

# IRG WMR



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

*Week of 10 July - 16 July 2005*

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## International

### *Internet*

- **Mobile telecommunications companies disclosed the launching of a joint venture company, called mTLD Top Level Domain Ltd. that would make available a registry service for the .mobi Internet domain.** Used for Internet-based mobile data services tailored for mobile phone users, the .mobi domain is seen as making the Internet-based mobile data services easier to use. The domain can be an assurance that the sites using the domain have high quality. The joint-venture company was formed by telecommunications giants that include Hutchison Whampoa Ltd.'s three companies, LM Ericsson Telephone Co. AB, Nokia Corp., Samsung Corp., Telecom Italia SpA's mobile division, Deutsche Telekom AG's T-Mobile International AG, Telefonica Moviles SA, and Vodafone Group PLC. Other companies that are part of the joint venture are Microsoft, GSM Association and Syniverse Holdings Inc. Alongside the more popular ".com", the new ".mobi" suffix will soon be familiar sites in web sites designed specifically for use by mobile phones.
- **Internet protocol television (IPTV), the convergence of television and the Internet, is being given a push by major companies.** In the U.S., SBC Communications and Verizon announced their plan to launch their first systems during the latter part of the year in the U.S. market. Bellsouth also disclosed that it is testing IPTV. Trials of the technology are also being undertaken in Britain, Switzerland and other places. The new technology, which delivers television by way of Internet technology, would allow viewers to access virtually unlimited channels and programs. According to the consulting firm Research and Markets, about 15 million households all over the world will have IPTV services by the end of 2007, a surge from the current number of 600,000 homes. The study also said that global revenues from the sector could go beyond US\$7.5 billion.

## Japan

### *Internet*

- **Excite Japan Co., a portal site operator, announced its plan to improve its golf-related services by way of a capital alliance with Par72 Plaza, a company that offers online golf-course booking services and sales of golf goods.** The plan of Excite includes investment of about 100 million yen (US\$891,000) to buy a 25 percent stake in Par72Plaza. Excite said it aims to begin offering service for making reservations for golf courses and information on golf tournaments through its portal site. These activities, according to Excite, are part of its efforts to lessen its dependency for revenue on the advertising business.
- **GMO Internet Inc., reputed to be the largest and most diversified online services provider in Japan, said it has agreed to buy Solis Corporation, a leading ICANN-accredited domain registrar.** GMO Internet's acquisition of the leading distributor of Japanese domain names worldwide will be in the form of a share swap priced at 1.1 billion yen (US\$9.8 million). GMO is a company that provides a full suite of solutions that include web hosting, online security and credit card payment processes. In 2004, GMO's consolidated revenues were 23.5 billion yen (US\$209.4 million), a 50 percent increase from the previous year. It posted in 2004 a consolidated net profit of 2.5 billion yen (US\$22.2 million), a 145 percent increase from the previous year.
- **kabu.com Securities Co. and Me Net Securities Co., both online securities firms, announced their merger set to take place this fiscal year that would create the third-largest online**

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**brokerage in terms of the number of customer accounts.** kabu.com is 28.7 percent owned by a group of companies led by UFJ Holdings Inc., while Me Net is 74.9 percent owned by a group of companies led by Mitsubishi Tokyo Financial Group Inc. The combination of the two is part of the planned merger of their parent firms, with kabu.com as the surviving company in the merger.

