

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



Week of 3 August - 9 August 2003

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Equity Market Indicators					
Index	Closing Level (8/8/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	977.59	-0.3%	-15.3%	11.1%	25.4%
Dow Jones Industrial Avg.	9,191.09	0.4%	-8.8%	10.2%	25.3%
Dow Jones Tech. Index	278.48	-4.3%	-17.4%	21.3%	53.6%
Dow Jones Telecom. Index	158.81	0.4%	-23.8%	7.4%	36.7%
NASDAQ Composite	1,644.03	-4.2%	-16.9%	23.1%	48.3%
The Street.com Net	116.03	-6.7%	-40.7%	35.5%	86.9%
Japan Nikkei 225	9,327.53	-3.0%	-14.2%	8.7%	11.6%
Japan TOPIX	917.47	-2.6%	-13.0%	8.8%	12.3%
Korea KOSPI Composite	704.14	-3.2%	-2.9%	12.2%	21.5%
Korea Kosdaq	48.16	-3.0%	-35.3%	8.6%	11.0%
Taiwan Stock Exchange	5,232.55	-2.9%	-6.6%	17.5%	36.6%
Singapore Straits Times	1,534.54	-1.4%	-5.6%	14.4%	15.2%
Hong Kong Hang Seng	9,945.22	-3.0%	-12.4%	6.7%	12.4%
Hong Kong GEM	1,122.99	-3.1%	-41.0%	18.1%	25.8%
China Shanghai (A-Share)	1,540.79	-0.4%	-8.1%	8.6%	12.9%
China Shenzhen (A-Share)	421.20	-0.1%	-14.0%	2.7%	9.1%
China Shanghai (B-Share)	109.63	-1.5%	-35.1%	-3.4%	-1.1%
China Shenzhen (B-Share)	231.52	0.1%	-11.5%	23.8%	26.9%

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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
8/6/03	Genitope Corp. [GTOP.US]	Biotechnology	TBA	Researches and Develops novel immunotherapies for treatment of cancer. The company is developing a product for the treatment of B-cell non-Hodgkins lymphoma.	WR Hambrecht & Co. LLC	Punk Ziegel & Knoell

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

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 8/8/03	% 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 8/8/03	% Change From Offer
8/7/03	Beijing ZhongChuang Tele-A [600485.CH] (Shanghai)	Develops and manufactures test and maintenance equipment for telecommunication networks. Also provides technology consultation and technology services.	US\$22.2	RMB 10.2	RMB 18.4	79.8%
8/8/03	Artist House Inc. [3716.JP] (TSE)	Provides management services of copy right for domestic and foreign writings. The company's subsidiaries provide entertainment e-commerce services as well as publish foreign books and produce movies & DVD.	US\$3.4	¥ 240,000	¥ 277,000	15.4%

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Weekly Highlights

International

Hardware

- **The European Commission said that the worldwide licenses on CD disc technology owned by Philips NV and Sony Corp. did not restrict competition.** The Commission, which launched a probe after complaints by companies that burn CDs using Philips/Sony technology, said it had checked all the agreements in the companies' CD Disc Licensing Program and cleared it. The two consumer electronics firms jointly developed the CD recording system in the early 1980s and helped make it universally popular by allowing anyone to make pre-recorded CDs in return for royalties. But some firms that make pre-recorded CDs, so-called replicators, complained in 2000 that the licensing conditions by Philips/Sony were "opaque" and that royalty payments were not in line with the value of the licenses. This resulted in an overhaul of Philips/Sony's standard licensing agreement -- which covers CD Audio, CD ROM, CD Text and CDEC Extra discs -- to ensure that it fully complies with the EU's competition rules.

Software

- **European regulators' takes aim at Microsoft's tactic of bundling one software program with another to help it battle competitors and move into new markets.** Microsoft, which dominates the market for personal-computer operating systems and applications software, has successfully dodged restrictions on the practice in its U.S. antitrust battles. But the European cases again raise the specter that regulators eventually could impose limits on Microsoft's ability to bundle its products. Bundling was a major issue in a warning to Microsoft that the European Commission issued.

Japan

Hardware

- **Hitachi Ltd. plans to expand the application of its HDD (hard-disk-drive) technology, currently used mostly for computers and servers, to home appliances** including DVD recorders and digital cameras. The company aims to bolster sales of HDD-related products from the ¥480 billion (US\$4.0 billion) projected for the current fiscal year to ¥780 billion (US\$6.6 billion) in 2005. Hitachi recently set up an HDD technology R&D division for digital appliances, including DVD recorders with a built-in 1-2.5-inch HDD, car navigation systems, cellular phones and digital cameras. Since it purchased IBM's HDD operations last year, Hitachi has become the world's largest HDD manufacturer. The global market for HDD products is expected to grow from 250 million units now to 300 million units in 2005.
- **A research team from the Tokyo Institute of Technology and Yamanashi University has developed an electride material that emits electrons** and retains its properties at normal temperature and pressure. The material has promising uses in a next-generation type of flat-panel display known as the field-emission display (FED). In an FED, each pixel is driven by a separate tiny electron-emitter, similar to the electron gun that is scanned across the picture tube of a conventional CRT display. The advantage of FEDs is that they require very little power. The research team plans to investigate the

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properties of this new electride material, aiming to partner with material makers to design emitters and test actual products.

