

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



Week of 20 July - 26 July 2003

Table of Contents

Equity Market Indicators	2
Technology, Media, Telecommunications and Life Sciences Market Activity	3
Weekly Highlights	4
International	4
Japan	5
Korea	7
China	8
Taiwan	10
Singapore / Malaysia / Philippines / Indonesia	10
Hong Kong	11
United States / Canada	11
Europe	16
Other Economic Data	17
Currency Exchange Rates	17
Fixed Income Prices and Yields	17

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



Week of 20 July - 26 July 2003

Equity Market Indicators					
Index	Closing Level (7/25/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	998.68	0.5%	-13.5%	13.5%	26.4%
Dow Jones Industrial Avg.	9,284.57	1.0%	-7.8%	11.3%	25.1%
Dow Jones Tech. Index	292.27	1.5%	-13.4%	27.3%	58.7%
Dow Jones Telecom. Index	160.31	0.9%	-23.1%	8.4%	36.4%
NASDAQ Composite	1,730.70	1.3%	-12.6%	29.6%	52.7%
The Street.com Net	124.69	2.4%	-36.3%	45.6%	97.8%
Japan Nikkei 225	9,648.01	1.6%	-11.3%	12.5%	16.5%
Japan TOPIX	945.28	1.7%	-10.3%	12.1%	15.9%
Korea KOSPI Composite	705.09	0.8%	-2.7%	12.4%	20.4%
Korea Kosdaq	49.01	-3.1%	-34.2%	10.5%	11.7%
Taiwan Stock Exchange	5,394.75	2.0%	-3.7%	21.2%	40.3%
Singapore Straits Times	1,566.93	-0.9%	-3.6%	16.8%	16.4%
Hong Kong Hang Seng	9,939.20	-2.0%	-12.4%	6.6%	12.0%
Hong Kong GEM	1,136.32	-2.3%	-40.3%	19.5%	25.6%
China Shanghai (A-Share)	1,546.98	-2.0%	-7.7%	9.0%	13.4%
China Shenzhen (A-Share)	420.41	-2.2%	-14.2%	2.6%	8.7%
China Shanghai (B-Share)	112.45	-1.0%	-33.5%	-0.9%	0.7%
China Shenzhen (B-Share)	228.47	-0.7%	-12.7%	22.2%	24.6%

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



Week of 20 July - 26 July 2003

Technology, Media, Telecommunications and Life Sciences Market Activity

NASDAQ/NYSE TMT and Life Sciences IPO Filings

File Date	Issuer	Industry Sector	Size (\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 7/25/03	% Change From Offer
7/23/03	iPass Inc. [IPAS.US] (Nasdaq)	Provides secure access for mobile workers to corporate networks or the Internet via a software-enabled virtual network.	US\$98	US\$14	US\$18.15	29.6%

Asian Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 7/25/03	% Change From Offer
7/25/03	Power Logistics Co. Ltd. [4731.KS] (Kosdaq)	Develops, produces, and markets protection circuit modules for secondary batteries used in cellular phones, laptops, camcorders, and PDAs.	US\$11.5	KRW 8,500	KRW 19,000	123.5%
7/24/03	NEC Electronics Corp. [6723.JP] (TSE)	Researches, develops, and manufactures electronic components such as semiconductors and integrated devices.	US\$1,201.8	¥ 4,200	¥ 5,600	33.3%
7/23/03	AGVA Corporation Ltd. [AGVA.SP] (SGX)	Manufactures and sells media storage and multipurpose storage products and related accessories with a fully integrated supply chain management system.	US\$6.6	SG\$0.21	SG\$0.24	11.9%
7/22/03	Oncoprobe Biotech Inc. [4113.TT] (Gretai)	Develops, manufactures, and markets monoclonal antibodies for biomedical research and diagnostics. Products include rapid diagnostic tests for: hormones, drug abuse, cardiac markers, and infectious diseases.	US\$2.6	NT\$26	NT\$21.5	-17.3%
7/21/03	MCS Logic Inc. [6815.KS] (Kosdaq)	Designs, manufactures, and markets digital and voice integrated chips.	US\$5.3	KRW 7,500	KRW 14,200	89.3%

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



Week of 20 July - 26 July 2003

Weekly Highlights

International

Hardware

- **Manufacturers of smart tags are finding competition from bar codes tougher than they expected**, and retailers have little interest in switching to the new technology. A recent survey of retailers conducted by the Distribution Systems Research Institute showed that none of the 28 general and other supermarket operators polled plan to adopt integrated circuit tags in the near future and only eight of 161 food supermarket chains intend to do so. At present, bar codes are printed on nearly all goods to facilitate inventory control and sales management. Supermarkets and convenience stores have built up their sales control systems based on bar codes. Retailers are not likely to shift to smart tags before recouping their huge investment in bar code-based POS systems.
- **Sales of personal computers in the Asia-Pacific market, excluding Japan, rose 12 per cent in the second quarter from a year earlier despite SARS**, a technology research firm said. The quarter got off to a rough start due to the impact of SARS on the retail markets of China, Singapore and Hong Kong, but sales surged after the outbreak was contained in June due to stringent measures taken by governments, International Data Corp (IDC) said. Preliminary results showed 6.5 million units were sold in the three months to June.