## *Mobile/Wireless*

- **JR East said it would allow its Suica electronic train fare card functions to be installed on Internet-capable mobile phone handsets for use with KDDI's EZ FeliCa service in partnership with Sony Corp.'s FeliCa circuit card technology.** Under the Mobile Suica service of JR East, subscribers to 'au' mobile phone service would be able to pay train fares with their handsets at East Japan Railway stations. All the users have to do is to place their handsets over the ticket gates. NTT DoCoMo Inc. and Vodafone K.K. are going to have similar offerings in tandem with East Japan Railway Co.
- **NEC disclosed its plans to enter the 3G cellular phone infrastructure market in Russia.** There are at present three cell phone companies in Russia – Mobile Telesystems OJSC, OJSC VimpelCom and OJSC Megafon – all planning to shell out 100 billion yen (US\$891.6 million) or more for structure that would pave the way for the launch of 3G networks. NEC is targeting this market with other companies like Nokia Corp., Telefon AB LM Ericsson and other European firms for the supply of base stations and base controllers. Russia is presently going through high growth in the telecommunications market like China and India. It is aiming to begin commercialization of 3G mobile phone services in 2006. With cell subscribers doubling to growing twofold to 72 million in 2004 and to 85 million as of March 31, 2005 and with half the population now using cell phones, the market is expected to grow into one with a value of 1 trillion yen (US\$9 billion).
- **Sumitomo Corp and Mitsubishi Corp announced their agreement to form a joint cell phone sales venture, dubbed MS Communications Co.** Through the joint venture, the two companies will buy Calsonic Communications, a move that will produce Japan's biggest cell phone seller. Under the venture, MS Communications will acquire all of the outstanding shares of Calsonic Communications for 10.9 billion yen (US\$97.1 million). Calsonic Communications is a wholly owned unit of Calsonic Kansei Corp, an affiliate of Nissan Motor Co.
- **The Softbank group revealed its plans to lease its planned mobile phone service network to other companies.** The company said it would do this once it is licensed to join the market. Softbank BB Corp, the Internet access service unit of Softbank Corp, said the move is part of its aim to provide "business opportunities to many companies wishing to enter the mobile phone services."
- **Livedoor Co. said it is applying for the upcoming spectrum allocation in the 2GHz band to offer nationwide high-speed wireless data service.** Livedoor's service would be utilizing Kyocera Corp.'s iBurst technology that is reputed to have the capacity to transmit data at 1 megabit per second. Livedoor also said it plans to develop infrastructure by acquiring base stations from Kyocera and through partnership with PoweredCom Inc., the fixed-line telecommunications unit of Tokyo Electric Power Co. The company said it plans to shell out 15 billion yen (US\$133.7 million) for a public wireless LAN service slated for October in Tokyo.

## *Media, Gaming and Entertainment*

- **Nippon Television Network Corp said it would launch pay-per-view services on the Internet.** The move is going to be the first by a major Japanese TV station. To do this, Nippon TV will open a

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membership home page through which members can download dramas and other TV programs broadcast in the past. Users will be charged 100 yen (US\$0.8) per program downloaded.

## *Software*

- **3D Inc., a developer of computer graphics software, said it has come up with software that could simulate contact between two objects drawn using 3-D technology.** The software is called Smart Collision and converts data created using computer-aided design software into polygon data used in video-game software. When used the software can confirm whether parts can be assembled as designed. 3D aims at 100 million yen (US\$891,000) in sales of the software, which is priced at about 4 million yen (US\$35,000) per license.

## *Hardware*

- **IBM Japan Ltd. and Cisco Systems KK announced services that they would jointly initiate that would provide a central management of core business information system equipment.** The partnership of the two companies combines IBM blade server equipment and Cisco switches to give a service that can automate problem resolution and daily operation and reduce as well operating costs by almost 50 percent. The U.S.-based parent firms of the two companies have also partnered in equipment management software and related domains in 2004.

## *Semiconductors*

- **Miraial Co., a company that derives 95 percent of its sales from semiconductor-related products, announced its plans to go public on the JASDAQ Securities Exchange.** The company was one of the first to introduce advanced containers compatible with 300mm wafers and now holds 50 percent of the world market. Industry observers point to the two weaknesses of the company: its heavy reliance on microchip-related products that in turn makes it susceptible to fluctuations in the market and its dependence on specific users. Miraial, which produces molds at its factories in Japan, said it plans to use about 500 million yen (US\$4.4 million) in proceeds from IPO to improve its production facilities.

## **Korea**

### *Mobile/Wireless*

- **Samsung Electronics said it won a deal to supply Vibo Telecom of Taiwan high-end 3G WCDMA mobile networks.** The deal is seen as giving Samsung Electronics a chance to penetrate major WCDMA system markets. It has been observed that Korean mobile network equipment suppliers are finding it hard to enter foreign WCDMA markets because of the difficult entry barrier built by European majors. Already, Samsung Electronics has provided 2G and 2.5-G CDMA network equipment to companies in foreign countries like China, Indonesia and Japan. In a separate report, Vibo Telecom, which is one of Taiwan's four 3G mobile carriers, said it would commercially launch its WCDMA business at the end of the year.
- **LG Electronics and Samsung Electronics announced their separate agreement to use the wireless technology from Kineto Wireless.** The deal with Kineto will allow the two companies to develop mobile phones that can receive call from a cellular network to a Wi-Fi network without experiencing a break in the connection. Samsung said the agreement would allow it to license the technology for the development of new mobile phones. LG's collaboration with Kineto will be on the new hybrids of mobile phones. The new technology comes under the name UMA, which stands for

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Unlicensed Mobile Access, which allows for better call quality when indoors. Kineto is the key innovator and leading supplier of UMA, the standard for Cellular/Wi-Fi convergence.