- **A smart prepaid card usable in China, South Korea and Japan would help promote tourism among the three countries** and should be issued ahead of the 2008 Beijing Olympics. A similar type of prepaid card was tested by Japan and South Korea when they jointly hosted the World Cup soccer finals last year. Fans could use the cards in both countries for shopping and transportation, eliminating the hassle of exchanging currencies and walking around with a pocket full of coins.
- **The recent development of ultra-fine chip processing technology by Semiconductor Leading Edge Technologies Inc. (Selete) will likely open the way for mass-producing system chips with a line width of 65 nanometers by 2007.** The new technology can process all parts of a 300mm-diameter silicon wafer with accuracy as fine as 30 nanometers, to make it into system chips with a 65-nanometer line width. Selete is an entity that is promoting an R&D project called Asuka, using photolithography and transistor technologies for system chips on which a 65-nanometer circuit is printed, with Toshiba Corp., Matsushita Electric Industrial Co. and Fujitsu Ltd. among the project participants.

Internet

- **NTT East Corp. and NTT Bizlink Corp. intend to soon begin a joint service to develop and operate local area networks (LANs) on behalf of corporate customers.** Under the BizLink Managed LAN Service, the two companies will also offer a maintenance service as well as a high-speed fiber-optic link between customers' LAN systems to NTT Bizlink's data center which hosts the servers. The two firms will also handle customer queries about how to use application software and check their systems for viruses. Companies can lower their telecom-related costs by 20% through using the service instead of building and operating LAN systems on their own, the officials claim. Monthly service charges for a LAN system comprising 300 computers will start at ¥2.9 million (US\$24,500).
- **Global Access Ltd., an affiliate of Marubeni Corp., will launch a service to back up data for corporate clients who need to exchange information with business units located far away.** The service will be offered using a data transmission method called Fiber Channel (FC). In providing the service, the firm will use data relay equipment developed by Ciena Corp. that enables data to be backed up even if held by business units located several thousand kilometers apart. Conventional FC-based services can only back up data over a much shorter distance of up to 40km. The new service will allow, for example, a financial institution's business units in Tokyo and Osaka to share the same data. It will enable data that is updated at the Osaka unit to be instantly copied by the one in Tokyo, meaning the financial institution will have no problem if data at either unit is lost due to unforeseen disasters.

Media, Entertainment and Gaming

- **Sega Corp. reported a fiscal first-quarter net profit of ¥1.9 billion (US\$15.7 million) on stronger-than-expected sales of videogame-software titles.** The firm did not disclose year-earlier figures because this was the first time the company reported quarterly earnings. Net profit and sales during the quarter ended June 30 were stronger than expected. Sega reported a group operating profit of ¥2.7 billion (US\$22.6 million) and sales of ¥42.4 billion (US\$355.2). The company maintained its earnings projections for the full year ending March 2004 with a net profit of ¥7.5 billion (US\$63 million) on sales of ¥193 billion (US\$1.6 billion).

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- **Major Japanese telecommunications companies are set to enter the market for online video games** that enable people to play against each other over broadband networks. KDDI Corp. will begin to offer a service in September that allows users of the PlayStation 2 game console to play games online for a fixed monthly charge. KDDI's multi-matching BB service will let people play online games compatible with PlayStation 2 machines for a flat monthly fee of ¥900 (US\$7.6) through ADSL or fiber-optic networks. It will cost ¥800 (US\$6.7) for subscribers to KDDI's Dion Internet access service. Capcom Co. and Bandai Co. will release a total of four games compatible with KDDI's service by the end of this year, to be followed soon after by Taito Corp. and other firms. Use of some of the titles will require players to pay an extra fee.
- **Nintendo announced plans for new products that would appeal to a broader range of game fans**, saying the complexity of today's videogames is scaring off consumers and has lost its allure, as they are too difficult for the average users to enjoy anymore. Despite the popularity of high-tech games, The company said investing too heavily in developing them is perilous. Nintendo booked solid sales of its Gameboy Advance SP hand-held unit but poor sales of the home-use GameCube game console for the fiscal first quarter ended June 30. The firm believes new titles such as Pokemon Coliseum and an addition to the Mario Kart series will help boost worldwide GameCube sales by the end of March 2004.

Mobile / Wireless

- **NTT DoCoMo Inc. posted earnings for the April-June quarter of ¥196.8 billion (US\$1.6 billion) due to the introduction of new handsets and the expanded use of data-communications services**, this representing 32% of its full-year net profit target of ¥618 billion (US\$5.2 billion). It did not provide comparative figures because this is the first time the Japanese mobile-phone giant has posted quarterly earnings. The figure is close to the ¥212.5 billion (US\$1.8 billion) profit it posted for the whole of last fiscal year. DoCoMo, however, warned that higher costs and severe competition in Japan's cell phone market could temper the pace of profit growth. It had group operating profit of ¥337 billion (US\$2.8 billion) on group revenue of ¥1.3 trillion (US\$105.2 billion) in the three months ended June 30, helped by the success of its handsets for its second- and third-generation wireless services.

