

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



Week of 14 September - 20 September 2003

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| Equity Market Indicators | | | | | |
|---------------------------|----------------------------|------------------------|----------------------|----------------------|----------------------|
| Index | Closing Level (9/19/03) | % Change 1 Week Ago | % Change 1/1/2003 | % Change 1/1/2002 | % Change 2002 Low |
| S&P 500 | 1,036.30 | 1.7% | 17.8% | -10.3% | 33.8% |
| Dow Jones Industrial Avg. | 9,644.82 | 1.8% | 15.6% | -4.3% | 32.6% |
| Dow Jones Tech. Index | 330.79 | 3.9% | 44.1% | -1.9% | 82.4% |
| Dow Jones Telecom. Index | 166.21 | 2.1% | 12.4% | -20.3% | 42.5% |
| NASDAQ Composite | 1,905.70 | 2.7% | 42.7% | -3.7% | 71.4% |
| The Street.com Net | 140.06 | 3.3% | 63.5% | -28.4% | 126.9% |
| Japan Nikkei 225 | 10,938.42 | 3.7% | 27.5% | 0.6% | 32.9% |
| Japan TOPIX | 1,070.03 | 4.5% | 26.9% | 1.5% | 31.9% |
| Korea KOSPI Composite | 748.25 | -2.5% | 19.2% | 3.2% | 29.8% |
| Korea Kosdaq | 48.37 | -1.7% | 9.0% | -35.0% | 11.6% |
| Taiwan Stock Exchange | 5,757.91 | 2.0% | 29.3% | 2.8% | 49.4% |
| Singapore Straits Times | 1,589.86 | 0.4% | 18.6% | -2.2% | 20.3% |
| Hong Kong Hang Seng | 10,968.42 | 0.8% | 17.7% | -3.4% | 25.0% |
| Hong Kong GEM | 1,181.50 | -3.0% | 24.3% | -37.9% | 32.2% |
| China Shanghai (A-Share) | 1,458.26 | -1.3% | 2.8% | -13.0% | 5.7% |
| China Shenzhen (A-Share) | 400.58 | -1.3% | -2.3% | -18.2% | 2.3% |
| China Shanghai (B-Share) | 98.30 | 0.1% | -13.4% | -41.8% | -12.3% |
| China Shenzhen (B-Share) | 228.43 | 2.2% | 22.2% | -12.7% | 23.4% |

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Technology, Media, Telecommunications and Life Sciences Market Activity

NASDAQ/NYSE TMT and Life Sciences IPO Filings

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

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

| Pricing Date | Issuer (Exchange) | Description | Size (US\$MM) | Offer Price | Price on 9/19/03 | % Change From Offer |
|--------------|--|---|---------------|-------------|------------------|---------------------|
| 9/18/03 | SigMatel Inc. [SGTL.US] (NASDAQ) | Designs, develops and markets proprietary mixed-signal integrated circuits. The company's integrated circuits are used in a variety of consumer electronics and computing products. | US\$150 | US\$15 | US\$19.8 | 32% |

Asian Equity Markets: TMT and Life Sciences IPO Pricing

| Pricing Date | Issuer (Exchange) | Description | Size (US\$MM) | Offer Price | Price on 9/19/03 | % Change From Offer |
|--------------|--|---|---------------|-------------|------------------|---------------------|
| 9/18/03 | Changsha Lyrin Material Co. [600478.CH] (Shanghai) | Develops, manufactures, and retails energy materials such as continuous nickel foam and cobalt coated nickel foam for battery manufacturers. | US\$23.8 | RMB 4.9 | RMB 9 | 82% |
| 9/18/03 | SK-Electronics Ltd. [6677.JP] (JASDAQ) | Manufactures and sells large photomasks for liquid crystal displays and electric devices. | US\$14.9 | ¥270,000 | ¥800,000 | 196% |
| 9/17/03 | Bull Will Co. Ltd. [6259.TT] (GRETAI) | Distributes electromagnetic interference products. Products include: ferrite core, wave filters, absorbers and shielded sheets and light emitting diodes. | US\$2.1 | NT\$30 | NT\$28.2 | -6% |
| 9/17/03 | Curitel Communication Inc. [6335.KS] (KSE) | Manufactures wireless phones based on both global systems for mobile communication (GSM) and code-division multiple access (CDMA) technology. | US\$93.5 | KRW 2,600 | KRW 6,150 | 136% |