## *Internet*

- **Gravity Co., Ltd., an online game developer and distributor, announced the commercial release of its online game R.O.S.E. Online in Japan after the completion of its beta test.** Gravity said it is focusing on the Japanese market given its “prominence” as one of the world’s top gaming markets, with its growth ascribed to the increased adoption of broadband Internet services. Gravity also disclosed that in order for the commercialization of R.O.S.E. Online to be successful, it is launching a diverse marketing strategy, one that includes celebrity marketing. Gravity, which is based in Korea, develops and distributes online games in Japan, Taiwan, Thailand and Korea.

## *Semiconductors*

- **Hynix disclosed in a filing to the Financial Supervisory Service that it has received proposal for talks from STMicroelectronics of Switzerland.** With the talk assumed to be on an expansion of an alliance in the memory chip business, shares of Hynix Semiconductor went up. STMicro and Hynix have a current alliance to produce NAND flash memory chips, which are used in MP3 players and digital cameras. The two companies are partners in the setting up of a chip plant in China valued at US\$2 billion.

## *Hardware*

- **LG Philips LCD reported a 94-percent decline in its second-quarter profits, with the company ascribing the weak panel prices to supply glut.** In the three months ended June 30, the company disclosed its earnings of 41 billion won (US\$39.2 million) in the three months ended June 30, a decline from 701 billion won (US\$670.3 million) in the year earlier. Its sales during the quarter went down 1 percent to 2.3 trillion won (US\$2.1 billion). A majority owned by LG Electronics of South Korea and Philips Electronics NV of the Netherlands, the company remains the rival of South Korea’s Samsung Electronics in the LCD field.

## **China**

### *Internet*

- **Shanda Interactive Entertainment Limited announced that it has secured a licensing agreement with Gravity Co., Ltd.** The agreement would give Shanda an exclusive license from Gravity to operate Ragnarok Online. Shanda replaces, with the agreement, the existing publisher of Ragnarok Online in Mainland China, which is Soft-world’s mainland subsidiary Gameflier, following the expiration of its contract. Gravity is a developer and distributor of online games. Based in South Korea, Gravity’s main online game is Ragnarok Online, which is currently commercially available in 20 markets.
- **Validating its stand that wireless value-added service providers will be going through a new stage of growth, Deutsche Bank issued a document giving China’s wireless value-added services companies “buy” ratings.** Ranked at the top of the list of Deutsche Bank are Tencent and Tom Online. Tencent is China’s largest instant messaging service provider and is one of the country’s largest wireless value-added services providers in the country. Tom Online operates an Internet portal with its wireless value-added services businesses. Included in Deutsche Bank’s “buy” list are Kongzhong, Linktone and Hurray. In a separate report, Internet portal Sohu announced the launching



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of a casual game platform, making all listed Chinese Internet portals equipped with casual game platforms.

- **China.com Inc., an Internet portal and online game provider, announced its signing of an exclusive partnership with Manchester United.** Under the partnership, China.com hosts and operates the official Chinese web sites in traditional and simplified Chinese, and to provide wireless services in Greater China for Manchester United. The terms of agreement designate China.com as Manchester United's exclusive partner and provider of Internet applications and services for China and Taiwan, and its exclusive partner and provider of Internet applications and services for Hong Kong and Macau.
- **The Internet Society of China said in its latest China Internet Market Survey that old dotcom firms in China are not relying anymore on advertising as their sole source of revenue.** The society, which is composed of 140 professional organizations, noted that Internet companies had diversified their business models so much so that only about 20 to 30 percent of their revenues can be attributed to online advertising. The society said that 36 percent of revenues of Internet companies came from online games, with 29 percent coming from short-message-related services. The survey also revealed that more than 90 percent of 1,500 respondents polled said they visited the three leading portals – Sina, Sohu and Netease – on a daily basis, with only 2.6 percent visiting Yahoo. The study said the rise of the blog serves as a threat to the established dotcom firms, with the specific content of blogs becoming more attractive than traditional news portals within the next three years.
- **Baidu announced the filing of the documents needed for NASDAQ listing with the U.S. Securities and Exchange Commission.** Its prospectus said Baidu aims to raise a maximum of US\$80 million. In 2004, Baidu registered a profit of US\$1.4 million. It reported revenues of US\$5.1 million and a net income of US\$303,000 for the quarter ending March 31, 2005. Baidu did not disclose any specific purpose for the funds to be raised. Analysts said that Baidu's profitability has received its boost from the growth of advertising on online search engines. Goldman Sachs, Credit Suisse First Boston and Piper Jaffray are the underwriters for Baidu's listing.