Telecommunications

- **NTT East Corp. and NTT West Corp., the regional carriers of Nippon Telegraph and Telephone Corp. announced the launch of IP (Internet Protocol) telephony service** targeting corporations as soon as October. They also filed applications with the Telecommunications Ministry for approval to operate the service. The new service will initially be introduced in Tokyo and Osaka before being rolled out to the rest of the country. To improve the sound quality, client firms will be connected via dedicated fiber-optic lines. Based on current regulations, companies will be able to keep the same phone numbers even after switching to IP telephony if the sound quality is comparable to that of fixed-line service.

Venture Capital / Investments

- **Softbank Corp made a net loss of ¥34.7 billion (US\$289 million) during the April-June quarter, as it continued to pour money into a risky high-speed Internet-access business.** Softbank's loss for the three months ended June 30 was around 60% of the group net loss of ¥55.8 billion (US\$468.8 million) the company posted in the six months to September 2002. Softbank also said it had an operating loss of ¥24.1 billion (US\$202.5 million) on revenue of ¥103.8 billion (US\$872.1 million) in the latest quarter. Softbank attributes some of the losses to an investment to expand an ambitious

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Japanese broadband service called Yahoo! BB that is facing fierce competition from former phone monopoly NTT.

- **NTT Electronics Corp. and Oki Electric Industry Co. will form partnership to cover a wide range of optical communication device businesses**, including the integration of both firms' production lines. The move is aimed at improving the companies' product performance, cost competitiveness and management efficiency in this field. Under the agreement, the two will integrate their wafer-process and volume-production technologies for laser diode chips, photo diode chips, modulators and hybrid-function devices into NTT Electronic's production lines. They also plan to jointly develop new optical communication devices to broaden their lineups and strengthen their sales capabilities. In addition, the two said they will consider expanding the partnership to include the integration of assembly process and offshore manufacturing.

Korea

Hardware

- **South Korea is set to challenge the European Union over duties it has imposed on imports of computer memory chips**, according to the World Trade Organization. WTO officials said South Korea, which claims the duties breach global trade rules, made a formal request for consultations with the EU. Such a move is usually the first step to a full-blown legal dispute at the global trade body. In April, the EU imposed a provisional 33% tax on imports of computer memory chips made by Hynix Semiconductor Inc., accusing the South Korean firm of receiving illegal government subsidies. Hynix is the world's third-largest chipmaker. However, the EU cleared another South Korean chipmaker, Samsung Electronics Co., No. 1 in the business worldwide, of any wrongdoing.
- **Samsung Electronics Co. announced that it has reached an agreement to make and sell Sony's memory sticks** under its own brand name starting this September. The agreement came two years after the two electronics companies formed a business partnership when Samsung decided to incorporate the then new breed of memory devices into its products. Samsung has since been using memory sticks in its DVD players, digital camcorders and computers. Now that it has embarked upon the production of memory sticks on its own, Samsung plans to expand the use of the devices into other high-tech electronics products including handsets and digital cameras, flagship items of the firm. The memory stick is a portable storage medium that can carry various kinds of data including text, voice and video files of up to 128 megabytes in size.
- **Samsung Electronics will sell 50,000 camera-embedded 3G handsets to a Taiwanese cdma2000 1x service operator.** Asia Pacific Broadband Wireless will utilize Samsung's upscale 3G device, which is capable of sending and receiving data at rates of up to 153 kilobits per second. The phones are also equipped with a 352 x 228 pixel rotating camera, 40-poly ringer and multimedia video player. According to Samsung, APBW, Taiwan's first 3G mobile service provider, chose its mobile phones when the company started operations last month. Experts expect Taiwan to see an average of 47 percent annual growth in demand for the cutting-edge mobile communications service in the coming years.

Information Technology

- **Regional needs differ for IT related hardware according to a Korean trade agency.** Security and wireless communications equipment, displays and network systems will be promising export items to the North American market next year. The state-run Korea Trade-Investment Promotion Agency said

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demand for those IT items will increase next year in the United States and Canada, which combined account for 39 percent of the global IT market. For the European market, mobile and online games, LCD monitors and security and broadcasting equipment were cited as the products that would be in high demand. The agency believes mobile and online games, wireless communications and security equipment will be promising in China and Japan's main IT imports will be mobile solutions, online games and security software.

Internet

- **The Ministry of Information and Communication will launch a Korean Hangeul Internet address domain system** on Aug. 19 in partnership with the Korea Network Information Center (KRNIC), the country's Internet address registration agency. The ministry said that the use of Hangeul domains would help people unfamiliar with English to enjoy easy access to the Internet. Those who want to use the Korean-language domain names need to download a program from the ministry's website as Internet Explorer and other browsers do not support the use of Hangeul addresses. To minimize the chances of possible domain disputes and cyber-squatting, the KRNIC plans to let government office names and accredited corporate and brand names be registered first before opening public registrations.
- **The Korean government is pushing for a law revision to toughen the punishment for computer hacking and enhance measures to protect private information online.** The Ministry of Information and Communications said that those convicted of attempted hacking would face punishment of up to three years in jail or fines of 30 million won (US\$25,410) starting next year. Currently, punishment is only handed out when the hacking attempt is successful. The ministry has recently drawn up a draft for the amendment that calls for punishment of hackers trying to access other networks without authorization or in excess of the permissible scope, the ministry said.
- **KT Corp. has launched a web storage service, allowing subscribers to save their files, aided by encryption and automatic backup functions.** KT's move is aimed at carving out a bigger share of the fast-growing corporate web-based storage market, which is dominated by its rival Dacom Corp., a unit of the LG Group. KT web storage service would help small enterprises to save and back up their critical database files. The service offers online storage capacity of 1 gigabyte and 10 user accounts for 10,000 won (US\$8.50) per month.