Mobile / Wireless

- **NEC Corp. will provide mobile-phone handsets to AT&T Wireless Services Inc.**, bringing the Japanese electronics maker back into the U.S. mobile-phone market, from which it withdrew during 2000. NEC said earlier this week it will supply Internet-capable cellphone handsets with color liquid-crystal displays to AT&T Wireless, which will be marketing them. Re-entering the U.S. market is part of NEC's strategy to strengthen its Internet-capable phone operations, taking advantage of technologies it developed in Japan. NEC will supply to AT&T Wireless 2.5G models, based on global system for mobile communications/general-packet radio-service technology. The company hopes to gain a foothold in the U.S. market for global-standard 3G phones.
- **Telefon AB L.M. Ericsson said it signed a five-year contract to outsource its computer-service operations to IBM Corp.** As previously reported, the companies had said in June they would sign a final outsourcing contract before the end of October. The agreement includes the transfer of the personnel at Ericsson Process & Application Consulting to IBM, beginning in September. Financial terms of the deal weren't disclosed.

Software

- **A group in China released a program that lets hackers exploit a flaw in Microsoft software and take over a victim's computer over the Internet.** The program, released nine days after Microsoft Corp. announced the flaw, has turned an embarrassment for the company and inconvenience for customers into a near-emergency. The program, posted on the group's Web site, takes advantage of a vulnerability in nearly all versions of Microsoft's Windows operating system, including Windows Server 2003, touted as Microsoft's safest ever. Microsoft has urged corporate and home users to download a free software fix.

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



Week of 20 July - 26 July 2003

Japan

Hardware

- **Sony Corp. unveiled weak earnings results for the April-June quarter**, as the company's sales and profit continued to be hit by price cuts and slumping demand for major products. Sony said net profit in the first quarter ended June 30, plunged 98% from a year earlier to ¥1.1 billion (US\$9.2 million), while sales slid 6.9% to ¥1.6 trillion (US\$13.5 billion), in part because of rapidly weakening demand for traditional picture-tube televisions. Operating income fell 68% to ¥16.7 billion (US\$140.5 million) amid heavy price competition in products such as digital cameras and weaker consumer appetite for movies and videogames.
- **Hitachi Ltd. has developed a power converter chip based on a new type of transistor that generates 1/60 the normal amount of heat.** This results in a 3% improvement in the device's power conversion efficiency. The company hopes to have commercial versions ready around 2008. The prototype was built from 4,500 transistors and boasts a power conversion efficiency rate of 93%. The transistors are made from silicon carbide and have a vertical structure, with the source stacked above the gate electrode. They take up less than half the surface area of conventional vertical transistors and cut down on heat emission.
- **NEC Electronics Corp. became publicly listed in Tokyo, in what was one of the largest global offerings so far this year.** The investor frenzy could push NEC Electronics shares far above the pre-market price of ¥4,200 (US\$35.4), but the longer-term outlook will depend on whether the company can stay ahead of its rivals by investing wisely in developing technologies. Spin off from Japanese electronics company NEC Corp., the company has a strong focus on the research, development and manufacturing of customized chips used in a wide range of devices, including mobile phones, computer servers and cars. Its pre-market price gives the initial public offering a total value of ¥155.4 billion (US\$1.2 billion). That would make it the world's second-largest IPO so far this year, following the US\$1.9 billion float of U.K. telephone-directory publisher Yell Group Ltd. earlier this month.

Life Sciences

- **Research projects to develop devices and equipment through the use of nanotechnology and biotechnology are increasingly being launched by industry-academia alliances.** Matsushita Electric Industrial Co., the Tokyo Institute of Technology, the Nara Institute of Science and Technology, and Osaka University are jointly developing a large-capacity memory device that uses protein circuitry. Proteins aggregate in predictable ways according to certain conditions, and the partners plan to exploit this to form circuitry. The devices' memory capacity will be comparable to that of the top silicon-based memory devices, which store 8G of data per sq. cm, but will consume only 1/100 the electricity. Firms such as Olympus Optical Co., Toyobo Co., Shimadzu Corp., Kaneka Corp. and Nipro Corp. have teamed up with the National Institute of Advanced Industrial Science and Technology to create a research committee for finding ways to bring nano- and biotechnology products to market.
- **Bioinformatics venture Maze Inc. has beefed up its AssEST human gene database product, adding around 1.3 million new sequences** that will substantially improve the drug discovery process of companies and research institutes that use the database. The company has integrated its existing AssEST database with sequences obtained from a consortium of private and academic concerns that was formed to make use of the information contained in human cDNA terminal sequences. The 1.3

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



Week of 20 July - 26 July 2003

million new sequences obtained by Maze from this consortium have not been deposited in the public gene databases. Maze calls the database the consortium version of AssEST and will market it to the universities, research facilities and about 20 drug makers and other firms that constitute the consortium. The firm has already signed a one-year contract with Kyowa Hakko Kogyo Co. and hopes to sign a total of five customers in the first year.

- **Hitachi Ltd. announced that it has developed a new technology that analyzes the functions of genes inside cells with a high degree of accuracy.** The technology enables gene testing that until now required testing of multiple genetic samples using separate specialized processes to be conducted in a single procedure. Tests using the technology produced results with only small variations, contributing to greater efficiency, according to the company. Hitachi jointly developed artificial DNA fragments that can be used to identify various genetic samples with the Human Genome Center of the Institute of Medical Science at the University of Tokyo. When the fragments bind with genes, they emit different colors. Because the technique avoids the errors that occur when gene amplification techniques are used to expand a sample size, accuracy is improved using Hitachi's new technology.

