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HARDWARE

Tianhe-2 recognized as the world's fastest supercomputer

Tianhe-2, a supercomputer developed by China's National University of Defense Technology

(NUDT) in Changsha, Hunan province, achieved processing speeds of 33.86 petaflops per second on a benchmarking test, earning it the top spot in a survey of supercomputers by Top500.org. Its main rival, the U.S.-designed Titan, achieved 17.59 petaflops per second. Five of the world's 10 fastest computers are in the U.S., the survey said, with two in China, two in Germany and one in Japan. Recognition of Tianhe-2, or Milky Way-2, as the world's fastest computer marks the return of the title to China after the machine's predecessor, the Tianhe-1, was ranked the world's fastest in November 2010, only to be overtaken by a machine from the U.S. Most of the Tianhe-2's parts are developed in China, except for its main processors, Ivy Bridge and Xeon Phi chips, designed by Intel. Costing USD100 million, Tianhe-2 is expected to become operational at the supercomputer center in Guangzhou. NUTD said it would produce a supercomputer performing 100 quadrillion operations per second by 2015 and further raise it by 10 times around 2020. Tianhe-2's top priority will be to improve China's car industry, in particular at Guangzhou Automobile Group.

The U.S. still dominates the overall supercomputer rankings, with 252 systems making the top 500. A senior scientist at the Beijing Computing Center said China had much more computing power than it actually needed, and the excess power was not only a waste of taxpayers' money but would also become obsolete in a few years due to the rapid upgrading of CPUs and information technology. Sugon, the Beijing-based company formerly known as Dawning Information Industry, is the biggest domestic manufacturer of supercomputers. It is followed by Inspur, a major information-technology systems supplier headquartered in Shandong province, and the government-run National University of Defense Technology (NUDT) in Hunan province.

China at the forefront in commercializing graphene

Chinese electronics manufacturers appear to be the front runners in the race to launch the first commercial applications using graphene, the thinnest, strongest and most conductive material known. At a forum in Hong Kong in June, experts said those firms are now developing the initial batch of graphene-enhanced products expected to be released to the market next year. The initial products would be advanced touch screens and lithium ion batteries used in smart mobile devices. Graphene is a one-atom-thick layer of carbon arranged in a honeycomb pattern. It is 200 times stronger than steel and one million times thinner than a human hair. It is also flexible and a better conductor than copper, making it a revolutionary material for a broad range of industries. Ivan Buckley, Project Manager for the National Graphene Institute at the University of Manchester, said that China is the most active in commercial development of graphene. Demand for graphene is being driven by sectors including aerospace, communications, solar, automotive, energy storage, paints, sensors, and oil and lubricants. Lai Chung Ping, Chief Executive of Bluestone Global Tech, based in New York and currently the leading provider of high-quality, large-size graphene from its facilities in Fujian province, predicted: “Next year will be a time when graphene changes the appearance of smartphones.” Simon Leung, Marketing President at Powerbooster Technologies in Shanghai, said his company would invest about USD10 million over the next two years to step up delivery of graphene applications to makers of smart mobile devices. The firm is now supplying two million graphene-enhanced touch panels a month under a partnership with Bluestone, the South China Morning Post reports.

Lenovo becomes world's largest computer maker

Lenovo Group overtook Hewlett-Packard Co in the second quarter to become the world's largest personal computer maker by shipment volume, even as the industry continued to experience a record decline, international research firms IDC and Gartner said. Lenovo shipped at least 12.6 million PCs in the second quarter while HP delivered about 12.4 million. Global PC shipments slumped 10.9% year-on-year to 76 million units in the period, the fifth consecutive quarter of declines, according to Gartner, as inexpensive tablets are increasingly displacing low-end PCs. Lenovo Chairman and Chief Executive Yang Yuanqing said he was pleased that even in the toughest PC market ever, Lenovo was still able to gain market share and improve profitability. Lenovo grabbed 16.7% of the worldwide market in the last quarter, surpassing long-time leader HP with 16.4%. Lenovo's business in the Americas, Europe and the Middle East saw steady growth while its Asia-Pacific business declined, said IDC. “The Asia-Pacific market has been a weakness the last three years for HP, but preliminary second-quarter results suggest an improvement of their performance in the region,” said Gartner. To counter a slump in the PC market, Lenovo is turning its attention to servers and consumer electronics for higher profits. A joint venture with U.S. data-storage company EMC Corp started to sell server products earlier this year and Lenovo is ready to challenge Apple and Samsung Electronics on the smartphone front. CEO Yang said he believed that the ongoing urbanization would help the company further boost the overall PC market. A recent report by Bernstein Research predicted that the vast rural markets would provide steady and higher growth opportunities for Lenovo over the next five years, compared with China's major urban markets.

In the first half of next year, Lenovo plans to introduce its smartphones to mature markets such as the U.S. and Europe. Globally, Lenovo ranked as the fourth-largest smartphone vendor in the second quarter, shipping a record 11.3 million handsets, behind Samsung, Apple and LG Electronics, according to IDC. According to Canalys, smartphone shipments in China reached 88 million in the second quarter, accounting for one-third of all shipments worldwide. Lenovo Group posted a 23% jump in net profit in the second quarter to USD173.93. The revenue for the quarter rose 9.7% to USD8.79 billion. Lenovo’s PC sales also fell 1.4% from a year earlier to 12.6 million units in the quarter. In China, Lenovo’s smartphone sales soared 121% in the quarter and ranked the firm as the world’s No 4 smartphone vendor. At the end of June, Samsung retained the first place in the domestic smartphone market, while Coolpad tied with Lenovo for the second position, said Strategy Analytics. Lenovo’s China revenue was USD3.7 billion in the quarter, up 5.6% year-on-year.

Alberto Moel, Senior Analyst at Bernstein Research, said the impact of the Microsoft-Nokia deal on Lenovo would be short-term neutral. He added that the acquisition of Nokia's devices and services business by Microsoft “puts into question the Lenovo-Microsoft collaboration on Windows phones, which has been a source of free research and development to Lenovo”. He warned that Lenovo could be affected if Microsoft used its Nokia-branded phones to double down on smartphones and “focuses on market segments where Lenovo competes”. Nokia is not in the top-10 list of smartphones in the domestic market. It has 4% of the domestic smartphone market while Microsoft’s Windows Phone system only accounts for less than 3% of the market.

SMIC's first-half profit record USD116 million

Semiconductor Manufacturing International Corp (SMIC)’s first-half net profit reached a record USD116 million, compared with a USD35.8 million loss in the same period last year. That improvement was primarily due to higher sales to customers in China, an increase in wafer revenue and greater use of capacity at its chip fabrication plants. Revenue climbed 38.2% to a new high of USD1.04 billion, up from USD754.5 million in the same period last year. Nearly 41% of this year's first-half revenue was generated from domestic “fabless” semiconductor companies, which design chips and outsource fabrication to semiconductor foundries like SMIC. Its revenue last quarter rose 8% to USD541.3 million from USD501.6 million a year earlier. Bernstein Research Senior Analyst Mark Li believes SMIC is well-positioned to capture the fabless growth in China. Li said SMIC's other growth driver would be its 40/45-nanometer foundry process, which primarily makes chips for applications such as smartphones and media tablets. SMIC plans to expand its 45/40nm capacity to produce up to 15,000 12-inch wafers per month in the fourth quarter to meet strong demand.