Media, Entertainment and Gaming

- **Webzen posted 14.6 billion won (US\$12.3 million) in sales for the second quarter ended June 30, up 12 percent from the previous quarter.** Its second-quarter operating profit reached 8 billion won (US\$6.8 million), down 9 percent from the first quarter. Current profit stood at 10.7 billion won (US\$9.1 million), up 18.7 percent from the previous quarter. Of the total sales, 2.6 billion won (US\$2.2 million) came from royalty income for licensing its online game services in overseas markets like China while 11.9 billion won (US\$10.1 million) came from Internet games in the domestic market. For the first six months of this year, Webzen posted 27.6 billion won (US\$23.4 million) in sales, up 174.9 percent from the year-earlier period. Operating profit was 16.8 billion won (US\$14.2 million) and current profit 19.6 billion won (US\$16.6 million).

Mobile / Wireless

- **While domestic sales of mobile phones dropped 4.3 percent overall from the previous month in July to 1.1 million units, individual sales performances are sending mixed signals throughout**

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the industry. Samsung Electronics Co., Korea's largest mobile phone manufacturer, sold 590,000 units last month, down 6.8 percent from June, and accounting for a 54-percent market share. LG Electronics Co. sold only 220,000 units locally, representing a market share of 20 percent. LG's sales fell by 13.6 percent on a monthly basis due to sluggish demand for its camera phones. As a result, LG plans to introduce new products, like a camcorder phone and a touch-screen camera phone this month to regain market share. On the other hand, another cellular phone manufacturer, Pantech & Curitel Inc., has enjoyed surging sales of its camera phones, supplying 140,000 units in July for 7.7 per cent monthly growth. Pantech & Curitel Inc. was the biggest provider of camera phones, which accounted for 71 percent of its overall mobile phone sales, up from 53 percent in June. Motorola's sales also increased 15 percent to 61,000 units.

Telecommunications

- **Shareholders of Hanaro Telecom Inc. rejected a proposal to issue new shares valued at 500 billion won (US\$421.9 million),** setting back LG Corp.'s plans to combine the company with its telecommunications affiliates. The rights offering was proposed by LG, Hanaro's largest shareholder, to counter a US\$450 million equity-injection offer from a group of foreign investors including AIG Inc. and Newbridge Capital Inc., both of the U.S. The proposal was approved by Hanaro's board last month and required final approval from shareholders. Samsung Electronics Co., which holds 8.4% of Hanaro, and wireless operator SK Telecom Co., which owns a 5.4% stake, voted against LG's plan. Another major shareholder, Daewoo Securities Co., which has a 4.3% stake, voted in favor of the proposal. Hanaro is South Korea's second-largest high-speed Internet-access provider after KT Corp. LG, the holding company for South Korean conglomerate LG Group, holds a combined 15.9% stake through various affiliates.

China

Hardware

- **Legend Group Ltd. reported a 4% rise in net income for its fiscal first quarter, as growth was slowed by the region's outbreak of SARS.** The company said it still is feeling the effects of SARS, because corporate and government customers continue to delay purchases. The company relied more heavily on retail consumers during the three months ended June 30, moving its typical back-to-school promotion to May from July to boost sales. But the promotion's timing contributed to a sizable jump in inventory at quarter's end, something personal-computer makers try to avoid, because PCs lose value rapidly. Legend earned HK\$278.3 million (US\$35.7 million) during the quarter, up from HK\$267.9 million (US\$34.3 million) a year earlier. Revenue grew 11% to HK\$5.3 billion (US\$684.6 million) from HK\$4.8 billion (US\$615.4 million). Corporate PC sales, which accounted for 48% of revenue, grew 3.3% in the quarter. Consumer sales, which accounted for 38% of revenue, jumped 12%.
- **TriGem Computer plans to enter the personal digital assistant market in China** by supplying 5,000 PDAs to a state-run organization by early 2004. TriGem said it will ship the PDAs through its local partner D-View, a systems integration company based in Beijing. Targeting state-run agencies, TriGem said it aims to ship 20,000 units by the end of the year and 100,000 units in 2004.

Internet

- **Sprint's data traffic between China and the U.S. had hit two gigabits a second this year, ranking it alongside MCI as the top Internet protocol service providers in China.** Sprint - one of the few

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foreign carriers to have registered revenue growth in an industry that has seen prices fall by more than 80 per cent in the past 12 months - plans to expand in the region. The carrier had achieved close to 30 per cent data revenue growth in China over the past 12 months, with many of its Hong Kong clients moving their headquarters to the mainland. Their demand for bandwidth had increased as prices dropped, with the same amount of corporate budget allowing them to enjoy faster connections.

Media, Entertainment and Gaming

- **Shanda Network, China's largest online game company, is due to set up a Seoul branch so it can better integrate itself into the Korea's Internet game industry.** The firm announced it would soon open an office in Korea that would secure content from local game companies and then distribute it in China. Shanda said though the initial focus of the firm would be on building contacts with Korean game companies to find quality games, it may eventually begin introducing Chinese programs to Korean gamers. Shanda saw great profits by serving "Legend of Mir2," an immensely popular online game developed by Korea's Actoz Soft. The game boasts over 700,000 concurrent users. Shanda sells other Korean games, including "Fortress 2," "B&B," "Crazy Arcade" and "Tactical Commanders."

