hong Kong 10-year	HK\$	124.7917	3.19%	124.7870	3.20%	127.2422	2.86%
China (10/2027)	US\$	147.2131	4.34%	145.5561	4.42%	157.4845	3.84%
Singapore 10-year	S\$	117.0260	1.99%	117.3975	1.95%	119.0957	1.73%
South Korea 10-year	US\$	124.1256	3.34%	124.2953	3.32%	127.1890	2.81%
Australia 15-year	A\$	111.1770	5.04%	110.6130	5.11%	114.8830	4.61%
New Zealand (07/2009)	NZ\$	109.0475	5.22%	109.0364	5.23%	110.9785	4.89%
Philippines 20-year	PHP	148.6801	11.96%	148.3913	11.98%	146.5978	12.15%
India 20-year	INR	149.5294	5.98%	149.7030	5.97%	149.2559	6.01%
UK 30-year	£	94.9630	4.56%	94.3787	4.60%	100.1060	4.24%
Germany 30-year	€	110.8660	4.78%	110.7818	4.79%	117.3079	4.40%

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