Media, Entertainment and Gaming

- **Sega Corp. said it aims to double its sales of software for popular game consoles, including Sony Corp.'s PlayStation 2 and Microsoft Corp.'s Xbox,** over the next five years. The remarks show that Sega, maker of "Virtual Fighter 4" and "Sonic the Hedgehog", is serious about its plans announced in May to cut the number of games it makes each year and focus on profitable videogame-software packages. The company plans to sell 9.25 million software packages in the year ending March 2004. Sega has been gradually regaining its reputation as a videogame-software developer after it abandoned its "Dreamcast" game-console business in 2001 amid severe competition with rivals Sony and Nintendo Co.
- **Softbank Corp. announced its BBServe Inc. unit has begun an Internet portal site service to provide online games with 109 game titles** in an effort to boost subscribers at its broadband service. With the new service launched, the Softbank group seeks to better compete with Japan's telecommunications giant Nippon Telegraph & Telephone Corp. in the broadband market. BBServe, in which the Softbank group has a 55% stake, operates the portal site and provides the online game service to any users, including those using non-Softbank group broadband services. In early July, BBServe agreed to tie up with 110 South Korean and Japanese online game makers to provide a combined 200 online game titles.

Mobile / Wireless

- **Cybird Co. plans to start offering an Internet marketing promotion service in South Korea, via mobile phones.** As its first such project, the firm has teamed up with an entertainment agency and a T-shirt company through subsidiary Cybird Korea Co. to offer T-shirts featuring JTL, a popular all-male Korean trio. When a prospective buyer calls a designated number, he or she will receive a Cybird Korea Web address through which to order the clothing. Cybird seeks to aid in marketing of food, cosmetics and other products, and is in talks with a dozen or so South Korean firms for possible business relationships.

Semiconductors

- **Advantest Corp. said it returned to profitability as restructuring steps have paid off.** The firm also was helped by the global semiconductor market pick up. The Japanese maker of semiconductor testing

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



Week of 20 July - 26 July 2003

devices lifted its outlook for orders for the full fiscal year, a sign of firmer capital spending by semiconductor makers. Advantest posted a group net profit of ¥143 million (US\$1.2 million) and a group operating profit of ¥242 million (US\$2.0 million) in the three months ended June 30. The operating profit marked the first quarterly profit in two years. Advantest raised its outlook for combined orders for semiconductor testing devices and electronic measuring instruments to ¥135 billion (US\$1.1 billion) for this fiscal year. Owada attributed the increase to stronger-than-expected orders for testing devices for system-on-a-chip, or SoC.

Telecommunications

- **NTT Communications Corp. and IBM Japan Ltd. have jointly developed an IP telephone system that integrates e-mail with voice communications.** The system, which will be marketed to corporations beginning in October, recognizes corporate employees' e-mail addresses in association with their phone numbers. The system converts voice messages into an attached e-mail text file, which is converted back into speech and listened to over a telephone. A customer service representative, for instance, who has received a complaint from a customer over the phone can forward the message to another business unit, where it can be listened to over personal computers. In addition, by accessing their e-mail accounts via cellular phones, employees can listen to their e-mail messages from outside their offices.

Korea

Hardware

- **LG Electronics Inc. reported a 24% drop in second-quarter net profit on tepid sales of mobile handsets and lower margins from electronic products.** LG posted a net profit of 258 billion won (US\$219 million), down from 340.7 billion won (US\$287.9 million) posted in the year-earlier period. LG, South Korea's biggest home-appliances maker, saw sales in the second quarter drop 4.5% to 4.7 trillion won (US\$4.0 billion). Operating profit plunged 38% to 265.4 billion won (US\$224.7 million) from the prior year.
- **Samsung Electronics Co. ranked second among the world's chipmakers in terms of sales revenue, while Intel Corp. held on to the top,** a U.S. market research firm said. According to a revenue survey of chipmakers by IC Insights Inc., Samsung's semiconductor business came in second, with first-half sales of US\$4.1 billion, up 6 percent from a year earlier. Intel maintained the leading position, posting US\$12.2 billion in revenue during the same period, up 3 percent from a year ago. Japan's Renesas Technology, a joint venture of Hitachi and Mitsubishi Electric, came in third, its first appearance on the top-10 chart, with a 16 percent year-on-year revenue increase to US\$4.1 billion.

Mobile / Wireless

- **Korean Ministry of Information and Communication said that it would open up the mobile network** in September so that subscribers can freely download a variety of digital content from third-party providers through their personal digital assistants and mobile handsets. The ministry said it would give a green light to SK Telecom's plan to revise the related terms of agreement in connection with the mobile Internet network early next week. KTF and LG Telecom are also set to follow suit, signaling that Korea's mobile Internet, which has long been closed to third parties, will offer greater opportunities to content providers and Web startups. Ahead of the opening of the network, Daum Communications

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



Week of 20 July - 26 July 2003

Corp., NHN, NeoWiz and Yahoo! Korea are preparing their content services that can be downloaded to mobile handsets and smart phones through the CDMA wireless service.

- **Samsung Electronics said it would unveil a new mobile intelligence terminal, or MIT, featuring various multimedia functions such as a digital camera and TV tuner.** The new multifunction phone, named "MITs400," runs on the PocketPC 2002 operating system of U.S.-based Microsoft Corp. Samsung sources said the new model supports not only MSN Messenger but also Excel and Word software programs, allowing users to access core PC programs easily. MITs400 also comes with a TV tuner for landline broadcasting stations and an automobile navigation system that utilizes the global positioning system.
- **Samsung SDI said that it would provide TFT-LCD displays for mobile phones to its sister company Samsung Electronics.** Samsung SDI said that it has started its own TFT-LCD module assembling business providing finished products to the nation's top electronics maker. Samsung SDI has been a market leader in display equipment but it is the first time the company has provided completed TFT-LCD modules. Samsung Electronics has engaged in manufacturing both TFT-LCD panels and modules.