Mobile / Wireless

- **China International Trust and Investment Corp (CITIC) has injected assets into 21 CN CyberNet**, in which it has a 27 per cent interest. CyberNet acquired 45 per cent of Beijing HL 95 from CITIC in a 36 million yuan (US\$4.3 million) deal, which also included future investment into Beijing HL. The initial up-front cost was 13.5 million yuan (US\$1.6 million), but CyberNet and CITIC are obligated to future investments of 22.5 million and 27.5 million yuan (US\$2.7 and US\$3.3 million) in Beijing HL respectively.
- **Unicom may achieve its subscriber target for CDMA services despite price war with China mobile.** China Unicom acknowledged the price war was having an impact on business, but said it was not significant. China Unicom had acquired nine million subscribers in the first half of this year. Nonetheless analysts doubt whether China Unicom can achieve its goal of adding 11.4 million CDMA subscribers this year. In the first half, it signed up 3.74 million CDMA users.
- **Ningbo Bird has become the first Chinese mobile phone maker to beat foreign rivals in new mobile handset sales.** According to a report by the Ministry of Information Industry (MII), Ningbo Bird captured 15 per cent of the mainland's handset market in the first six months of this year, bumping Motorola with 14.2 per cent into second place. The company, which mainly targets the middle and low-end markets, attributed its market dominance to a better understanding of local preferences and lower prices. Ningbo Bird said a wider network of distribution channels was another reason for the success. In the first six months, local brands claimed 55.3 per cent of the domestic market, 16.2 percentage points higher than their share for the whole of last year. TCL, another major mainland handset maker, ranked third with 11.6 per cent of the domestic market, followed by Nokia's 9.7 per cent and Konka's 6.7 per cent.

Software

- **Kingdee International Software Group has posted a 10.7 per cent year on year rise in interim profit** and analysts expect double-digit growth for its yearly earnings. The company reported a first-half net profit of 14.5 million yuan (US\$1.8 million), compared with 13.1 million yuan (US\$1.6 million) a year ago. Turnover grew 26.6 per cent year-on-year to 157.7 million yuan (US\$19.1 million). IDC has forecast

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the mainland application software package market will grow at 25.5 per cent a year until 2007. Kingdee is well position to benefit from this growth.

Taiwan

Hardware

- **Taiwan Semiconductor Manufacturing Company's (TSMC) sales in July was NT\$17.7 billion (US\$512.4 million)**, down 1.1 per cent from NT\$17.9 billion (US\$518.1 million) the month before, because of seasonal inventory adjustments by its clients. However the volume marked a 30.4 per cent rise from NT\$13.5 billion (US\$391.9) a year earlier. The company's sales in the seven months to July rose to NT\$106.9 billion (US\$3.1 billion) from NT\$93.5 billion (US\$2.7 billion) a year earlier. TSMC was reiterating its third-quarter guidance and expected wafer shipments in the third quarter to September to grow at mid-to-high, single-digit percentage points quarter-on-quarter. The company also expects the third quarter average selling price to hold firm, albeit with a potential to improve sequentially, and its capacity utilization rate to exceed 90 per cent.
- **Midyear earnings reports of the Taiwan companies that make many of the world's electronic gizmos are fueling hopes that the global technology industry can sustain its momentum** for the rest of the year. These companies, makers of semiconductors, personal computers, flat-panel displays and other products sold to consumers and businesses by big companies such as Hewlett-Packard Co. and Motorola Corp., recently announced relatively positive numbers for the second quarter and healthy outlooks for the current quarter. A sustained improvement for Taiwan's technology sector would be good news for the global tech industry, which is still struggling to regain firm footing after a lengthy slump. Given the number of different products and customers of Taiwan's technology companies, which make most of the world's notebook computers and a growing share of its digital cameras and mobile phones, they offer a useful window on the health of the broader industry.
- **United Microelectronics Corp (UMC) said its sales in July fell 0.28 per cent from June.** Last month, UMC posted sales NT\$7.0 billion (US\$203 million). The July figure was up 4.3 per cent from a year earlier. In the seven months to July, UMC's sales rose to NT\$46.6 billion (US\$1.4 billion) from NT\$37.5 billion (US\$1.1 billion) in the same period last year. The company expects its wafer shipments in the third quarter to come in a low- to mid-single-digit percentage point lower than the second quarter, with average selling prices flat to higher. The third-quarter capacity utilization rate was estimated to be close to 80 per cent, down from 85 per cent in the second quarter.

Singapore / Malaysia / Philippines / Indonesia

Telecommunications

- **Singapore Telecommunications Ltd. said it is confident that its overseas businesses will spur group revenue growth for the rest of the year**, as it reported that its fiscal first-quarter net profit tripled from a year earlier, lifted by a huge one-time gain from the sale of assets. The results from Southeast Asia's biggest telecom operator show that the company's overseas expansions in recent years are starting to pay off and are helping offset the impact of telecom liberalization and market saturation at home. Singapore Telecommunications posted a better-than-expected S\$1.2 billion (US\$680.5 million) net profit for the April-June period, compared with S\$377 million (US\$214.5 million) a year earlier.