- Lenovo Group has unveiled smart TV products developed with Japanese electronics maker Sharp Corp. Lenovo is negotiating with Sharp to purchase a TV assembly plant in Nanjing, capital of Jiangsu province. E-commerce website JD.com will assist Lenovo with online sales of the smart TV, while off-line sales in major Chinese cities will be handled by Suning Appliance Co and Gome Electrical Appliances. Internet company LeTV.com has also launched self-branded smart TV products aimed at the medium-end market.
- Dell is planning an aggressive expansion in smaller Chinese cities. The company will add stores and product development in cities down to tier-six level, Computing Products Vice President Kirk Schell said. Dell announced in June that it had opened a 30,000 square meter factory in Chengdu with capacity for seven million desktops a year. Dell also would invest more in building devices especially for China due to the country's “strategic importance”, Schell said. Smaller Chinese cities show the most promise for consumer technology, market research has found.
- About 92% of Chinese aged 18 to 30 own smartphones, well above the global average of 67%, according to a joint survey by Spain’s Telefonica and the Financial Times newspaper. About 95% of mobile phones shipped in China will be smartphones

by 2017 and the country will become one of the world's top smartphone markets in terms of the penetration rate.

- Huawei unveiled its Ascend P6 phone at the CommunicAsia telecom and broadcast event in Singapore in June, billing it as the world's thinnest smartphone. It includes a front-facing 5 megapixel camera and an 8 MP rear-facing camera with 2.0 aperture. Huawei is trying to catch up in brand recognition with Apple and Samsung. The company's brand mantra is "Make it possible". The phone, which is just 6.18mm thick, has a recommended retail price of €449 and CNY2,688.
- Japan's Sharp Corp announced it will form a USD2.9 billion alliance with China Electronics Corp (CEC) that includes a deal by Sharp to license its advanced power-saving indium gallium zinc oxide (IGZO) screen technology. The new venture will be 92% owned by CEC and set up an 8.5 generation LCD plant to mass-produce panel displays for televisions, notebook PCs and tablets in 2015. IGZO screens' power consumption can be as low as 10% of LCDs, and provides higher resolutions and faster reaction speeds. Sharp is the only panel maker in the world to have built a tenth generation factory able to fabricate liquid crystal sandwiched in glass sheets thinner than a credit card that are 3.13 meters long by 2.88 meters wide.
- Demand for ultra-slim notebooks in China may rise this year as low-priced models with longer battery life become available. Technology research firm IDC expects Dell and Lenovo to remain China's top two brands for ultra-slim notebooks this year, followed by Asus, Samsung Electronics and Hewlett-Packard. Apple is China's sixth-leading supplier of ultra-slim notebooks. Its MacBook Air computer is the worldwide bestseller in the category.
- Hon Hai Precision Industry, the world's biggest electronics manufacturing services provider, is predicted to remain the largest supplier to Apple, despite recent efforts to diversify its production base. A report by Bernstein Research said Apple pushed forward diversification over the past 12 months by adding Pegatron as a supplier of its iPhone and iPad mini lines, as well as potentially qualifying other manufacturers. Hon Hai, however, has a compelling size advantage over its competitors. The company has about 1 million employees at its factories in China, against Pegatron's 178,000.
- Apple warned customers to only use Apple certified iPhone charges after a 23-year-old flight attendant with China Southern Airlines was killed by an electric shock from her stainless steel iPhone 4 while charging it at home. She had been using a counterfeit charger. A man from Jilin was also electrocuted in Beijing and suffered cardiac arrest.
- Stratasys, a New York-listed supplier of industrial-grade three-dimensional printers, plans to expand its operations in China to meet demand and support Beijing's efforts to develop advanced manufacturing capabilities. Scott Crump, Chairman and Chief Innovation Officer at Stratasys, said that China, including Hong Kong, was already the company's fastest-growing market because of its manufacturing industry. The company is planning to open a new office in Beijing and is considering setting up a research and development (R&D) center in China.
- Alibaba Group and digital TV network operator Wasu Media Holding Co plan to jointly launch a set-top box. Wasu will be responsible for the hardware and overall service while Alibaba will provide the operating system, based on its own Aliyun OS. Online shopping and payments will be important features of the service.
- MediaTek's USD4 billion purchase of MStar Semiconductor was approved by China's antitrust regulator on condition the Taiwanese companies keep competing with each other in the television-chip business for three years. The transaction would close by February 1, 2014. Beijing's anti-monopoly authority said MStar's liquid-crystal display television-chip business must exist as a separate entity while the handset-chip businesses may merge. The companies can ask the Ministry of Commerce (MOFCOM) to lift its conditions after three years, according to the statement.

OPERATORS

China telecom operators present 4G strategies

China Mobile will extend trials of the 4G networks in 100 cities in the country by the end of this year, and have established 200,000 4G base stations by then. China Mobile will also establish a national voice over long term evolution (VoLTE) network, which lowers the cost of calls by up to 70%. China Mobile is using the domestic Time Division-Long Term Evolution (TD-LTE) 4G technology. The other two smaller Chinese telecom operators – China Unicom (Hong Kong) and China Telecom Corp – adopted Frequency Division Duplex-Long Term Evolution (FDD-LTE) or are opting for a converged network. Chinese authorities have not announced when they plan to issue 4G licenses, although they are expected in the fourth quarter. Shang Bing, Vice Minister of the Ministry of Industry and Information Technology (MIIT), said the development of the TD-LTE technology has entered a fast-track phase. The moves by the three Chinese carriers will help to further back the development of 4G technology globally, said Anne Bouverot, Director General of the GSM Association. LTE will provide speeds about 50% higher than current Wi-Fi networks.

Wireless infrastructure spending by China's three telecommunications network operators is primed for a solid increase next year. The Chinese government announced in mid-July that it would accelerate plans to upgrade the nation's internet and telecommunications infrastructure. Market research firm IHS has predicted that 4G initiatives will help increase total wireless infrastructure spending by China Mobile, China Unicom and China Telecom to USD11.2 billion next year, from an estimated USD10 billion this year and USD10.7 billion in 2011. Next year's projected expenditure tops the more than USD6.3 billion spent by the three network operators in 2009, when they made massive 3G equipment purchases a year after receiving their respective 3G licenses. Milly Xiang, Analyst at technology research firm IDC, said the government was expected to first grant a license to run a network built on TDD-LTE technology, the 4G mobile standard backed by Beijing and adopted by China Mobile. Next up would be licenses for the other, more widely adopted 4G standard FDD-LTE, which are expected for China Unicom and China Telecom. IHS has forecast the number of 4G subscribers in China to swell to about 439 million by 2017 from an estimated one million this year, the South China Morning Post reports.