Software

- **Haansoft is now rushing to export its flagship word processor to China and the Middle East in a bid to make a breakthrough in its prolonged competition with Microsoft.** Haansoft, known for its Hangul word processor, earlier said it would unveil a new program in English, Japanese, Chinese, Spanish and Arabic in September. The company said China and the Middle East are now keen to embrace new non-American word processing software. As with other markets, Microsoft is flexing its muscles in China and the Middle East as the dominant software maker, and Haansoft bets it can take a share, taking advantage of the local sentiment in favor of non-American products. Given that word processors in local languages are widely available in China and the Middle East, Haansoft seems to be facing an uphill battle in promoting its new product, local observers said.

China

Hardware

- **Samsung Electronics Co. announced that it has recently begun mass production of TFT-LCDs at its Chinese plant to tap into the fast-expanding Chinese market.** The world's leading flat-panel display maker launched the construction of the production line in Suzhou last October with a total of 63.4 billion won (US\$53.6 million) in investment. For the past two months, the company said it has successfully test-operated the factory to make sure that the production line could serve as its manufacturing platform for the vast Chinese market. Samsung said that the plant will produce about 100,000 LCDs this year, but from next year, it will jack the production up to 8 million units, equivalent to 30 percent of the company's total output. Samsung, which exports about 90 percent of its TFT-LCD output, said that with the help of the local plant in China, it is now expecting to sharpen its competitive edge in the Chinese market. Samsung predicted that the Chinese market would reach 34 million units next year, accounting for about 30 percent of the global LCD market. Indeed, the market has been expanding at an annual growth rate of 52 percent, the company noted.
- **The joint venture between 3Com and Huawei Technologies is still pending approval from Chinese authorities,** four months after it was announced. The absence of the approval means that the

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



Week of 20 July - 26 July 2003

Hangzhou-based joint venture could be prevented from exporting products manufactured in China, Rockies Ma, the sales manager at 3Com Hong Kong, said. 3Com announced it had received the necessary United States and British government export licenses for technologies developed in its joint venture with Huawei. The final government approval required for the joint venture is from China. The US-based networking firm said last month it would postpone its joint venture with Huawei for two months, partly due to the delay in approval from China.

- **Skyworth Digital Holdings, the mainland's third-largest television maker, is fighting for Hong Kong company status to free itself from European Union quotas and price restrictions on Chinese imports.** Chairman Stephen Wong said his company was bargaining with the EU through a lawyer based in Brussels with a view to being treated as a firm from a member of the Organisation for Economic Co-operation and Development. The EU, with annual sales of about 25 million TVs, has limited Chinese imports to 550,000 units this year. Last year, China's seven biggest TV makers won a high-profile anti-dumping case against the EU, ending a dispute that had been dragging on for almost 15 years. The EU agreed to remove punitive import tariffs but now subject mainland TV makers to quota and price restrictions.

Internet

- **There were roughly 68 million Internet users in China at the end of June, putting China second behind the United States in terms of people online.** The number of Internet users in China grew by 15.1 per cent or 8.9 million people in the first six months of this year, according to the semi-annual survey by the China Internet Network Information Center (CNNIC). It was a 48.5 per cent increase over a year earlier, according to the survey that had been conducted 12 times since 1997. Nearly 66 per cent of China's Internet users surf the Web at home, with 9.8 million people connected using cable or digital subscriber lines.

Mobile / Wireless

- **China's trials of the competing technologies for third-generation, or 3G, mobile phones will likely be completed by the end of this year,** an industry executive said. Finishing the trials would set the stage for the government to issue long-awaited 3G licenses to the country's telecommunications operators, allowing them to begin building networks to offer services, like sending video between mobile phones, that take advantage of the higher speeds 3G offers. However, the government has never publicly disclosed any timetable for 3G licensing, and the executive, Jing Wang, chairman of Qualcomm Inc.'s China operations, emphasized that he didn't know of any formal schedule for either the trials or the licensing process. The government is now conducting laboratory trials of 3G equipment, Mr. Wang told a news briefing, and operators are likely to begin field trials in the next few months. Both sets of trials could be finished by the end of 2003, he said.
- **Major Internet portals in China are abandoning alliances with small and individual Web sites in exchange for keeping business relations with China Mobile Communications Corp.** China Mobile urged Internet content providers earlier this month to eliminate pornographic content on SMS sent to users. As a result, Internet content providers are breaking alliances with individual Web sites which are believed to be major sources of pornographic material. China Mobile will also stop collecting payment for any non-mobile phone related services provided by the portals from August 1. This has confirmed a long-standing expectation in the industry. Word was out that China Mobile would take action in response to the Internet Information Service Regulation promulgated by the Ministry of Information Industry last month. The regulation aims to stop the popular but controversial

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



Week of 20 July - 26 July 2003

pornographic content offered by Internet information providers via SMS supported by Monternet, China Mobile's roaming Internet service.