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Excluding exceptional items, SingTel's first-quarter net profit rose 70% to S\$495 million (US\$281.7 million) from a net profit of S\$291 million (US\$165.6 million) in the corresponding period of last year. The jump in profit was boosted by the 69% sale of local postal operator Singapore Post Ltd. and from the sale of its Yellow Pages directories business.

- **SingTel is interested in increasing its current 29.1 stake in its Philippine affiliate, Globe Telecom.** Germany's Deutsche Telecom is in talks with its joint venture partners SingTel and the Philippines' Ayala to sell its entire 24.8 per cent stake in Globe. Press reports in Manila said the shares on offer would be worth between US\$400 million and US\$500 million. Ayala Corp. holds a 32.7 per cent stake in Globe.

Hong Kong

Internet

- **Hongkong.com announced an eightfold increase in interim profit, boosted by strong sales from a mobile messaging unit it acquired in April.** The subsidiary of Chinadotcom said net profit in the first half was HK\$28.0 million (US\$3.6 million), up from HK\$3.5 million (US\$448,700) a year ago. Turnover jumped 172.3 per cent to HK\$67.5 million (US\$8.7 million), of which 68.5 per cent was from the mainland and less than 10 per cent from Hong Kong. In the second quarter, the company recorded a profit of HK\$20 million (US\$2.6 million) of which HK\$17 million (US\$2.2 million) came from short messaging service (SMS) provider Newpalm Information Technology. Newpalm had 4.4 million subscribers at the end of the first half, up from 2.4 million at the end of last year. Hongkong.com said it would soon announce the acquisition of another mainland SMS firm after clearance from the HK Stock Exchanges and Clearing.
- **Yahoo! hopes to increase its revenue from Hong Kong with the launch of Yahoo! Enterprise Solutions (Y!ES).** Y!ES is a series of value-added services and applications aimed at corporate customers. The company hopes the new services will appeal to businesses looking to take advantage of the recently signed closer economic partnership agreement (CEPA) between Hong Kong and the mainland. Yahoo is hoping that the CEPA's signing would trigger companies to expand in the Pearl River Delta and that would create more communication needs. Three main services on offer are: portal solutions, broadcast solutions and an enterprise edition of the popular Yahoo! Instant Messenger. The company also provides professional services such as usability, user adoption and taxonomy consulting.

Mobile / Wireless

- **Hutchison Telecom's 3 will be the first to launch 3G service in Hong Kong.** Its website gives a glimpse of the array of services the new generation of wireless phones will bring to Hong Kong. The emphasis of the 3G service is on high-speed data transmission. So features include: video conferencing, messaging in video, audio, text or images, receiving live game scores, watch sports highlights, video downloads and faster and better games. Then there is the location guide, which is capable of pinpointing where the user is and will list the names and location of stores, banks, cinemas and restaurants on a digital map. 3G phones can transfer data at a rate of 384 kilobits per second (kbps) compared with 128 kbps on general packet radio service phones.

Telecommunications

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- **Hutchison Global Communications has been given a written warning for using disreputable tactics to poach PCCW customers.** Door-to-door sales staff from Hutchison Global Communications misled customers to try to get them to switch networks from PCCW. An investigation by the Telecommunications Authority, carried out after a complaint from PCCW, confirmed that Hutchison sales staff duped landline phone users in public housing estates during a promotional drive last year. They tried to get customers to switch networks by telling them PCCW had transferred the telephone lines on their estates to Hutchison. Residents were then asked to sign a form agreeing to use Hutchison's services, only to discover later that the claims about the lines being transferred were untrue.
- **Wharf Holdings is setting up a separate long-distance telephone arm to take on rival City Telecom.** Wharf will launch wholly owned subsidiary EC Telecom and offer aggressively priced IDD calls through its IDD1507 brand. City Telecom, which derived 85 per cent of its first-half revenue from IDD services, said it did not see the new Wharf unit as a threat. This competition in the fixed-line and IDD markets could extend itself into the pay-television market as well.
- **PCCW says it has signed up more than 100,000 subscribers in the week following the launch of its fixed-line data services, well on track to its target** of 300,000 subscribers by next year. In response to PCCW's new service launch, its competitors responded by slashing their prices in a bid to retain customers. Residential fixed-line telephone operators such as Wharf T&T, New World Telecommunications and Hong Kong Broad Network have all lowered tariffs to lure subscribers. Among them, Wharf T&T is offering a promotional HK\$1 (US\$0.13) monthly tariff scheme on signing a one-year contract to attract subscribers to switch networks. Hong Kong Broad Network, controlled by City Telecom, launched a HK\$57 (US\$7.3) monthly tariff scheme on a two-year contract.

United States / Canada

e-Commerce

- **InterActiveCorp said strong sales at its online travel agents boosted overall second-quarter revenue 38%, but net income fell,** mainly due to a large gain a year earlier. Net income fell to US\$96.2 million from US\$2.3 billion a year earlier, when results were boosted by a US\$2.4 billion gain on the sale of the company's cable, film and television assets to Vivendi Universal Entertainment. Revenue rose to US\$1.5 billion from US\$1.1 billion, thanks in large part to Expedia Inc. and Hotels.com.