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| Pricing Date | Issuer (Exchange) | Description | Size (US\$MM) | Offer Price | Price on 9/19/03 | % Change From Offer |
|--------------|---|---|---------------|-------------|------------------|---------------------|
| 9/17/03 | Planet Technology Corp. [6263.TT] (GRETAI) | Develops, manufactures, and sells networking equipment and communication products. Products include: Ethernet switches, network interface cards, optic networking and media converters, wireless local area network access points, Ethernet hubs, and cable modems. | US\$5.5 | NT\$72 | NT\$84.5 | 17.4% |
| 9/17/03 | Professional Computer Tech. Ltd. [6270.TT] (GRETAI) | Distributes flash memory, television encoders, and passive components. | US\$5.4 | NT\$51 | NT\$51.5 | 1% |

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Weekly Highlights

International

Mobile / Wireless

- **NTT DoCoMo Inc. plans to launch an international 3G videophone service in the U.K. in cooperation with Hutchison 3G U.K.**, starting Oct. 1. The service will enable DoCoMo 3G videophone users to make international videophone calls and transmit data at 64 kilobits per second to the U.K. Using the new service, DoCoMo's 3G videophone users in Japan and Hutchison 3G's videophone users in the U.K. will be able to see each other while talking on the phone.

Semiconductors

- **Orders for microchip-making equipment from North American manufacturers rose modestly in August from the prior month amid signs of better demand for semiconductors and higher chip factory utilization rates.** The three-month average of worldwide orders for chip equipment in August was US\$721 million, or 2 per cent above the revised July figure of US\$707 million and 29 per cent below US\$1.02 billion in orders in August 2002, according to Semiconductor Equipment and Materials International. Chipmakers are seeking to recover from the industry's worst-ever slump, marked by the deep downturns in high technology and telecommunications markets in the past three years.
- **Semiconductor makers are boosting production of tiny microprocessor units (MPUs) used to wirelessly access the Internet to meet growing demand from computer manufacturers as they offer more notebook PCs with that capability.** Intel Corp., Advanced Micro Devices Inc. and other U.S. chipmakers have set up facilities to mass-produce MPUs that consume less power, making them suitable for outdoor use. An increasingly popular type of notebook computer uses a wireless LAN to access the Internet.

Telecommunications

- **Telephone companies are trying to marry cell phones with the cordless phones in users' homes to create handsets that automatically would route calls over the cheapest available network.** On the move, such a gadget would function as a conventional cell phone. But in the office or at home it would piggyback on a fixed-line service, which often charges less for calls than cell phone networks.