## *Mobile/Wireless*

- **China Unicom announced the completion of the country's first 3G mobile telecom network in Tianjin.** With the completion, the firm has started also the release of the phone numbers in the city. The network has a current capacity for 10,000 users and is expected to provide an Internet access speed of 2MB per second. Beijing, Shanghai and Guangzhou are reported to be working fast on the development and construction of their 3G networks. The present developments have been described by a China Unicom official as spurred more by China's telecom authority rather than through the initiatives of operators.
- **Kongzhong and Disney announced their agreement to release mobile game Mickey Mouse Mahjong in China.** In their announcement of the partnership, the two companies said they are open to expanding the cooperation if the game proves to be successful. The game is the very first mobile game of Disney in Mainland China. In a separate report, Disney named Ctrip, a hotel and airline ticket consolidator, its partner for the Hong Kong Disneyland theme park.

## *Media, Gaming and Entertainment*

- **Trader Classified Media, considered to be the world's largest classified advertisement company, said it has agreed to invest US\$200 million in Soufun Holdings Ltd., China's leading online real estate service provider.** Under the deal, the Dutch firm will acquire a 15 percent stake in

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Soufun. The Amsterdam-based Trader Classified noted that the deal is likely to be its largest ever investment. Beijing-based Soufun operates the biggest web site in China that is devoted to real estate classified ads. It also maintains the largest database of online listing containing more than 400,000 unique properties. Soufun aims to have a presence in 40 cities in China by the end of 2005. It posted revenues of US\$10 million in 2004 and forecasts US\$20 million of revenues in 2005. Trader Classified, whose shares are listed in Paris, publishes 578 print guides and operates 56 web sites for shoppers in 22 countries. About 23 percent of its revenues come from Russia and the neighboring countries, with 21 percent attributable to its operations in Spain and Latin America.

- **Focus Media, a Shanghai-based commercial building advertiser, announced that it raised more than US\$170 million by way of its initial public offering.** The shares of the company were priced at US\$17, which is US\$1 above the upper limit of the company's indicated range of US\$14 to US\$16. Goldman Sachs (Asia), Credit Suisse First Boston, CIBC World Markets, and Piper Jaffray were the underwriters of Focus Media's IPO.

## *Telecommunications*

- **UTStarcom Inc., a company that supplies networking solutions to the telecommunications industry, announced that it received contracts with the combined value of US\$185.2 million from China Telecom Co.** The first contract, which has a value of US\$85.2 million, would allow UTStarcom to supply China Telecom with its personal access system (PAS) handsets. UTStarcom in the other contract worth US\$100 will help China Telecom with its network expansion in eight provinces in China. According to China's Ministry of Information Industry, PAS subscribers in the country had a 12.5 percent growth in the first five months of the year to more than 77 million.

## *Information Technology*

- **Digital China Holdings disclosed its partnership with IBM, a move that would allow it to distribute IBM servers and storage products to Hong Kong IT merchants.** Under the partnership, Digital China will be the source of sales and marketing resources needed for the promotion of the IBM products. Digital China whose parent Legend Holdings is also the parent of Lenovo will also provide consultancy and technical support to Hong Kong's small to medium-sized enterprises (SME). IDC estimates that Hong Kong's IT services market as having the value of about US\$987.6 million this year.

## **Taiwan**

### *Mobile/Wireless*

- **With the company expecting about 50,000 users signing up for its 3G-multimedia services using WCDMA network, Far Eastone announced the launching of its 3G-telecom services.** The company said their offering would allow clients to use the 3G services in Japan because of its partnership with NTT DoCoMo, Far Eastone's strategic partner and shareholder. Far Eastone has more than 6 million mobile phone subscribers presently. The company has also invested NT\$8 billion (US\$250.4 million) in its 3G services.



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## Hong Kong

### *Mobile/Wireless*

- **With other 3G operators like SmarTone Telecom and Hutchison Telecom offering subsidies in the form of handsets, industry observers are expecting Sunday Communications to offer the same subsidies when it rolls out its own 3G mobile services.** The market that Sunday is going to join has been characterized as full of cutthroat competition. Hutchison offers free LG handsets to new customers who transfer from other networks and sign up for an 18-month contract. SmarTone is giving free Sanyo handsets for those who join their two-year or 30-month contracts. Sunday faces a market of less than 690,00 customers, this in a city where mobile penetration goes beyond 100 percent.