Telecommunications

- **China's fixed-line duopoly signed up 7 per cent more users than the cellular carriers last month**, with their aggressive promotion of Xiaolingtong services eroding the mobile operators' business. According to the Ministry of Information Industry's latest figures, 4.7 million fixed-line users were signed up last month by China Telecom and China Netcom, bringing the mainland's fixed-line users to 237.6 million. The data shows that fixed-line subscriber growth not only outpaced the growth in wireless users, but also exceeded the pace achieved before the SARS outbreak. In the first quarter, China's fixed-line market was adding 3.8 million users a month. In contrast, the country's cellular carriers - China Mobile and China Unicom - picked up 4.4 million subscribers last month, 310,000 less than the fixed-line carriers.

Taiwan

Semiconductors

- **Taiwan Semiconductor Manufacturing Co. said its net profit rose 26% during the second quarter.** However the industry bellwether said it didn't yet see signs of a broad-based industry recovery. The company -- which makes semiconductors that power mobile phones, video-game consoles, computers and other electronics devices -- said net rose to NT\$11.7 billion (US\$340.6 million) as compared with NT\$9.3 billion (US\$270.6 million) a year earlier. The latest result marked the company's biggest total quarterly profit in more than two years. Net sales rose 13% to NT\$49.9 billion (US\$1.5 million).

Singapore / Malaysia / Philippines / Indonesia

Mobile / Wireless

- **KTF said that it secured a consulting service contract from PT Mobile-8, an Indonesian mobile operator**, marking a major deal that is estimated to be worth US\$13 million. The company said it is also set to install a network management center for PT Mobile 8 in a separate deal valued at US\$4.5 million. PT Mobile-8 is operating a cdma2000 1x network on the 800-MHz spectrum. KTF, which has 10.5 million CDMA subscribers in Korea, said it will provide comprehensive consulting services including network management, marketing, wireless data management and billing for three years, through June of 2006. KTF said the deal came through largely because of its leading position in the mobile market. It is also spearheading the development of mobile Internet services utilizing Qualcomm's BREW technology.
- **MobileOne, Singapore's No. 2 mobile phone operator, will try to poach bigger rival Singapore Telecommunications' (SingTel) customers** who are typically more than 45 years old, high spenders and loyal users. MobileOne chief executive Neil Montefiore said a marketing campaign would start in October, when Singapore's three mobile-phone operators must begin allowing customers to switch carriers and still retain their phone numbers. With more than three in four of Singapore's four million residents already carrying mobile phones, analysts said that for companies to grow, they would have to lure each other's subscribers. MobileOne wants to boost revenue by increasing its mid- to high-end

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



Week of 20 July - 26 July 2003

mobile phone users. The older users are important because they make up the biggest share of the professionals and executives market and they often pay higher monthly bills.

Hong Kong

Software

- **InfoBeam, software newly developed by Hong Kong-based J-Solutions, is designed to facilitate the search for articles and Chinese-language news content** and save them the trouble of roaming numerous websites. The software uses artificial intelligence to retrieve articles on specific subjects, and creates an abstract of the article. The software is available only in Chinese, and is pre-configured to search eight Hong Kong news websites. End users can add sources to allow a search of up to 14 websites. The only limits on the type of sites that can be searched are that they must be in Chinese, and be free sites that do not require a password.

Telecommunications

- **PCCW Ltd.'s agreement to pay bank debt ahead of schedule would lower its net debt to US\$2.2 billion from US\$4.2 billion** at the end of last year, according to Helen Wong, who heads HSBC's banking team for the public sector and trading houses. In addition to the US\$1.0 billion PCCW paid off earlier this month for two loans, the US\$641 million repayment, its third debt repayment ahead of schedule this month alone, removes bank debt at PCCW's core telephone business, Hong Kong Telecommunications. The two earlier loans weren't due until 2008. PCCW's current payment, denominated in Hong Kong dollars and valued at HK\$5 billion (US\$641 million), isn't due until 2009. The US\$641 million repayment will be funded from cash on hand and the proceeds from last week's placement, which raised HK\$3.1 billion (US\$392.3 million), according to a PCCW spokeswoman.

United States / Canada

e-Commerce

- **Amazon.com reported both second-quarter profit and revenue that topped Wall Street forecasts.** The firm said it earned US\$42 million excluding certain items compared to a loss of US\$46 million on the same basis in the year-ago quarter. Including charges such as amortization of goodwill, stock-based compensation expenses, restructuring and other charges, Amazon reported a loss of US\$43 million compared with a loss of US\$94 million for the same period a year ago. Sales for the quarter came in at US\$1.1 billion, up 37 percent from a year ago and a shade ahead of analysts' forecasts of about US\$1 billion.

Hardware

- **JDS Uniphase Corp. reported a much narrower loss for its fiscal fourth quarter amid a sharp drop in expenses.** The fiber-optic parts maker posted a fiscal fourth-quarter net loss of US\$61.6 million compared with a loss of US\$1.0 billion a year earlier. Excluding items such as restructuring charges and gains and losses on the sale of investments, the company's loss narrowed to US\$29 million from US\$79 million in the quarter last year.
- **Lucent Technologies Inc. posted its 13th straight quarterly loss amid weak spending by telephone companies.** Lucent reported a net loss, including preferred dividend payments, in its fiscal

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



Week of 20 July - 26 July 2003

third quarter of US\$295 million compared with a net loss in the year-ago quarter of US\$8.1 billion. Sales in the quarter ended June 30 fell to US\$2.0 billion from \$3.0 billion last year, and were down 18 percent from the previous quarter.