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Japan

Hardware

- **Kyocera Corp. cut its outlook for profit for its first fiscal half as mobile phone and copier sales remain weak.** But the major maker of electronic components stood by its earnings forecast for the year through March as it expects stronger sales in the fiscal second half. Kyocera slashed its profit outlook for the first half, which ends Sept. 30, to ¥13 billion (US\$112.7 million) from a previous forecast of ¥22 billion (US\$191.3 million), and cut its sales outlook to ¥520 billion (US\$4.5 billion) from ¥550 billion (US\$4.8 billion).
- **Marubeni Corp. has forged an alliance with Matrics Inc. and obtained exclusive marketing rights in Japan to the U.S. firm's RFID (radio frequency identification) smart tags that use UHF (ultrahigh frequencies).** RFID tags have read distances five to 10 times those of smart labels that use other frequency bands, and are thus suited for product tracking. Marubeni will test use the RFID tags with the backing of the Ministry of Economy, Trade and Industry, and plans to put them on the market at the end of 2004.
- **In a bid to promote use of its Memory Stick, Sony Corp. will soon release technical information for the stick to electronics manufacturers** for an annual fee of ¥500,000 (US\$4,386). Sony hopes that the move will encourage manufacturers to develop products that utilize the Memory Stick, in turn putting Sony in a better position to compete with other memory cards developers. Some 470 firms now make products compatible with the Memory Stick and cumulative shipments of such products total about 50 million. The digital storage device's global market share is estimated at almost 30 per cent in terms of sales volume in 2003.
- **Toshiba Corp. warned it would post a deeper first-half loss than expected and cut its full-year earnings outlook,** citing global price competition as the culprit. Toshiba's losses from its digital products division, home of its mainstay notebook personal computers, have offset a solid performance by its semiconductor division. As a result, it now expects a net loss of ¥25 billion (US\$212.8 million) for the six months ending Sept. 30, wider than the ¥15 billion (US\$131.6 million) loss it previously forecast. Toshiba also said it expects to post an operating loss of about ¥10 billion (US\$87.7 million), giving up its earlier hopes of beating its previous-year operating profit of ¥29 billion (US\$254.4 million).

Information Technology

- **Fujitsu Ltd. has landed a contract to supply the U.K. government with system designed to provide administrative services via the Internet.** The deal is worth 930 million pounds sterling (US\$1.5 billion). The system, to be used for tax collection by Customs and Excise, will enable taxpayers to file for indirect-tax returns and for tax rebates over the Internet. The contract will also cover system maintenance services for 10 years. Fujitsu Services will take care of the delivery of the system, which is due to start from 2004, as well as maintenance services. The system will be one of the largest of its kind in Europe.

Life Sciences

- **Matsushita Electric Industrial Co., Sumitomo Corp. and U.S. firm Quantum Dot Corp. have jointly developed a new system that can greatly reduce the cost of gene analysis.** This new system uses 10-nanometer crystal particles colored with a fluorescent color to efficiently classify multiple genes in accordance with their properties. It offers high precision and can analyze 200 types of genes at once,

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thereby reducing the price tag per test to around 1/10 the current cost. Conventional systems are limited to analyzing many types of genes at once with low precision or a few types with high precision.

Media, Entertainment and Gaming

- **NEC Corp. and the Japanese units of Microsoft Corp. and Intel Corp. announced that they will collaborate in the area of digital movies.** They will supply software and equipment to produce, distribute and screen films. Microsoft Co. will provide software to produce and show movies, while NEC will offer projectors and servers. Together, the companies will outfit commercial facilities, such as theaters and karaoke clubs with the systems. Digital movies, which eliminate the need for the creation of additional prints and for special technical expertise in screening, have gained ground in the U.S. In Japan, firms such as Toei Co. are making use of digital technology.

Mobile / Wireless

- **J-Phone Co. plans as early as this year to begin offering a cellular phone that enables consumers to watch television programs,** the first in Japan. Although allowing consumers to watch TV via cell phone will not add to their charges, the company believes that a TV, like a built-in camera, will eventually become an indispensable function of cell phones. The handset incorporating a TV tuner is being developed by NEC Corp. With the current technology, battery life is only an hour while watching TV.
- *Software*
- **Mitsui & Co. in a tie-up with Sun Microsystems KK, will market inexpensive fault-tolerant computer systems to the financial and telecommunications industries.** The systems will meet the high-volume, real-time data-processing needs of companies in these industries, but at just 20 per cent of the price of conventional mainframe systems. Mitsui will sell systems that combine Sun computers running the Solaris operating system with software developed by the U.S. firm Kabira Technologies Inc.