Apple Chief Executive meets China Mobile Chairman

Apple Chief Executive Tim Cook met China Mobile Chairman Xi Guohua in Beijing at the end of July, in what is seen as a significant step to boost iPhone sales in China. China Mobile, the world's largest mobile carrier by subscribers, is the only one of China's three carriers that does not offer iPhones to its subscribers. It had 740 million subscribers in the first half of this year. China Mobile gave no details of the meeting due to a “confidentiality agreement with Apple”. Cook also met executives of the other two telecommunications operators, China Telecom and China Unicom. Huang Meng, Analyst at research firm Analysts International, said one important reason for Cook's China visit was to push sales through cooperation with the carriers. “China is a market crucial for the future growth of any international enterprise,” he said. Currently, iPhones cannot be used in 3G mode on China Mobile's third-generation TD-SCDMA network. They can be used on the operator’s older 2G GSM network.

China Mobile launches own-brand smartphones

China Mobile officially entered the booming mobile terminal market as it unveiled its own-brand smartphone models. The China Mobile M701, a 5-inch screen Android-based smartphone equipped with MediaTek's 1.2-gigahertz quad-core processor, is priced at CNY1,299. The China Mobile M601 is a 4-inch screen, dual-core Android smartphone that targets lower-end users with a price of CNY499. The two smartphones are produced by original equipment manufacturers (OEMs), Hisense Group and Shenzhen-based BYD Co, respectively. They hit the Chinese market through China Mobile's online and offline outlets in August. Li Yue, CEO of China Mobile, said the company’s 740 million customers usually change their mobile phones every 23 months, so at least 300 million new mobile devices are needed every year. James Yan, Analyst with research firm IDC China, said China Mobile's move aims to create a platform that seamlessly integrates its mobile services and applications. “Chinese mobile carriers hope to decrease the risks of being a “dumb pipe” and to relieve the pressure from Internet companies' challenges,” Yan said. Lingxi, a Chinese app comparable to Apple's Siri, will be installed on the new China Mobile smartphones. A year ago, China Mobile struck a USD214 million deal to acquire a 15% stake in Anhui USTC iFlytek Co, a Chinese company that develops software and apps related to voice input services. Compared with Siri, Lingxi is more localized and has partnered with third-party service providers such as Dianping.com and douban.com to offer helpful daily living information for customers, Li said. Kevin Wang, Analyst with IHS iSuppli, said China Mobile's move will help reinforce its branding, but he doubted the smartphone business will be a major revenue driver for the company, the China Daily reports.

China Mobile's net profit in the first half rose by a mere 1.5% to CNY63.1 billion amid tough competition from smaller domestic rivals. Revenue rose 10% to CNY303.1 billion. China Mobile saw its wireless data traffic jump 129% in the first six months to 891.4 billion megabytes, up from 389.2 billion MB in the same period last year, following an increase of 187% in 2012. Wireless data traffic revenue grew 62.2% to CNY47.4 billion in the first half, up from CNY29.2 billion in the same period last year. Revenue from data services accounted for 33.5% of the company's telecommunications services revenue in the first half, up from 28.5% last year. "The rapid of growth of data services highlights the company's transformation from a traditional phone carrier to a comprehensive data service provider," said CEO Li Yue.

China Unicom's profit up 55%, tests 4G network

China Unicom posted better-than-expected first-half results with net profit soaring 55% to CNY5.3 billion, thanks to growing 3G mobile subscribers and data usage. Revenue grew 19% to CNY144.31 billion. Mobile income hit CNY72.8 billion, up 20.5% year-on-year. The company's 3G user base grew 73.9% year-on-year to 100 million in the period. 3G-related revenue was CNY40.9 billion, accounting for 56.2% of its total mobile income in the first six months, compared with 44.5% a year ago. China Unicom will start testing a TD-LTE 4G network, which it will use if the government doesn't allow it to use its favored FDD-LTE technology in the upcoming 4G licensing process. The operator expects the government to first award licenses for TD-LTE networks backed by rival China Mobile. Beijing favors Time-Division Long-Term Evolution (TD-LTE) because the network's core technologies are developed by Chinese companies. China Unicom's infrastructure mainly supports Frequency Division Duplexing Long-Term Evolution (FDD-LTE), which is the world's dominant 4G technology. Out of the 156 commercial 4G networks operating around the world in March 2013, 142 were FDD-LTE and 14 were TD-LTE networks. China Mobile operates a FDD-LTE network in Hong Kong and is trying to integrate it with the mainland's TD-LTE market. China Unicom's capital expenditure will stay within the full-year budget of CNY80 billion, despite the planned investment in TD-LTE networks.

China Telecom's profit rises 15.95% in first half

China Telecom posted a 15.9% rise in net profit in the first half to CNY10.2 billion, as its revenue totaled CNY157.5 billion, up 14.1% from a year ago. China Telecom has a higher ratio of 3G users among its total mobile phone users compared to China Mobile and China Unicom. At the end of June, China Telecom had more than 175 million subscribers, of which 87.33 million were 3G mobile users, representing 50% of the total mobile user base. China Mobile, with more than 740 million subscribers, has 19% of its customers using 3G. About 38% of China Unicom's 266 million users are 3G subscribers. China Telecom plans to increase full-year capital expenditure by CNY5 billion to CNY80 billion this year as it builds a 4G trial network. The operator also said that if it received a license for the TD-LTE standard, it would rent the network from China Mobile. China Telecom decided not to pay an interim dividend, citing policy uncertainties and 3G expansion plans.

- Hutchison Whampoa has agreed to buy Telefonica's Irish unit for as much as €850 million. It will increase Hutchison's customers to about 2 million and its wireless market share to 37.5%. The transaction has the potential to bring Telefonica, Europe's most-indebted carrier, closer to its goal of cutting net debt to less than €47 billion this year. Vodafone is now Ireland's biggest wireless carrier, but will be surpassed by the combined O2-Three Ireland. Their combined revenue reached €803 million last year.
- Fixed-line network operator Hutchison Global Communications (HGC) is expanding its high-capacity infrastructure – spending HKD700 million – as it prepares to launch a range of new services from the second half of this year. HGC has started deploying a new backbone network that will increase transmission speeds to 100 gigabits per second from 10 Gbps. The "100G" network will enable HGC, a division of Hutchison Telecommunications Hong Kong, to deliver online and content services to its network of more than 10,000 buildings with direct fiber-optic connections.
- China Mobile has suspended its Skype-like Jego service just weeks after its launch.
- Hutchison Telecommunications Hong Kong, which posted a modest net profit in the first half of this year, expects the city's leading network operators to block a government plan to seize and reassign chunks of 3G spectrum, which it says is against consumers' interest. Hutchison Telecom, CSL, SmarTone Telecommunications

and PCCW's HKT have urged the Hong Kong government to follow international practice by renewing their 3G spectrum allocations in the 1.9-gigahertz to 2.2-gigahertz band, which are due to expire in October 2016. They also warned of serious disruption and higher costs of mobile telecommunications services under the government's plan.