Information Technology

- **The United States would continue to lead the information technology revolution for years to come because U.S. businesses were focused on innovation,** Americans readily accepted change, and the U.S. government provided an environment hospitable to IT business development, said a report issued by research institute RAND. Unlike many other nations that concentrate on protecting existing businesses and institutions, the U.S. pressed ahead with change, even when it meant "creative destruction" of companies that drove its economy, in order to build a stronger economy tomorrow, said Richard Hundley, lead author of the study by RAND's National Defence Research Institute.

Internet

- **AOL Time Warner Inc.'s America Online unit may have been hyping its subscriber numbers.** The alleged subscriber inflation involves the miscounting of subscribers generated by a little-known America Online initiative. Starting in 2000, AOL began selling limited-usage online accounts in bulk for as little as US\$1 to US\$3 a month to its marketing partners such as Target Corp., J.C. Penney Co. and Sears, Roebuck & Co. It isn't clear how many of those subscriptions were issued or even activated. In total, people familiar with the situation say America Online booked at least 830,000 subscribers through these bulk sales, however have no confirmation how many of them were actually activated. That would have accounted for 16.7% of the total subscriber growth, which was just under five million, during that period. Currently, AOL has 25.4 million U.S. subscribers, down from a peak of 26.7 million on Sept. 30, 2002.
- **Americans favor a "do not spam" registry to keep unwanted e-mail at bay, according to a survey released as the Senate prepared to vote on the issue** before its August break. The survey of some 1,200 Internet users found broad support for an idea that so far has attracted scant support in Congress. Patterned after the Federal Trade Commission's popular "do not call" registry of households that do not wish to hear from telemarketers, the list would theoretically allow Internet users to make their inboxes off-limits to the online marketers whose unsolicited offers now make up nearly half of all e-mail traffic. The registry has found an advocate in Democratic Sen. Charles Schumer of New York, who hopes to include a do-not-spam proposal in an anti-spam bill that could come up for a vote in the Senate as soon as this week.
- **Overture Services Inc.'s net income dropped as costs increased, but revenue rose substantially thanks to growth in its business of providing sponsored online search listings.** The company, which earlier this month agreed to be acquired by Yahoo! Inc., reported second-quarter net income of US\$7.6 million, or 12 cents a share, compared with net income of US\$17.5 million in the year-earlier period. Revenue rose 74% to US\$265.3 million from US\$152.5 million last year. The company attributed the growth to substantial increases in so-called paid introductions -- when a user clicks on an Overture listing provided by an advertiser -- as well as an increase in the average price advertisers pay for each click.
- **Priceline.com Inc., said its second-quarter net income rose 22%, boosted by strong hotel, rental car and package results,** stabilized airline ticket sales and mortgage operations. In addition, the

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



Week of 20 July - 26 July 2003

company projected third- and fourth-quarter earnings above Thomson First Call's forecasts. The travel e-commerce company said it earned US\$7.7 million for the quarter up from US\$6.3 million a year ago.

- **EBay Inc., showing continued strong growth, said its second-quarter profit and revenue roughly doubled, and announced a two-for-one split of its stock.** The company, which is growing beyond its original business in online auctions, also raised its financial forecasts for the year, on the strength of overseas expansion and its electronic-payments businesses. EBay's decision to split its stock, a move not seen much from Internet companies since the bursting of the dot-com bubble three years ago, is symbolic of the company's emergence as an e-commerce giant and a flourishing survivor of the technology boom and bust.
- **VeriSign Inc. reported a significantly narrowed second-quarter loss of US\$142.9 million, despite a 16% revenue decline,** thanks to much less onerous charges associated with right-sizing its business in the wake of the burst Internet bubble and technology spending slowdown. The Internet-domain-name registrar and digital-security company has struggled with a decline in its domain-registration business, as names bought by bubble-era speculators have dropped away. Meanwhile, its telecommunication-services business has suffered from that industry's woes and security business has been hurt by reduced corporate information-technology spending. The company reported a net loss of US\$142.9 million for the second quarter, which it attributed mainly to charges of US\$177 million for the amortization and write-down of goodwill and other intangible assets related to acquisitions and restructuring. Revenue was US\$265.3 million, down from US\$317.4 million a year ago and US\$269.8 million in the first quarter, but essentially in line with Wall Street analysts' mean estimate of US\$264.7 million.

Life Sciences

- **Amgen Inc. said that its second-quarter net income rose 47 percent amid strong sales of its anemia, immunity-boosting and arthritis drugs.** The company reported net income of US\$607 million compared with US\$412 million a year earlier. Amgen said its quarterly product sales rose 72 percent to US\$1.9 billion. The rise was driven by the acquisition a year ago of Immunex Corp., which gave it the arthritis drug Enbrel, as well as higher sales of anemia treatments Epogen and Aranesp and its Neupogen and Neulasta immunity-boosting drugs for chemotherapy patients. Amgen raised its estimate for full-year 2003 sales to a range of US\$7.5 billion to US\$8.0 billion from its previous guidance of US\$7.1 billion to US\$7.6 billion and said total revenue is now projected at US\$8.0 billion to US\$8.5 billion versus previous guidance of US\$7.7 billion to US\$8.2 billion.