Telecommunications

- **NTT Communications Corp. plans to begin a new service in October, performing computer maintenance on an outsourcing basis for corporate clients.** The company will offer a full range of maintenance operations, including installation of applications software and virus protection. By combining these operations in an integrated package, the firm says it can cut its clients' costs for these operations by more than 30 per cent. Client computers will be linked to NTT Communications' network round-the-clock, allowing many maintenance operations to be handled remotely. There will also be a help line, so customers can speak with technicians when needed.
- **KDDI Corp. and Ripplewood Holdings LLC are among the leading candidates for the restructuring of failed data communications company Crosswave Communications Inc.** Crosswave's is expected to pick a final candidate as early as October. Crosswave had built costly fiber-optic networks and data centers then filed for bankruptcy protection from creditors last month, with liabilities totaling some ¥68 billion (US\$596.5 million). KDDI has a long-term contract to lease a fiber-optic network to Crosswave and hopes that by becoming a sponsor for the restructuring of Crosswave, KDDI could reap synergies from their businesses. Ripplewood, in line with last month acquisition of Japan Telecom Co., hopes to grow its data communications services business.

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Korea

Hardware

- **Samsung plans to co-market a new line of digital music players with the soon-to-be-relaunched Napster 2.0 service, in the latest move to stoke up its brand image among youthful consumers.** The new Napster-ready device will be available in retail stores this fall. The Samsung devices will be co-branded and identified as "Napster compatible" on the packaging. The 500,000 song titles will be available from all five major record labels and hundreds of independent labels, according to Roxio.

Internet

- **The Korean government will help build a new digital broadband network utilizing the country's cable network by 2007,** a move that is expected to solidify the positions of local cable TV network operators. This venture will help transform the existing analog cable TV infrastructure into a digital one, paving the way for a new services that could offer 100 Mbps-class data transmission, or about 100 times faster than today's digital subscriber line. The domestic cable industry expects the Information Ministry's initiative to infuse fresh momentum into local operators, many of which are struggling to bolster profitability amidst steep competition among local operators.

Semiconductors

- **Hynix Semiconductor Inc. plans to more than double capital expenditures next year to about 1.5 trillion won (US\$1.28 billion), financing the spending in part with proceeds from the spin-off of its non-memory operations.** The firm is targeting revenue of 3.5 trillion won (US\$3 billion) this year, confident it will reach an operating profit by the fourth quarter.

Telecommunications

- **The LG Group is raising the stakes by intensifying its attempt to take over Hanaro Telecom Inc. even after government officials repeatedly endorsed another deal with foreign investors.** LG reaffirmed its intention to acquire Hanaro in a bid to consolidate and strengthen its telecom business despite growing concerns that this would have a negative impact on the market.

China

Hardware

- **Nortel Networks Corp. plans to invest US\$200 million over a three-year period to bolster its research and development capabilities in China.** The firm expects to double the number of R&D employees it has in China and pledged to build a 55,000-square meter campus in the Beijing's Chao Yang District. The first phase, which will include 27,000 square meters, is slated for completion by late 2004. The company noted that its current facilities in Beijing and Guangzhou will continue to play an important role alongside the new campus in developing technology.

Mobile / Wireless

- **China has delayed a long-awaited decision on next-generation mobile phones until next year to conduct more tests and consider issues such as how to finance the networks.** Cellphone technology vendors such as Qualcomm have been waiting for regulators in the world's biggest cell

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phone market to give the green light to start building third-generation (3G) networks offering high-speed data services. The Ministry of Information Industries, the sector regulator, was holding fresh tests of different 3G technologies, and a final report on the results was not expected until September 2004.

Semiconductors

- **Infineon Technologies AG plans to invest US\$1.2 billion in China during the next four years as it competes to grab a bigger share of the fast-growing local market expected to reach US\$80 billion by 2007.** Infineon will invest US\$240 million in a dynamic random-access memory, or DRAM, chip assembly and testing facility in Suzhou, outside Shanghai, with China-Singapore Suzhou Industrial Park Venture Co. Infineon also will invest more than US\$45 million to train engineers and will spend US\$70 million for information technology and infrastructure for research and development.