- Citic Telecom International posted a year-on-year rise of 7.9% in revenue to HKD1.88 billion in the first half and is expecting a stable performance for the second half. Recent acquisition Companhia de Telecomunicacoes de Macau (CTM), which has a 46% share of Macao's mobile service market, accounted for almost all the increase in revenue. Citic Telecom completed the acquisition of a 79% stake in CTM on June 20 and, with the 20% interest it already held, now controls 99% of the company's shares. Government-controlled Macau Post owns the other 1%. Citic Telecom's net profit surged 232% in the first half to HKD794.1 million.
- Xu Long, General Manager of China Mobile's Guangdong operations, has been held by the Central Commission for Discipline Inspection (CCDI) over alleged serious violations of party discipline. Xu, 56, was appointed Chairman and General Manager of Guangdong Mobile in 2005. Guangdong is one of the most profitable regions for China Mobile. Last year, the Guangdong operations' CNY23.8 billion net profit accounted for 18.4% of China Mobile's total net gains.
- Shanghai Telecom plans to upgrade its broadband network, tripling the speed to 100 Mbps this month, but some users complained that the price – CNY280 a month for 100 Mbps and CNY240 for 50 Mbps – was way too high. The city's average broadband speed is 16 to 20 Mbps now. It will mainly benefit users who watch high-definition online video.

RADIO, FILM & TV

China's film market to surpass the U.S. in five years

Top-grossing films in China are expected to equal the revenue of those in the United States within five years. Government statistics showed the Chinese film market grossed CNY17.07 billion last year, representing 40% growth every year over the past seven years and 7.4 times the CNY2.3 billion in 2006. Still, the mainland Chinese market only represented about 25% of U.S. gross revenue of USD10.84 billion last year. In terms of its growth rate, however, U.S. revenue last year only achieved annual expansion of 6.5% from 2011, which came after annual declines of 3.7% and 0.3%, according to Box Office Mojo. The Chinese film market has become big enough to attract Hollywood filmmakers to film on location or do promotions in the country.

IMAX and Wanda to add 40 to 45 new theaters in China

IMAX Corp, the world's leading giant-screen movie theater operator, and China's Wanda Cinema Line Corp announced they will add 40 to 45 new IMAX theaters in China. Wanda's lease terms for all new IMAX theaters will be extended from 10 years to 12, according to the latest agreement. It brings the total number of IMAX cinemas owned by Wanda to up to 210, making the Chinese theater chain the biggest IMAX operator. As the largest theater operator in Asia, Wanda Cinema Line operates 119 theaters with 1,038 screens, of which 73 were IMAX screens as of June 30. It generated first-half revenue of CNY1.96 billion, up 35.1% year-on-year. "Our IMAX theaters have been showing a strong performance, while Wanda Cinema Line is constantly developing. We're delighted to build on our successful partnership that continues to differentiate our cineplexes by offering a premium entertainment experience," said Jerry Ye, Vice President of Wanda Cultural Group, a subsidiary of Dalian Wanda Group. China's share of IMAX's global revenue jumped from 4% in 2008 to 16% in 2012, making it the fastest-growing market for IMAX across the globe. EntGroup Consulting, a Beijing-based entertainment industry consultancy, expects the growth momentum in the China market to last another two to four years. The consultancy said China is expected to account for one-quarter of IMAX's total revenue as of 2016, getting close to the U.S. share. Currently, 108 IMAX theaters are being operated by Wanda and other companies in China, but a lot more are waiting to be opened in the next few years.

- Shanghai's film box office receipts ranked second among all Chinese mainland cities and will continue to grow rapidly in the coming years. In 2012, it reached CNY1.35

billion, a yearly growth of 22.2%, putting it behind Beijing with a CNY1.61 billion box office last year. Shanghai has the most movie theaters at 122, ahead of Beijing's 120, according to Artisan Gateway. A Disneyland theme park is under construction in Shanghai and a DreamWorks Animation partnership will build Oriental DreamWorks, including a USD3.1 billion entertainment zone.

- Hong Kong-listed filmmaker ChinaVision Media, a major investor in "Journey to the West: Conquering the Demons", plans to invest in a number of sequels in coming years. The ambition is to turn the films into money-spinners like the "James Bond" and "Mission: Impossible" franchises. The company also plans to open a "Journey to the West" theme park in Wuzhen, Zhejiang province, which could become a tourist attraction, according to Chairman Dong Ping.
- The State General Administration of Press, Publication, Radio, Film and Television – the top media regulatory body that was formed in March during the latest cabinet restructuring – has scrapped 20 items for government approval, including censorship of "general category" film scripts. Film directors are only required to submit a 1,500-word synopsis if their films fall within this category. Films on major revolutionary and historic topics, documentaries on major historical subjects and international co-productions are all considered productions outside the general category.
- China has stopped paying Hollywood studios for its films in a dispute over a Chinese tax on movie profits. Tens of millions of dollars in box office revenues are owed in arrears to companies including Disney, Warner, Universal, Paramount, Fox and Sony, according to The Hollywood Reporter. China stopped payment at the beginning of the year, when American studios took issue with a 2% value-added tax (VAT) that China was levying on U.S. films. China resumed payments in August after tax settlement.

SOFTWARE

SAP doubles China sales in second quarter

Business software firm SAP predicts information-technology spending by state-owned enterprises (SOEs) and industry to pick up later this year. The company has more than 5,700 customers in China. SAP said it had doubled its China sales in the second quarter, compared with the previous quarter. SAP, which started doing business in China in 1980, sells software that businesses and other organizations use to automate their operations, such as enterprise resource planning (ERP) and human capital management systems. SAP is currently in the middle of a five-year, USD2 billion expansion program in China. It raised the number of its employees to about 4,000 from 2,500 last year. SAP expects a USD1 billion revenue in China in 2015 and the Chinese market to become one of its top five regional markets in the middle term. In 2015, China is set to account for 5% of SAP's global revenue which may hit USD20 billion. SAP also said it would invest USD2 billion in China under a five-year plan until 2015.

- Software for languages used in South and Southeast Asian countries – such as Hindu, Vietnamese, Indonesian and Thai – will be developed in Yunnan province, according to a memorandum of understanding (MOU) signed in June by the Yunnan provincial government and Microsoft. Yunnan University and Microsoft will jointly establish the Yunnan Microsoft IT Academy, while the Microsoft Innovation Center is launched by Microsoft and two local information technology companies.
- Apple has boosted its appeal in China by unveiling support for the microblogging service Tencent Weibo on the updated mobile operating system for iPhones and iPads iOS 7. There will also be a Chinese-English bilingual dictionary, and improved Chinese-language input.
- The total number of Chinese iOS developers has increased 9.3 times from 2011 to 2013, according to UMeng, a Beijing-based startup focusing on serving app developers with detailed apps-usage data. But eight out of every 10 Chinese mobile application developers are losing money, or can barely make ends meet, according to iResearch. According to research firm App Annie, gaming accounted for 90% of first-quarter revenue this year in China for apps downloaded to devices running some version of Apple's iOS operating system for gadgets.
- Students from the Northeast Agricultural University in Heilongjiang province have developed a new smartphone app named "pick a good watermelon" to solve the task of choosing a perfect watermelon. The sound of tapping on the melon is analyzed by

the app to decide if the watermelon is ripe enough.