Hardware

- **Intel Corp. and Broadcom Corp. agreed to settle a bitter patent dispute which entailed a US\$60 million payment by Broadcom to Intel.** The two chip makers agreed to end all outstanding litigation, and to grant each other licenses to patents issued up until August 2008. No royalties will be paid by either company under the cross-license agreement. Intel and Broadcom have been scrapping in court since 2000. In March 2000, Intel sued Broadcom for theft of trade secrets after Broadcom sought to hire some former Intel employees. Intel followed up with a broad patent infringement suit that summer, focusing on both communications and chip packaging technologies. Broadcom fired back with its own patent infringement charges the following year.
- **IBM is so certain of the success of the eServer iSeries that it is willing to invest US\$500 million in the platform over the next two years.** The iSeries is the next generation of IBM's AS/400 series, the highly successful server range that can be found behind many high-availability banking and financial systems. IBM iSeries are considerably more expensive than most similarly configured Unix systems, but

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despite the high prices, IBM has begun to play up the iSeries' long-run cost effectiveness as maintenance and professional management costs can be minimized.

- **Nvidia Corp., which makes chips that power computer graphics, said it will buy privately held MediaQ Inc. for US\$70 million** to expand more quickly into the hot market for wireless mobile devices. Nvidia said it would pay mostly cash for the deal, which it expects to close in the third quarter of its 2004 fiscal year. Six-year-old MediaQ makes chips and accompanying software that help minimize power consumption and improve graphic displays in mobile devices made by Palm Inc. and Microsoft Corp., among other suppliers.

Internet

- **Merrill Lynch & Co. staffers are being blocked from viewing e-mail from America Online, Yahoo! Inc. and similar services.** Some investment banks such as Goldman Sachs Group Inc. and Morgan Stanley have had similar policies in place for years and those firms that do not may soon follow suit. The subject of e-mails has been a touchy one lately as regulators have cracked down on firms for failure to properly keep e-mail. Regulators require firms to retain all employee and Internet communications relating to business and monitoring non-work accounts such as Yahoo! or Hotmail can pile on costs. E-mails were also used extensively in aiding regulators' investigation into firms' questionable research practices.
- **Homestore Inc., an online real estate services company, said it has settled a dispute with travel and real estate company Cendant Corp. over Homestore's acquisition of Move.com.** Homestore said it would record a one-time non-cash charge of US\$12.2 million in the second fiscal quarter after relinquishing certain data rights. Homestore also said it would register 18.3 million Homestore shares currently owned by Cendant.
- **Microsoft Corp. and AOL Time Warner Inc. have a new partner in online job listings, signing deals with CareerBuilder.com** that replace relationships with Monster.com. Microsoft's MSN unit said it will be paid as much as US\$150 million over five years by CareerBuilder.com, an online job-recruitment site owned by newspaper publishers Knight Ridder Inc., Gannett Co. and Tribune Co. AOL's America Online unit and CareerBuilder.com said their deal was valued at as much as US\$115 million over four years.

Media, Entertainment and Gaming

- **Electronic Arts Inc., said it signed a deal for a 250,000-square foot studio complex in a Los Angeles development.** EA said the EALA (EA-Los Angeles) studio's 300-person staff responsible for military games Medal of Honor and Command & Conquer as well as games based on the James Bond and Lord of the Rings movies, would start the move to the Water's Edge complex in the Playa Vista area by the end of this year. The move is slated for completion in 2004. The new complex will accommodate 1,000 people. EA has been looking to double its L.A. staff by 2005 and has been actively hiring workers from the entertainment industry.
- **Pixar Animation Studios posted an 87% jump in second-quarter net income, due largely to the blockbuster success of its latest movie, "Finding Nemo,"** which is so far the top-grossing film of the year. For the three months ended June 28, the animation studio, which has also made hit films such as "Monsters, Inc.," reported net income of US\$19.5 million up from US\$10.4 million a year earlier. Pixar posted revenue of US\$48.9 million, up from US\$22.8 million in the year-earlier quarter. Wall Street had anticipated revenue of US\$24.1 million.

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Mobile / Wireless

- **Cingular Wireless LLC said it agreed to buy wireless licenses in 34 markets from bankrupt NextWave Telecom Inc. for US\$1.4 billion in cash**, to expand its coverage and accommodate future growth. The licenses cover 83 million potential customers primarily in markets where Cingular, the No. 2 U.S. wireless telephone company, currently has voice and data operations. NextWave, which has been in bankruptcy protection since 1998, and Cingular, a joint venture of BellSouth Corp. and SBC Communications Inc., have been discussing the deal for at least two months.
- **SBC Communications Inc. is set to announce plans for a network of more than 20,000 wireless-fidelity hot spots in more than 6,000 venues** during the next three years, one of the largest networks planned so far. Meanwhile, Verizon Wireless has launched its own Wi-Fi network in hundreds of locations nationwide. Verizon Wireless said it would charge \$6.99 per 24 hours of unlimited access to its network, and US\$34.99 for unlimited monthly access. SBC will announce prices for daily use and unlimited monthly usage of its Wi-Fi network, when it becomes available. SBC plans to offer the Wi-Fi service in more than 1,000 hot spots by the end of the year. Both SBC and Verizon Wireless are building their networks through agreements with Wayport Inc., a closely held Wi-Fi network provider.