Taiwan

Semiconductors

- **Growing demand for more advanced processing technologies should be a boon for contract chipmakers Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corp (UMC).** The two companies also expect to increase capital spending as the cyclical semiconductor industry recovers from a downturn that began in mid-2000. 'TSMC' reiterated its commitment to spending US\$1.2 billion on plant and equipment upgrades this year and said the figure could rise next year. TSMC commands 51 per cent of the market and last week posted record monthly sales of NT\$18.31 billion (US\$535 million).
- **Taiwan Semiconductor Manufacturing Company (TSMC), expects a semiconductor industry slowdown in 2005** as Chinese mainland producers come on stream and over-supply again becomes a problem. The expected 2005 slowdown would follow growth in revenue terms of 11 per cent for the semiconductor industry this year and 17 per cent next year, according to TSMC. The firm does not expect the possible industry pullback in 2005 to prove as severe as that experienced in 2001, and it would most likely be similar to that of the early 1990s.

Singapore / Malaysia / Philippines / Indonesia

Semiconductors

- **Chartered Semiconductor Manufacturing Ltd has formed an alliance that will secure third-party know-how and help it improve business prospects.** The alliance, based on several individual deals with companies, should help the Singapore semiconductor maker narrow the technology gap that has prevented it from competing effectively with its Taiwanese rivals, Taiwan Semiconductor Manufacturing Co. and United Microelectronics Corp. The alliance brings together critical technologies from design houses and chip intellectual property companies and allows it to offer its customers an entire range of services for its latest chips with 90-nanometer circuitry.

Hong Kong

Telecommunications

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- **Hutchison Whampoa Ltd. has been punished by investors for its costly foray into 3G wireless services, but six months after unleashing 3G in European market it is winning over skeptics.** Strong earnings, a growing global economy, and increasing, though patchy, signs of success for its 3G entry into the U.K. and Italy have lifted shares in the Hong Kong-listed conglomerate whose main cash cows are its port and finance operations.
- **Sunday Communications is hoping to take advantage of improved investor sentiment in an effort to raise HK\$1 billion (US\$128.4 million) to fund its third-generation (3G) mobile service launch next year.** Managing director Bruce Hicks said the company had received a number of financing proposals from bankers and vendors, but no deal would be struck until early next year. The financing, which Mr Hicks said would combine loans with vendor credits, could be lower than Sunday's initial three-year 3G capital expenditure budget of HK\$1.2 billion (US\$154 million) and would replace HK\$547 million (US\$70.2 million) of existing vendor finance.
- **Hutchison Whampoa is stepping up efforts to market its third-generation (3G) mobile phone services in Italy with a plan to give away video-phone handsets.** Hutchison subsidiary 3 Italia will give the free handsets to new customers who spend at least 30 euros (US\$33.3) per month and pay a 99 euro (US\$112.3) sign-up fee before the end of next month. The unit has already signed up 300,000 users to its services.

United States / Canada

Hardware

- **Palm Inc. reported that its fiscal first-quarter loss narrowed on stronger demand for its pocket-sized computers.** Palm, which is near the completion of its acquisition of rival Handspring Inc., had net loss of US\$21.7 million compared with US\$258.7 million for the quarter ended Aug. 31. Excluding costs related to restructuring and other special items, Palm's loss was US\$16.9 million.