Media, Entertainment and Gaming

- **RealNetworks Inc. said its loss widened in the second quarter due to a real estate-related charge on a 13% increase in revenue.** The Seattle Internet video and audio company reported a loss of US\$9.6 million compared with a loss of US\$1.6 million a year earlier. The loss included a US\$7.1 million charge related to unused office facilities. Excluding the charge, the company's loss would have been US\$2.5 million. RealNetworks said its revenue for the period was US\$49.6 million, up from US\$43.8 million. The company said it expects to see "modest" revenue growth in the third quarter compared to the second quarter.
- **Microsoft Corp., seeking to broaden the appeal of its Xbox video game console, is adding chat functions** to its online gaming service in Japan. The attachment for its Xbox Live service will go on sale later this year for ¥3,500 (US\$29.50), with a free two-month trial subscription, Microsoft said. Since the service was launched in January, users have gone head-to-head in car racing and speed skating over high-

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



Week of 20 July - 26 July 2003

speed Internet connections. But they haven't been able to talk to each other because the required software was not ready. The chat service can handle as many as 16 players at a time, said Peter Moore, vice president of Microsoft's home entertainment division. Microsoft had shipped 9.4 million Xbox consoles world-wide -- including 450,000 in Japan -- by the end of June, while Nintendo had sold 9.55 million GameCube machines by the end of March.

- **Electronic Arts Inc. reported a larger quarterly profit, blowing past Wall Street estimates on the strength of titles like "NBA Street Vol. 2" and "Def Jam Vendetta."** EA reported a net profit of US\$18 million for its June fiscal first quarter, compared with a year-earlier profit of US\$7.4 million. Revenue was US\$353 million, compared with US\$331.9 million a year ago. Excluding charges, the company posted a profit of US\$19 million.

Mobile / Wireless

- **Motorola Inc. will launch a mobile phone based on Microsoft software later this year**, the first of the leading handset makers to do so, industry sources said. Pictures of the new Motorola handset, to be produced by Taiwan's contract manufacturer Chi Mei Communication Systems circulated on discussion groups on the Internet. Motorola told Reuters in February it would bring out a Microsoft phone, mainly in response to U.S. operators' requests. At that time, the company gave no details about the device or timing for its introduction. The Motorola model would be a clamshell with an internal antenna. Microsoft is struggling to break into the 450-million-units a year mobile phone industry, but the major vendors have so far been reluctant to work with the software. Some have said they fear Microsoft is out to dominate their industry.

Software

- **Microsoft Corp. has agreed to relax terms for licensing its software to competitors, a key component of the settlement of an antitrust case** brought by the U.S. government. As part of the settlement of the government's 1998 antitrust case, Microsoft agreed to license protocols that let programs for server systems communicate with Microsoft's Windows operating system. But only four companies have licensed the protocols to date, a delay that has concerned the judge. Microsoft in April had agreed to substantially modify the terms of the licenses, but in July, a status report on the settlement filed jointly by Microsoft, the Justice Department and 18 state attorneys general revealed that complaints had continued.
- **Electronic Data Systems Corp. said second-quarter profit fell as corporations spent less on computer services**, but the company backed its revenue and earnings outlook for the second half of 2003. EDS reported net profit of US\$138 million compared with earnings US\$316 million in the year-earlier period. EDS took a charge of US\$43 million in the quarter to cover job cuts and asset write-downs. Excluding the charge, net income was US\$167 million. Revenue at the firm rose to US\$5.5 billion from US\$5.4 billion last year.
- **Oracle Corp. reaffirmed its determination to acquire rival PeopleSoft Inc., saying it's prepared to pay an extra US\$1.2 billion to include J.D. Edwards & Co. in the hostile takeover.** In filing an amendment to its unsolicited US\$19.50-per-share bid with the Securities and Exchange Commission, Oracle estimated it will have to spend US\$7.5 billion to buy PeopleSoft instead of the previous US\$6.3 billion price tag. Oracle isn't paying any more per share, but will have to dig deeper into its bank account because PeopleSoft is issuing an additional 53 million shares as part of its US\$1.8 billion acquisition of J.D. Edwards. The J.D. Edwards purchase also reduces PeopleSoft's cash by US\$500 million.

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



Week of 20 July - 26 July 2003

- **Sun Microsystems barely broke even in its fiscal fourth quarter and reported a larger-than-expected sales decline of 13 percent.** The struggling maker of servers and storage systems earned US\$12 million in the quarter. Excluding a US\$24 million loss from investments, Sun reported earnings of a penny per share. Sun posted sales of just under US\$3 billion, below the Wall Street consensus of US\$3.1 billion, and down from US\$3.4 billion a year ago. For its full fiscal year, Sun reported a net loss of US\$2.4 billion, which included a US\$2.1 billion impairment charge to write down goodwill. Sun lost US\$587 million in fiscal 2002. Sales for the year came in at US\$11.4 billion, a 9 percent decline from fiscal 2002.