Software

- **IBM countersued SCO Group Inc. in a case that is developing as a key legal test for the Linux operating system and intellectual-property rights in the software industry.** SCO previously had sued IBM for US\$1 billion, alleging IBM misappropriated software that SCO legally controls and distributed it in Linux. In its countersuit, IBM said SCO, too, has been distributing Linux -- and that under the standard operating license for the software, SCO gave up its right to sue and claim proprietary rights over Linux content. In related news, Linux distributor Red Hat Inc. has also filed a formal complaint against SCO. Red Hat has also created a fund to cover the legal expenses of companies developing Linux and pledged US\$1 million to the fund. Red Hat, which provides update services for companies using Linux for business tasks such as managing networks and handling financial transactions, said it is seeking to reassure customers that they will not be legally or financially liable for using Linux.

Telecommunications

- **The latest twist in MCI's alleged phone-routing fraud, AT&T Corp.'s records show that MCI stopped sending phone traffic through Canada right after it was subpoenaed by the Justice Department.** AT&T's call records show that MCI routed phone traffic from a number of government agencies through Canada in January to July 2003. But that particular routing mechanism was halted sometime between July 23 and July 25, right after MCI received a subpoena covering its phone-routing practices. MCI denied that the decision to stop routing through Canada was linked to the subpoena it received. The dispute over the timing of MCI's actions is just the latest in a series of AT&T fraud allegations against MCI. The accusation, if true, could complicate the long-distance carrier's emergence from bankruptcy. AT&T is accusing MCI of offloading hefty access fees onto AT&T by routing call traffic through Canada.

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Europe

Hardware

- **Infineon Technologies plans to join a chip-making alliance with IBM and Chartered Semiconductor Manufacturing after pulling out of a venture with rival United Microelectronics Corp (UMC).** Infineon will work with IBM and Chartered to develop semiconductors with transistors that are half the size of some of the smallest presently available. The decision by Infineon is a boost for Chartered, which has reported 10 straight quarterly losses and a blow to UMC-- Chartered's bigger and profitable rival in the made-to-order chip business. UMC may lose orders from Infineon, Europe's second-biggest semiconductor maker.

Media, Entertainment and Gaming

- **Swiss technology company Kudelski S.A. said it will acquire Thomson Corp.'s Mediaguard business for €240 million (US\$270.3 million),** boosting its share of the digital-television access market ahead of rival NDS Group PLC. While Kudelski said the deal will increase its customer base and improve operating profit slightly in 2004 and more so in 2005, analysts said the takeover was expensive and kept their neutral stance on the company. Kudelski said the takeover will add around 10 million new clients and strengthen its foothold in Europe and Asia, increasing its global market share to 40% from 25%. This will put it ahead of former leader NDS, a unit of News Corp., which now holds 30% of the digital-TV access market and has about 100 million customers. The transaction also includes a joint venture with France's video-technology company Thomson, where both companies will cooperate in the field of intellectual-property rights and develop a new TV-access system for the highly profitable U.S. cable market.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 8/8/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	119.0800	0.9%	-9.5%	-0.2%	-0.1%
Hong Kong dollar	HK\$/ US\$	7.7995	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\$	1.7589	0.0%	-4.8%	-1.4%	0.0%
South Korean won	KRW/ US\$	1181.0500	0.3%	-10.1%	0.4%	1.7%
New Taiwan dollar	NT\$/ US\$	34.4150	0.3%	-1.7%	0.6%	-1.6%
Australian dollar	US\$/A\$	0.6527	0.2%	28.1%	16.2%	21.0%
New Zealand dollar	US\$/NZ\$	0.5817	-0.4%	39.8%	10.9%	25.4%
Philippine peso	PHP/ US\$	54.7350	0.3%	6.0%	-2.1%	-5.5%
Euro	US\$/€	1.1309	0.3%	27.1%	7.8%	15.5%
British pound	US\$/£	1.6031	-0.5%	10.3%	-0.4%	4.7%

Fixed Income Prices and Yields

Note	Currency	Current (on 8/8/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	102.0938	5.24%	100.8594	5.32%	110.4063	4.70%
Japan 30-year	¥	113.6540	1.50%	111.4550	1.60%	110.9385	1.63%
Hong Kong 10-year	HK\$	121.2028	3.72%	119.2981	4.04%	124.9719	3.17%
China (10/2027)	US\$	139.4762	4.74%	139.1369	4.76%	146.6297	4.37%
Singapore 10-year	S\$	110.4550	2.93%	111.4059	2.80%	117.1775	1.98%
South Korea 10-year	US\$	120.9538	3.92%	119.6696	4.21%	124.1139	3.34%
Australia 15-year	A\$	108.2465	5.40%	108.0780	5.42%	111.1800	5.04%
New Zealand (07/2009)	NZ\$	107.0167	5.59%	107.0110	5.60%	108.9171	5.25%
Philippines 20-year	PHP	148.8984	11.93%	148.6887	11.95%	148.6503	11.96%
India 20-year	INR	151.1677	5.85%	150.1938	5.93%	149.5729	5.98%
UK 30-year	£	95.5360	4.52%	92.6305	4.72%	94.8080	4.58%
Germany 30-year	€	110.9670	4.77%	108.4582	4.93%	110.8269	4.78%

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