Internet

- **Eighteen major U.S. music companies, all members of the Recording Industry Association of America, filed a copyright-infringement lawsuit against iMesh.com Inc.** iMesh is the No. 3 peer-to-peer file-sharing service with a fraction of the users of leader Kazaa and just behind No. 2 Morpheus. The suit filed in U.S. District Court in New York alleges that illegal copying of music and other files is integral to the iMesh service's very existence.
- **The number of people who bank online has increased 79 per cent over the past two years, according to Nielsen/NetRatings.** The number of individuals conducting online banking transactions rose to 23.2 million in the fall of 2003, up from 12.9 million in the fall of 2001. In the past year alone, the number has grown 36 per cent. The recent figures are based on a survey of adults 18 and older that used online banking in the last six months.
- **E*Trade Group Inc. expects its third-quarter profit to meet Wall Street estimates amid a rise in customer stock trading.** Earlier in the day, the California-based company reported a surge in customer stock trading in early September after a decline during the traditionally slow month of August. Analysts on average expect E*Trade to book a third-quarter profit of 15 cents per share on revenue of US\$389.7 million.

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- **The U.S. House of Representatives voted to make a ban on Internet-use taxes permanent and require nine states to repeal existing taxes on access fees.** Lawmakers passed a bill by voice vote that would cement a ban on Internet access and traffic taxes currently due to expire in November, and remove a grandfather clause that allows a handful of states to levy taxes that were in place before the ban was first passed in 1998. The tax moratorium applies to all methods of Internet access, including pricier high-speed links taxed by some states.
- **FindWhat.com is seeking to reduce its purchase price of Espotting Media Inc. after reviewing financial data submitted by its privately held acquisition target.** FindWhat, a online marketing-services company, retracted its post acquisition guidance after reviewing the data and is working to bring Espotting's financial results in line with U.S. generally accepted accounting principles. FindWhat.com had previously estimated Espotting, a British online advertising service, would have 2003 pro forma earnings of US\$7.5 million on revenue of US\$75 million. If the companies cannot agree on renegotiated terms, the merger will not be consummated.
- **U.S. regulators filed charges against seven former executives at online real estate company Homestore Inc. and one of its vendors, alleging they set up illegal deals to inflate advertising revenue.** The Securities and Exchange Commission and the U.S. attorney's office in the Central District of California filed civil and criminal charges against three former Homestore executives for their role in the scheme, which helped the company overstate 2001 advertising revenues by US\$46.4 million.
- **Kazaa has launched a Web site offering software that allows users to make free phone calls to each other over the Internet.** Called Skype, the software has been downloaded 520,000 times -- and has 200,000 registered users -- since a test version was made available two weeks ago. Skype's user base is growing quickly and the service may benefit from its association with Kazaa.

Media, Entertainment and Gaming

- **Blockbuster Inc., looking to diversify in the face of a video-rental slowdown, is exploring a possible merger with Columbia House, the DVD and music direct-marketing retailer.** While the discussions with Columbia House and its owner, private-equity firm Blackstone Group LP, are in early stages, such a combination could create a formidable retailer of digital videodiscs to compete with mass merchants that have helped fuel DVD sales with discounted prices. A merger could provide a convenient way for Blockbuster's parent, Viacom Inc., to dispose of its 80 per cent stake in the video-rental giant. Despite Blockbuster's commanding 40 per cent share of the U.S. rental market, Viacom has long had conflicted feelings about owning it.
- **AOL Time Warner Inc. has accelerated negotiations with EMI Group PLC to merge their music companies,** even as AOL continued sporadic talks with Bertelsmann AG about a similar deal. A deal is far from a certainty, but the talks indicate that AOL is serious in pursuing other options now that its exclusive negotiating period with Bertelsmann has ended.
- **AOL Time Warner's directors will drop the first three letters of the company moniker when the board meets.** The name change, which is likely to include a return to the company's pre-merger "TWX" ticker symbol, has the support of top executives at headquarters and at the online unit. The name change comes amidst troubles at the America Online unit, which has seen a continued loss of ad revenue and a decline in its subscriber base.