- Microsoft launched its cloud service, Windows Azure, in China in June in cooperation with data-center services provider 21Vianet. Ralph Haupter, Chairman and Chief Executive of Microsoft Greater China, also disclosed that the company plans to expand its network of branded retail stores into Hong Kong and the mainland under its “Go Big” strategy. Microsoft has more than 20 offices in 15 provinces and large cities and aims to hire another 1,000 people in the financial year to June 30, 2014. Microsoft’s R&D investment in China is the biggest outside the U.S.
- China is expected to soon end a 13-year ban on the sale of gaming consoles with only one key condition: foreign firms like Sony, Nintendo and Microsoft must make their products in Shanghai’s new free trade zone. The milestone move is part of a detailed policy blueprint for a “Shanghai free trade zone”, endorsed by Premier Li Keqiang. The Ministry of Culture would still be required to approve the games.
- AutoNavi, which provides a map service for iPhone on the Chinese mainland, started to offer users a free mobile navigation service. AutoNavi Navigation, which was the No 1 non-game paid application in Apple’s App Store in China is the most popular mobile navigation app in the domestic market with about 70 million users. At the end of the second quarter, AutoNavi had more than 30% of the domestic mobile navigation market, ranking No 1, according to Beijing-based research firm Analysys International. In May, Alibaba invested USD294 million for 28% of AutoNavi.

TELECOM MFG. CO.

Huawei aims to lead development of 5G mobile networks

Huawei Technologies is gearing up to lead the rollout of faster 5G wireless systems in the next decade. The company expects the networks to emerge between 2020 and 2030. Future 5G mobile networks are projected to have internet download speeds of 10 gigabits per second. The fastest 3G networks run at 42 Mbps. Tong Wen, Director of Huawei Communications Technologies Labs, said: “There are a lot of innovations that need to be created and a lot of technology challenges that need to be overcome to create 5G solutions. At Huawei, researchers are studying new radio link technologies and radio access network architecture. We are also working on prototyping, and have conducted field trials on cloud-based radio access networks. We are playing a leading role in 5G wireless technology development,” he added. Datang Telecom Technology and Industry Group has also been pursuing research on 5G. Tong said 5G, along with other key technologies, would help “essentially automate the entire society”.

Huawei said it is on track to meet its 10% revenue growth target in 2013 after posting a pickup in half-year sales by 10.8% to CNY113.8 billion, as opposed to a 5% gain in the same period a year ago. Huawei is benefiting from the huge spending by Chinese telecom carriers on 4G networks and from the fast-growing smartphone market. Huawei has set up a team of 10,000 people to provide cloud computing and storage infrastructure to enterprise clients. More than 600 firms are using Huawei’s cloud computing services globally. Within five years, Huawei aims to generate revenue of USD800 million to USD1 billion on cloud computing and storage services. By the end of August, Huawei had established 330 data centers, with 70 of them supporting cloud features.

UK government to review Huawei facility

Britain’s National Security Adviser Kim Darroch has been assigned to review the workings of a Huawei facility known as “the Cell” in Banbury, Oxfordshire, to ensure the integrity of the company’s products, which include routers deployed across Britain’s fiber optic cable network. Huawei Technologies said it welcomed the review. “Huawei shares the same goal as the UK government and the Intelligence and Security Committee in raising the standards of cybersecurity in the UK and ensuring that network technology benefits UK consumers,” the company said. Huawei signed a multi-billion pound deal in 2005 to supply BT Group, Britain's largest telecoms operator, as part of upgrades to a network. Huawei employs 800 people in the UK and plans to increase that to 1,500 over the next five years as part of a GBP1.3 billion investment and procurement program in Britain.

Xiaomi aims for CNY100 billion in sales by 2015

Smartphone maker Xiaomi aims for at least CNY100 billion in sales by 2015, about four times its expected revenue this year, Chief Executive Lei Jun said. The Beijing-based handset maker and internet startup would very likely exceed its target of 15 million phones and CNY26 billion in revenue this year. Lei said about 17 million Xiaomi phones had been shipped since the firm was founded three years ago. “Maybe it's hard to comprehend how a three-year-old company will make around CNY100 billion in its fifth or sixth year, because there aren't many companies like that in the world,” he said. The firm sold 100,000 of its new CNY799 Hongmi phones in 90 seconds when they launched and took 7.45 million reservations. Xiaomi eclipsed Apple in smartphone sales in China in the second quarter, taking the sixth spot, according to Canalys, an independent analyst firm. Observers have questioned whether Xiaomi's move to release the low-end Hongmi would weaken its standing among major smartphone makers. Huawei Technologies, ZTE and Lenovo have all been trying to step up their products' specifications to move up the value chain. “I don't care whether my products belong to the high end. I'm more interested in what my phone can do well. It's more like a tool to me,” CEO Lei Jun said.

Xiaomi sold 7.03 million handsets in the first half of this year, almost the same number as it did in all of last year. Xiaomi currently makes around CNY20 million a month in revenue from its mobile internet platform, which includes a game center, an online marketplace and a social messaging app that competes with Tencent’s popular WeChat. In the first half, that figure was equivalent to less than 1% of monthly revenue. Lei estimated mobile internet revenue may rise to as much as CNY150 million a month by the end of next year as Xiaomi develops what he called its software ecosystem. Xiaomi has been valued at up to USD10 billion, while Tencent, China’s largest internet company by revenue, has a market capitalization of USD88.6 billion. Baidu, the owner of the country’s biggest search engine, is worth USD49.5 billion while the impending IPO of Alibaba, the country’s leading e-commerce company, may value the firm at more than USD100 billion.

Xiaomi has hired Hugo Barra, who was Google's Vice President of Product Management for the company's Android operating system. He will join Xiaomi in October as Director of International Business Development.“Barra's entry into Xiaomi signals the speeding up of the company's globalization drive. Xiaomi started to tap the market outside the Chinese mainland by launching mobile phones in Hong Kong and Taiwan in April. It's likely that Xiaomi will expand to other overseas markets after Barra joins the team,” the company said in a statement.