## Singapore/Malaysia/Philippines/Indonesia

### *Internet*

- **Connexion, the Internet Protocol television service by Boeing, had launched its services on Singapore Airlines flights.** This development brings four television channels to passengers over a wireless IP network on planes. Presently, Singapore Airlines holds the exclusive deal for the IP television service although other carriers are waiting to adopt the service after the exclusivity period lapses. In a related development, Siemens said it is already developing a lightweight GSM (Global System for Mobile Communications) pico shell. Siemens it has received a contract to provide GSM to OnAir, a joint venture between Airbus and SITA, a transport application developer.
- **A study conducted by Malaysian Communications and Multimedia Commission places the Malaysians second to Singapore as the most frequent users of Internet in Southeast Asia.** The study said the number of net users in the country is almost comparable to Taiwan, which had 3906 registered Internet net users per 10,000 people two years ago. Singapore topped the list in Southeast Asia with 5088 registered net users per 10,000 people. Thailand came in third, with 1105 registered users per 10,000. Brunei registered in with 1023 users and the Philippines with 440.

## United States/Canada

### *Mobile/Wireless*

- **Qualcom filed a counter suit against Broadcom Corp., accusing Broadcom of violating six patents related to GSM technology.** Earlier, Broadcom filed a suit alleging that Qualcomm has abused the rights to standard-setting technology it licenses. Qualcomm described the Broadcom suit as lacking merit and announced its plan to respond with its own suit, with Qualcomm accusing Broadcom of trying to gain leverage in licensing negotiations by filing suit, citing a history of litigation by Broadcom against competitors.

### *Internet*

- **Sprint, a global provider of voice, data and Internet services, revealed an agreement to acquire US Unwired for about US\$1 billion.** The terms of agreement stipulate that Sprint will begin a cash tender offer to acquire all of US Unwired's outstanding common stock. Upon completion of the tender offer, any remaining shares of US Unwired will be acquired through a cash merger at the same price. Under the deal, Sprint also acquires the net debt of US Unwired, which is valued at about US\$266

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million. US Unwired provides Sprint PC services in nine U.S. states, providing more than 500,000 direct wireless subscribers in 48 markets and posting revenues of US\$408 million in 2004.

- **A survey conducted by America Online and Salary reveals that the most popular way to pass time in the office was through personal Internet use.** The activity, as contained in the response of 44 percent of 10,000 respondents, includes use of e-mail, instant messaging and chat rooms, all of which can cost the employers about US\$759 billion a year. The survey also indicates that 23 percent of those surveyed said that they socialize with their fellow workers in order to spend the time. The survey results show that the time wasted by workers is more than what the employers imagine to be.

## *Media, Gaming and Entertainment*

- **With homes connected to high-speed Internet or broadband, CBS said it intends to move into its U.S. broadcast news operations into a multi-platform operation available to Internet users worldwide.** The new service that would transform one of the oldest U.S. broadcast news operations would have news and other features available on demand. To pursue this strategy, CBS said it would invest in CBC News and its CBSNews.com. The response of CBS has been triggered by its experience with other broadcast news networks of losing the market to cable news operations. The move comes also amidst the growth of IPTV as an attractive alternative to cable and satellite television.

## *Hardware*

- **Apple reported profit climbing to US\$320 million, up from US\$61 million in the year-ago quarter.** Its sales went up 75 percent to US\$3.5 billion from US\$2 billion last year. Apple reported shipment of 1.2 million computers and 6.2 million iPods, making it the leading manufacturer of digital music players during the quarter. The shipment of computers represents a 35 percent increase in Mac sales while the figures for iPods stand for a six-fold climb from the third quarter of 2004. Apple disclosed that 39 percent of the quarter's revenue could be ascribed to its international sales.

## **Europe**

### *Internet*

- **The European regulators said that their monitoring of the roaming charges for a decade now has convinced the regulators that the prices paid by consumers do not reflect the result of effective competition.** To warn consumers about the expenses that they may incur when they are abroad, European regulators revealed their plan to establish a web site that would post details about roaming charges. European telecommunications rules allow the Commission to look into national markets and create measures that would address the market. In the past, the Commission imposed took some actions on firms whose roaming charges were deemed to high by the regulators.

### *Mobile/Wireless*

- **Alcatel reported sales rising 8 percent to US\$3.7 billion.** The company, which is acknowledged as the world's biggest broadband equipment supplier, posted a 27 percent climb in its first-quarter operating profit to US\$129 million. Alcatel said its revenue went up 3.7 percent in the first quarter to US\$3.1 billion from US\$3 billion. Its last year's first-quarter profit went down 55 percent to US\$149.2 million from US\$334.6 million a year earlier. The company ascribes the present profitability to demand for Internet-related and wireless phone products, and points to marketing costs of new mobile-network equipment and the expense related to currency hedges as the factors that had negative impact on its profitability.

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