Mobile / Wireless

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- **Motorola Inc. Chairman and Chief Executive Christopher B. Galvin tendered his resignation amid disagreements with the board.** Motorola had struggled mightily for the last several years, due in part to slowing demand in several of its markets, and Mr. Galvin's apparent inability to turn around sub par performance in several key divisions.
- **Qualcomm Inc.'s fourth-quarter and full-year revenue and profit would be at the high end of its previous estimates on strong demand for its mobile phone chips and phones using its wireless technology.** In July, the company estimated fiscal fourth-quarter earnings of 27 cents to 29 cents per share and revenue growth of 2 per cent to 6 per cent, excluding its investment arm. For the fiscal year it previously estimated earnings would rise by up to 45 per cent, to between US\$1.40 and US\$1.42 per share, on revenue growth of 31 per cent to 33 per cent.

Software

- **Sun Microsystems Inc., in an effort to jump-start its growth, will give new details about a major overhaul of its software strategy.** It also plans to reveal new server computers and several dozen other new products later this week. The company is simplifying its pricing and regrouping its software portfolio into just six major product groups, focusing on the server, the desktop, mobile devices, utility computing, the developer, and cards that use Java, Sun's programming language. Customers will pay a per-user fee for some of the software, compared with more complex and ad hoc pricing for hundreds of different software products previously.
- **Microsoft Corp. will increase its number of board directors to ten from eight** as part of a push to strengthen its corporate governance controls. The board has nominated German automaker BMW's chairman and chief executive, Helmut Panke as its first director from outside the United States. It has also nominated former AT&T Corp. Chief Financial Officer Charles Noski. The new members will stand for election by shareholders at the company's annual meeting in November. The eight current members have all been nominated for re-election at the meeting.

Telecommunications

- **Charter Communications Inc. would swap US\$1.6 billion of new debt for US\$1.9 billion in existing debt,** significantly reducing the amount of maturities due in 2005 and 2006. The company's exchange also reduced debt by about US\$237 million. Charter will buy US\$1.3 billion in senior notes and senior discount notes plus US\$609 million in convertible senior notes from a small group of institutional investors. In exchange, Charter's CCH II subsidiary will issue US\$1.6 billion of 10.25 per cent notes due 2010. CCH II will also issue US\$30 million of 10.25 per cent notes for an equivalent amount of cash.
- **SBC Communications Inc. won FCC approval to provide long-distance phone service in Michigan,** despite concerns raised in the past about its application. In July, the Justice Department had said it was not in a position to support SBC's application based on the current record. However, the FCC has final say on long-distance service bids. The regional Bells are barred from providing long-distance service until they convince regulators that local markets are open to competition.

Europe

e-Commerce

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- **The U.K. government announced new regulations that will strengthen consumer protection against unsolicited e-mail, text messages and phone calls.** Under the new regulations, those who send commercial e-mail or text messages must gain prior approval of the recipient. However, the rules cover only business-to-consumer communication not business-to-business communication. After December, Web sites also must alert users when and how data is being collected and give them the option of refusing to allow the information to be collected. Network operators will be allowed to provide services based on the location of a mobile-phone user only with express consent.

Mobile / Wireless

- **Deutsche Telekom AG reported the churn rate at its U.S. wireless unit likely rose in the third quarter.** The rate for contract customers at T-MobileUSA, formerly VoiceStream, likely rose to between 2.7 per cent to 2.8 per cent in the third quarter from 2.3 per cent in the second quarter. Deutsche Telekom is banking on the U.S. business to deliver growth as earnings at its fixed-line unit T-Com stagnate.
- **Orange SA said it signed agreements with Alcatel SA, Nokia Corp. and Nortel Networks Corp. for its third-generation mobile network.** Orange said terms of the agreements would be negotiated in coming months. Orange, the mobile unit of French telecommunications company France Telecom, added commercial trials of its 3G services will begin later this year in the United Kingdom.

Telecommunications

- **The Dutch government sold a 12 per cent stake in former telecommunications monopoly KPN NV for about €2 billion (US\$2.3 billion).** The 300 million shares, placed on the market by Citigroup Inc., brought a price of €6.8 (US\$6). The sale was about 1.3 times subscribed. The move comes shortly after the government announced broad plans to cut costs in an effort to balance its budget. The government announced plans for a record €17 billion (US\$14.9 billion) cost-cutting program over the next few years and felt obliged to put the sale proceeds in a fund to cover large infrastructural projects. It added that it will keep its remaining 19.4 per cent holding in KPN for at least a year.