- ZTE, China’s largest handset maker, plans to sell more smartphones directly through retailers in Europe to improve its brand awareness. ZTE wants to boost the proportion of smartphones sold through non-carrier partners globally to 40% over the next three years from 10% now. Most handsets in Europe are sold along with subscriptions by carriers. The Shenzhen-based company is doubling its marketing budget this year and opening up new sales channels. ZTE forecast its smartphone shipments will reach 45 million to 50 million units this year, compared with 35 million last year.
- Huawei Technologies is boosting its research budget this year to improve mobile and fixed-network performance as well as audio and video transmissions. The privately held company is seeking to work more closely with carriers to jointly develop products from radio-access networks to miniaturized antennae. Almost half of Huawei’s 150,000-strong workforce is in research, and its research spending represented 13.7% of sales.
- Apple's share of China's smartphone market was cut almost in half in the second quarter as consumers opted for lower-priced handsets from domestic suppliers such as Xiaomi. Apple’s market share fell to 5% of the total in the second quarter from 9% a year earlier, Nicole Peng, China Research Director for Canalys, said. “Apple is only focused on the high-end segment, and China's smartphone market growth right now is coming from the mid- to low- end. Apple doesn't have any products in the mid- to low-end, and that's where Xiaomi has been building its brand awareness,” she said.
- Ethiopia has signed an USD800 million deal with China’s ZTE to expand mobile phone infrastructure and introduce a high-speed 4G broadband network in the capital Addis Ababa and a 3G service throughout the rest of the country. The agreement covers half of a USD1.6 billion project split with Huawei Technologies. Andualem Admassie, acting CEO of Ethio Telecom, said the agreement would enable the country to double subscribers to more than 50 million.

- ZTE, the world's fifth-largest supplier of telecommunications equipment, forecast improved profitability in the second half of the year. It reported a 26.6% increase in net profit to CNY310 million for the first half on cost controls and greater efficiency. It also recognized a substantial gain from the disposal of interests in a subsidiary, surveillance equipment maker Shenzhen ZNV Technology. Revenue fell 11.9% to CNY37.58 billion as demand for 2G and 3G network products decreased.
- ZTE Corp and Huawei Technologies have captured more than 50% of the latest bidding to supply equipment to China Mobile’s 4G network, expected to be worth CNY20 billion. Overseas firms, including Ericsson, Nokia Solutions and Networks (NSN) and Alcatel-Lucent Shanghai Bell (ASB), took one-third share of the telco’s tender for its TD-LTE network. Beijing-based Datang Mobile took 9% and other Chinese firms made up the rest. China Mobile is set to invest CNY200 million to build 200,000 base stations nationwide this year and next year.
- ZTE more than quadrupled its spending on lobbying after a United States House of Representatives report warned that its products may help the Chinese government spy on the U.S. ZTE reported spending USD330,000 to lobby Congress in the first six months of this year, compared with USD80,000 spent in the same period last year.

WEB

Baidu acquiring apps distributor 91 Wireless

Search engine operator Baidu is acquiring smartphone apps distributor 91 Wireless for USD1.9 billion, making it China’s largest internet acquisition deal. Baidu has signed a memorandum of understanding with NetDragon Websoft to buy a 57.41% stake in 91 Wireless from the Hong Kong-listed company and has also agreed to take the remaining stake from other shareholders upon their approval. 91 Wireless serves as a third party mobile application distribution site and it allows owners of smartphones with either the Android or iOS operating system to easily access and manage the mobile applications on their mobile devices. It is the largest third party application distribution platform by number of active users, according to an iResearch report. “The deal will allow Baidu to have a better relationship with application developers on 91’s distribution platforms and strengthen its position in the mobile internet sector,” said independent industry commentator Liu Xingliang. Baidu sold USD1 billion of five-year bonds to help fund the takeover. It was the company's first offering abroad since it issued USD1.5 billion of debt in November. While Baidu has sufficient cash to fund its USD1.9 billion acquisition of 91 Wireless as it seeks a greater share of the country's mobile-user market, the company went offshore for “tax-efficient” financing, Moody's Investors Service said in a report.

Percentage of mobile internet users on the rise

China’s internet population reached 591 million by the end of June, up 10% year-on-year. More than 70% of new users accessed the internet via smartphones or other wireless devices, according to the China Internet Network Information Center (CNNIC). 44.1% of the country’s population now uses the web. The internet penetration rate rose 2 percentage points from the end of last year. China’s mobile Internet user base reached 464 million by June, 78.5% of the total number of internet users, compared with 72.2% a year ago. The popularity of smartphones and wider coverage of 3G networks, which provide faster web access, will continue to boost the user base of mobile internet, CNNIC added.

Qihoo 360 Technology in talks to buy Sogou

Qihoo 360 Technology, a Beijing-based software developer, is in talks to buy Sohu.com’s Sogou unit to help it compete with Baidu for internet searches. Combining Qihoo and Sogou would unite China's second- and third-largest search engines in competition with Baidu, which controls more than 80% of the search market. Any deal would probably be financed with cash and stock, Qihoo Chief Financial Officer Alex Xu said. Sogou is valued at about USD1 billion to USD1.4 billion, said Lucy Zhang, Beijing-based Analyst at internet consulting group iResearch. Sogou accounted for 5.5% of search-engine queries in China in the first quarter, putting it in third place. Baidu had 82% and Qihoo 360 was second with 9%. “If you want to be relevant, to challenge the dominant player Baidu, you need more market share,” said Alen Lin, Hong Kong-based Analyst with BNP Paribas Securities Asia.

Citizens in smaller cities spend more online

Citizens of smaller cities and towns are spending more online per person than citizens in first- and second-tier cities. A study by Taobao.com found that shoppers from third- and fourth-tier cities spent an average of CNY5,628 per person on the site last year, beating the CNY4,700 spent by those in higher-tier cities. About 30 million people from more than 2,000 county-level cities spent a total of CNY179 billion on Taobao, up 87% on the year before. Jeff Walters, Researcher and Partner of global consultancy BCG, said one reason was that more middle-class families were being created in lower-tier cities than top-tier ones and their purchasing power was growing fast. “In addition, people in lower-tier cities have even more reasons to shop online than those in top-tier cities as many of them cannot find the brands they are looking for in their own cities,” he said. Taobao's study also showed that people in smaller cities tended to pay more than those in large cities to buy big fashion and cosmetics brands such as Nike, Uniqlo and Clinique. “Online spending in lower-tier cities will continue to grow fast,” Walters said. People from Yiwu city in Zhejiang – known as China's small-commodities trade center – contributed the most to the shopping site with total spending of CNY3.44 billion, while the highest-spending individual Taobao customers are from Qingliu county in Fujian.

Ctrip’s profit rises on jump in mobile business

Ctrip.com International posted a 76% jump in year-on-year net profit to CNY210 million in the second quarter, thanks to booming online and wireless hotel reservations and air ticket orders. Revenue was CNY1.2 billion in the period, a 28% growth. Transactions from Ctrip mobile channels tripled year-on-year in the second quarter and contributed more than 20% of hotel reservations and approximately 15% of air ticket bookings. More than 50 million users have downloaded Ctrip mobile apps, which allow users to purchase air tickets and book hotel rooms directly on smartphones or iPads. Young and well-educated Chinese consumers with a rising passion for leisure trips have boosted online travel market demand, according to travel deal publisher Travelzoo. “China has become the largest source of ‘tourism dollars’ in the Asia Pacific region,” said Jason Yap, Travelzoo’s Chief Executive for the Asia Pacific.