Telecommunications

- **Qwest Communications International Inc. is close to a deal with Sprint Corp. under which Qwest would offer wireless service using Sprint's network,** according to people familiar with the situation. Qwest would market the service under its own brand name to consumers within its local service in the western and mountain states. Qwest also could offer service to businesses around the entire country, these people say. The deal could also involve Qwest moving its existing, roughly one million wireless customers off of its network and onto Sprint's wireless network.
- **AT&T Corp. swung to a US\$536 million profit in the second quarter, but revenue for the nation's top long-distance company's revenue fell 8.2%** as demand remained weak and price competition continued. The company announced plans for a 27% annual dividend increase to 23.8 cents a quarter and a debt buyback of as much as US\$2 billion this year. The combination of the dividend increase and earnings that were better than some analysts expected helped boost AT&T shares.
- **Qualcomm Inc. said that it has filed suit against Texas Instruments Inc., alleging breach of a patent portfolio agreement** the companies signed in December 2000. The agreement allowed the companies to make and sell semiconductors for wireless communications applications without the threat of patent litigation being brought by the other party. Asked to elaborate on the issues behind the complaint, Qualcomm Senior Vice President and General Counsel Louis Lupin said the claim covers confidential portions of the agreement, and he could not go into specifics without potentially violating the agreement himself.
- **SBC Communications Inc. reported a sharp drop in second-quarter net income, as its core local phone service continued to erode** in face of a weak economy and tougher competition. But the nation's second-largest phone company also reported strong second-quarter customer gains in long-distance services and Digital Subscriber Line, or DSL, high-speed Internet connections. Wireless operator Cingular, 60%-owned by SBC, also reported a sharp rise in customers. Those gains provide evidence that SBC is beginning to succeed in its drive to sign up new customers by offering discount packages for multiple telecommunications services.
- **Qualcomm Inc. posted a quarterly profit on increased revenue, helped by demand for its advanced phone chips that allow users to surf the Internet at high speed.** The company, which sells mobile phone chips and licenses wireless technology, also forecast earnings, excluding investments, for the current quarter in line with analysts' expectations. Qualcomm reported a net profit of US\$191.7 million for its fiscal third quarter compared with a loss of US\$13.8 million a year ago. Revenue in the quarter was US\$921.6 million, compared with US\$770.9 million a year ago.

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



Week of 20 July - 26 July 2003

Europe

Hardware

- **Siemens AG said its net profit fell 13% in its fiscal third quarter**, but the results beat market expectations. Siemens, which makes everything from power plants and telephone networks to car parts and hearing aids, reported net income €632 million (US\$725.4 million) for the latest quarter, compared with €725 million (US\$834.7 million) in the year-earlier period.
- **STMicroelectronics reported weak second-quarter profit, hit by price pressures and a soft dollar, and warned of shrinking profit margins.** The Franco-Italian company said its gross profit margin rose to 35.7 percent of sales during the second quarter but would drop back to 35.0 percent in the third quarter. STMicroelectronics' second-quarter net profit fell to US\$79.5 million.

Mobile / Wireless

- **Swedish telecommunications giant Ericsson said it would open an 80 million ringgit (US\$21 million) regional expertise hub in Malaysia** to prepare for a potential boom in demand. The center, located in the Cyberjaya township in the Multimedia Super Corridor (MSC) for hi-tech firms, will be launched by Prime Minister Mahathir Mohamad. The Ericsson-MSC center would showcase mobile telecommunication networks from GSM to 3G technologies and its 500 engineers and staff would support 3G growth in the region.

Semiconductors

- **Infineon Technologies AG said its fiscal third-quarter loss widened from a year earlier**, but reaffirmed it expects to return to the black during the fourth quarter, after its memory-chip business produced a small profit. The net loss at the Munich semiconductor maker was €116 million (US\$131.4 million) during the three months ended June 30th, compared with a loss of €76 million (US\$87.5 million) a year earlier. The company said the bigger loss was partially due to a €68 million (US\$78.3 million) write-down of its interest in Catamaran Communications Inc. of the U.S. and lower tax benefits from a year earlier.

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



Week of 20 July - 26 July 2003

Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 7/25/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.7700	-0.2%	-9.8%	0.0%	0.0%
Hong Kong dollar	HK\$/ US\$	7.7994	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2775	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7457	0.8%	-5.5%	-0.6%	1.0%
South Korean won	KRW/ US\$	1180.1500	0.2%	-10.2%	0.5%	0.9%
New Taiwan dollar	NT\$/ US\$	34.4000	0.2%	-1.7%	0.7%	-2.1%
Australian dollar	US\$/A\$	0.6635	2.4%	30.2%	18.2%	23.8%
New Zealand dollar	US\$/NZ\$	0.5877	2.5%	41.2%	12.1%	27.0%
Philippine peso	PHP/ US\$	54.0250	-0.6%	4.6%	-0.8%	-5.0%
Euro	US\$/€	1.1507	2.1%	29.4%	9.7%	16.6%
British pound	US\$/£	1.6215	1.9%	11.6%	0.7%	3.6%

Fixed Income Prices and Yields

Note	Currency	Current (on 7/25/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	103.7969	5.12%	106.6094	4.93%	112.6406	4.57%
Japan 30-year	¥	111.2565	1.61%	114.8010	1.45%	122.9485	1.12%
Hong Kong 10-year	HK\$	121.6005	3.67%	123.0967	3.44%	125.9449	3.04%
China (10/2027)	US\$	138.7998	4.78%	140.0226	4.71%	151.0155	4.15%
Singapore 10-year	S\$	112.4700	2.64%	113.4825	2.50%	118.5309	1.80%
South Korea 10-year	US\$	121.9527	3.74%	122.4560	3.66%	124.8426	3.23%
Australia 15-year	A\$	108.3985	5.38%	109.0960	5.30%	111.9330	4.96%
New Zealand (07/2009)	NZ\$	107.9289	5.42%	108.1796	5.38%	109.6879	5.12%
Philippines 20-year	PHP	149.0460	11.92%	149.0335	11.92%	148.1911	12.00%
India 20-year	INR	149.8595	5.95%	149.2453	6.00%	149.7309	5.97%
UK 30-year	£	93.5260	4.66%	93.1770	4.68%	95.7399	4.52%
Germany 30-year	€	110.0780	4.82%	109.2139	4.88%	112.3101	4.69%

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