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Other Economic Data

| Currency Exchange Rates | | | | | | |
|-------------------------|------------|------------------------------|------------------------|----------------------|-----------------------|--------------------------|
| Currency | Units | Current Rate (on 9/19/03) | % Change 1 Week Ago | % Change 1/1/2002 | % Change 1/1/ 2003 | % Change Last 12 Mth. |
| Japanese yen | ¥/US\$ | 113.9850 | 2.9% | -13.4% | 4.2% | 8.3% |
| Hong Kong dollar | HK\$/ US\$ | 7.7987 | 0.0% | 0.0% | 0.0% | 0.0% |
| Chinese renmenbi | RMB/ US\$ | 8.2773 | 0.0% | 0.0% | 0.0% | 0.0% |
| Singapore dollar | S\$/ US\$ | 1.7425 | 0.6% | -5.7% | -0.5% | 2.1% |
| South Korean won | KRW/ US\$ | 1167.9000 | 0.2% | -11.1% | 1.5% | 3.6% |
| New Taiwan dollar | NT\$/ US\$ | 34.0580 | 0.1% | -2.7% | 1.7% | 2.1% |
| Australian dollar | US\$/A\$ | 0.6727 | 1.4% | 32.0% | 19.8% | 23.2% |
| New Zealand dollar | US\$/NZ\$ | 0.5922 | 1.5% | 42.3% | 12.9% | 25.9% |
| Philippine peso | PHP/ US\$ | 55.1250 | -0.3% | 6.7% | -2.8% | -4.9% |
| Euro | US\$/€ | 1.1371 | 0.7% | 27.8% | 8.4% | 15.7% |
| British pound | US\$/£ | 1.6372 | 2.1% | 12.6% | 1.7% | 5.3% |

Fixed Income Prices and Yields

| Note | Currency | Current (on 9/19/03) | | 1 Week Ago | | 4 Weeks Ago | |
|-----------------------|----------|----------------------|--------|------------|--------|-------------|--------|
| | | Price | Yield | Price | Yield | Price | Yield |
| US 30-year | US\$ | 104.5156 | 5.06% | 103.1250 | 5.16% | 101.2813 | 5.29% |
| Japan 30-year | ¥ | 104.3210 | 1.96% | 103.0305 | 2.03% | 100.5190 | 2.17% |
| Hong Kong 10-year | HK\$ | 121.7196 | 3.58% | 120.9272 | 3.72% | 120.7639 | 3.78% |
| China (10/2027) | US\$ | 145.0209 | 4.44% | 143.9255 | 4.50% | 135.2153 | 4.98% |
| Singapore 10-year | S\$ | 109.3860 | 3.07% | 108.4917 | 3.22% | 108.3521 | 3.26% |
| South Korea 10-year | US\$ | 121.3925 | 3.73% | 120.2852 | 3.99% | 120.5261 | 3.98% |
| Australia 15-year | A\$ | 107.2260 | 5.52% | 106.6740 | 5.60% | 107.7700 | 5.46% |
| New Zealand (07/2009) | NZ\$ | 106.0026 | 5.77% | 105.6908 | 5.83% | 106.3691 | 5.71% |
| Philippines 20-year | PHP | 149.4601 | 11.88% | 149.4633 | 11.88% | 149.1144 | 11.91% |
| India 20-year | INR | 151.9821 | 5.78% | 151.8176 | 5.79% | 150.7681 | 5.88% |
| UK 30-year | £ | 92.9660 | 4.69% | 93.4029 | 4.67% | 93.0023 | 4.70% |
| Germany 30-year | € | 108.9230 | 4.90% | 109.2921 | 4.88% | 109.4080 | 4.87% |

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