Ctrip.com and Qunar.com agree to cooperate

Ctrip.com International and Qunar.com, the two main Chinese tourism websites which have been rivals for years, agreed to cooperate in order to enlarge their market share. Ctrip.com became a vacation products supplier for Qunar.com, the Chinese leading travel search engine, whose largest shareholder is Baidu. “Travelers will be able to find all Ctrip.com's vacation products on Qunar.com in the future," said Peng Xiaomei, Deputy President of Qunar.com. The two companies are still negotiating further cooperation on hotel bookings and the air ticket business. Qunar.com tried to become an online travel distributor by launching its Total Solution service a few months ago, a move that Ctrip.com opposed. The two companies even went to court over the issue. Qunar.com sued Ctrip.com for allegedly deceiving customers and malicious business practices in 2011 and, in 2012, it accused Ctrip.com of defamation. Ctrip's operational income was CNY655 million in 2012, down 39% from 2011. The lower income was attributed to stiffer competition among China's online travel agencies, pushing up the agency's expenses for sales and marketing. Ctrip will benefit from the traffic volume supplied by Qunar.com, which also needs capable suppliers as it is only a search engine. Ctrip.com received net income of CNY210 million in the second quarter of 2013, up 76% year-on-year, according to a quarterly report released on July 31.

Alibaba Group’s Hong Kong listing in doubt

Prospects for a Hong Kong listing this year for Alibaba Group have dimmed dramatically in the wake of disclosures by investment bankers that the firm is wrestling with how to keep management control after shares are sold to the public. Market sources say the desire of Chairman Jack Ma to keep clear control of the company he founded in 1999 throws into doubt the likelihood of a Hong Kong share sale given strict listing rules that forbid dual structures that separate voting and ownership rights. Taking into account Ma's personal 7.4% stake in Alibaba, the entire management team owns a combined 10.4% stake in the firm. Japan's SoftBank owns 36.7% and Yahoo 24%. The most viable solution for Ma to maintain control over Alibaba's board may be to establish a mutual agreement with the two biggest shareholders, Yahoo and SoftBank, but that looks unlikely. Hong Kong's current listing rules do not allow a so-called “dual class” voting structure as is possible in New York. The U.S. system allows the management of a company to retain control through shares that have more voting power than publicly traded shares. Jack Ma may therefore be considering a New York listing. Should China's largest e-commence company succeed in hitting a market capitalization of USD100 billion, it would rank as the third-largest internet firm after Google, with a market cap of USD290 billion, and Amazon.com, at USD133 billion.

China Telecom and NetEase set up JV

China Telecom has formed a joint venture with NetEase to launch a mobile chatting tool called Yixin to compete with Tencent's WeChat. China Telecom holds the major stake of 73% in Zhejiang Yixin Technology Co, which has a registered capital of CNY200 million and is responsible for the development and operations of Yixin. In addition to standard features such as push-to-talk voice messages and photo sharing, the biggest difference between Yixin and WeChat, is that the former is capable of sending free text and voice messages to any mobile phone users, whether the receivers have installed the Yixin app or not. Yang Jie, General Manager of China Telecom, said Yixin combines the resources of NetEase and China Telecom. WeChat has about 236 million monthly active users, while Miliao, developed by Xiaomi Corp in 2010, has more than 40 million registered users and a daily active user base of about 4 million. Zhang Zheng, General Manager of Zhejiang Yixin Technology, said Yixin aims to have more than 100 million registered users within six months, with an active user base of more than 50 million. The company hopes to conquer more than half of the mobile messaging market in China. Yixin supports both Apple's iOS platform and Google's Android mobile operating system.

- Online video company Youku Tudou is to provide licensed content through the desktop and mobile platforms of micro-blogging site Sina Weibo to boost traffic for both sites. On July 1, Weibo opened a video section containing popular tweets and resources of films and TV series. The 500 million Weibo users can consult information on video clips and make comments. Users can also get licensed content on Youku Tudou through links posted on Weibo.
- In 2012, China's online games industry revenue reached CNY60.3 billion, growing 35.1% year-on-year. The market revenue is expected to reach CNY135.2 billion in 2017, according to International Data Corp (IDC). The industry has also been boosted by exports, which reached CNY3.5 billion in 2012, a 57% growth year-on-year.
- Tencent has introduced paid services such as a sticker app in version 5.0 of its WeChat social messaging service. More merchants are also setting up channels on the platform offering discount coupons. WeChat has more than 300 million registered domestic users and surpassed 70 million users internationally. Tencent also began testing a mobile games platform for WeChat and Wireless QQ to transform the two free-to-use online services into revenue-generating operations.
- NetSuite, the leading cloud-based supplier of business-management applications, formed an alliance with Oracle and Deloitte in June to deliver a new software-as-a-service (SaaS) offering to medium-sized companies employing fewer than 500 people. Through this alliance it also plans to expand its business in China.
- The Chinese Securities Regulatory Commission (CSRC) approved the sale of up to CNY5 billion of notes backed by loans from Alibaba. The loans that Alibaba offers are all for small and micro enterprises. Since starting its micro-loans business three years ago, Alibaba has extended more than CNY100 billion of financing to more than 320,000 small online businesses and entrepreneurs.
- John Liu, one of Google's Vice Presidents and its Greater China President, has resigned and has been replaced by Scott Beaumont, Director of Google's partnerships business in Europe. Liu joined Google in 2008 and succeeded Lee Kai-fu, who resigned in September 2009, as its China chief.
- The Shanghai Household Service Association has made available a free and instant ayi (maid) reservation app called "zhaisujie". The Association claims an ayi from the over 400 domestic help agencies could be made available on an hourly paid basis and could reach the venue in an hour or two to do household chores. The payment can be done through the app.
- Suzhou Snail Digital Technology, a designer of online games, is considering an initial public offering (IPO) in Hong Kong. The company, also known as Snail Game, is in the process of selecting investment banks to manage the offering. The share sale may

raise as much as USD100 million next year. Founded in Suzhou, Jiangsu province, in 2000, Snail Game was the first Chinese company to develop 3D online games. In October 2007, NetDragon Websoft raised USD210 million in Hong Kong's last IPO of an online gaming company.

- WeChat, a popular mobile chatting service in China, suffered its first major disruption on July 22 after two optical cables were severed by a road construction team. Operator Tencent promised to strengthen its emergency tolerance system in order to avoid a repeat of the outage. Many users complained that they could not send or receive any messages through WeChat and had problems reading posts sent by verified accounts. The breakdown lasted more than 7 hours. The chatting app has become a major communication tool among smartphone users.
- By the end of June, China's game industry revenue had reached CNY33.9 billion, a 36.4% growth year-on-year. The mobile game industry revenue more than doubled from a year ago to hit CNY2.53 billion, industry officials said at the opening forum of the China Digital Entertainment Expo & Conference, or ChinaJoy, at the Shanghai New International Expo Center in July. Chinese game exports reached CNY2.95 billion in the first six months, a 161.1% growth from a year ago.
- Baidu, which operates China's most popular search engine, says its latest quarterly profit fell 4.5% year-on-year to CNY2.6 billion due to higher expenses. Revenue rose 38.6% from a year earlier to CNY7.6 billion but promotion and other expenses rose 83.5%. Baidu's mobile business accounted for more than 10% of its revenue for the first time. On a quarterly basis, profit in the second quarter was up 29.4% from the previous quarter to CNY2.64 billion.
- Alibaba Group, China's largest e-commerce company, has suspended third party connections on its websites that are linked to competitor Tencent's popular instant messaging application WeChat, citing security concerns. Third-party service providers are no longer allowed to display product information about Taobao vendors on the WeChat platform. Some Taobao vendors' marketing activities on WeChat have disturbed users, Alibaba said in a statement. In April, Alibaba purchased an 18% stake in competitor Sina Weibo for USD586 million.
- Online video site Youku Tudou posted a narrower loss in the second quarter, down 40% from a year ago to CNY105 million, while revenue stood at CNY754 million, up 30% from the same period a year ago. The number of daily video views on mobile devices more than doubled in the first half of the year.
- Sina's sales jumped 20% to USD157.5 million in the second quarter. Advertising sales gained 17% in the period to USD120.6 million. But the company posted a net loss of USD11.5 million after it recorded a one-off charge of USD27.1 million arising from a USD586 million investment by the Alibaba Group for 18% of Weibo in April, the company said in a stock exchange filing. A year ago it made a profit of USD33.2 million. Weibo contributed USD30 million of income in the second quarter, more than triple from a year ago. Value-added services, including online gaming income and membership fees, also nearly tripled to USD7.7 million.
- Tencent's net profit jumped 18.7% in the second quarter to CNY3.68 billion as its gaming income climbed. Sales jumped 36.6% to CNY14.4 billion. Sales of Tencent's value-added services, including online gaming income and membership fees, grew 23% from a year ago to CNY10.8 billion, making up 74.7% of overall revenue.
- Subsidiary Alibaba Cloud Computing and strategic partner ChinaSoft International have signed a deal to build a smart e-government cloud computing platform for the Lishui city government in Zhejiang province. It is one of 13 smart-city pilot projects in Zhejiang. Smart-city projects serve as an important infrastructure investment strategy for local governments. They focus on upgrading information-technology platforms to improve the efficiency of government operations, such as automating tax collection, and to deliver public services.
- Baidu is expanding into mobile applications that do not need to be downloaded. Mobile users could access “lite apps” for information on transport, travel and entertainment through Baidu's search program on smartphones, Vice President Li Mingyuan said. The firm is trying to navigate a shift from desktop computing, where it manages 82% of China's searches, to mobile devices. Baidu's mobile revenue was about CNY700 million to CNY800 million in the second quarter.
- Guests at some luxury hotels in Shanghai, Beijing and other major cities have been

able to access Facebook and Twitter recently. “We started to offer internet access to foreign sites like Facebook and Twitter from June this year. It's because many of our customers are overseas business clients. They hope to be able to use foreign sites. So we moved our internet servers from Shanghai to Hong Kong,” a Spokesman for the Park Hyatt in Shanghai said.

- China’s e-commerce spending may surpass that of the United States this year, reaching CNY3.3 trillion in 2015, according to Bain & Co’s annual “China E-commerce Report”. China’s e-commerce market will continue to grow 32% annually in the next three years and will be 50% higher than that of the U.S. in 2015. Bain said e-commerce will continue to grow as about 58% of new online sales in the next three years will be generated by new consumers.

ONE-LINE NEWS

- 310 technology firms from the mainland where among the 1,670 exhibitors at the 33th Computex Taipei, Asia's largest technology show, in June. Many hoped for deals with Taiwanese technology firms. Last year, the mainland exported USD80.7 billion of electronic goods to Taiwan.
- The Ministry of Public Security in June launched a six-month nationwide crackdown on internet crimes, mainly targeting hackers and illegal activities which infringe on individual privacy.
- Shanghai-based Semiconductor Manufacturing International Corp (SMIC) has named former Chairman of Intel China, Sean Maloney, as an independent Non-executive Director, and Gao Yonggang, former Chief Financial Officer of the China Academy of Telecommunications Technology, as its Executive Vice President for Strategic Planning. SMIC's Chief Executive, Chiu Tzu-yin, said the new appointments would “improve the company's decision-making processes and professionalism on key strategies and developments”.
- Shanghai will invest CNY190 million in the next 18 months to build infrastructure for China’s homegrown Beidou Navigation Satellite System needed to track 50,000 objects or people, including hazardous transports, buses, boats, elderly citizens and children. The system will also be used in mapping, land supervision and disaster monitoring, city officials said.
- China’s first Angry Birds theme park will open in September along a 1.5-kilometer stretch of the Qiantang river in Haining, Zhejiang Province. The park will include a bird’s castle and an interactive square for guests to play various versions of Angry Birds. The park will also have a 4D theater and exhibition halls. All major facilities will be imported from Finland.
- Senior security officials from the BRICS countries – Brazil, Russia, India, China and South Africa – agreed to expand cooperation on internet security following Edward's Snowden's revelations about U.S. cyber snooping, including hacking into the systems of Tsinghua University and Chinese telecommunications firms. Snowden's claims have bolstered fears that reliance on equipment and software made by U.S.-based companies, like Cisco or Microsoft, represent a security threat to China because they could provide the U.S. government with a back door into critical Chinese systems.
- Apple’s revenue in China slumped 43% in the second quarter from the previous quarter and was down 14% from a year earlier. China accounted for 13% of Apple’s sales, or USD5 billion, in April-June – down from nearly 19% in the previous quarter.
- Three Chinese factories run by Pegatron Group making Apple products impose excessive overtime and employ minors, U.S.-based China Labor Watch said in a report. China Labor Watch said the 70,000 employees at the three Pegatron sites averaged 66, 67 and 69 hours per week, and that “many workers” were under 18, some of them interns from vocational schools. Apple said in a statement it had audited Pegatron facilities 15 times since 2007 and found in June that their work week averaged 46 hours.
- The United States and China have joined forces in a combined operation to crack down on counterfeit goods, seizing more than 243,000 fake electronics products, including popular consumer items made by Apple, Samsung, Dr Dre and Blackberry. U.S. Customs and Border Protection said the month-long operation was the biggest bilateral customs enforcement effort ever conducted by the United States. It focused

on seizures of goods in ports as they were exported from China or imported into the United States.

- A Hangzhou court has sentenced former group-buying site Juhuasuan General Manager Yan Limin to seven years in prison for bribery after his arrest in July last year. Juhuasuan is part of the Alibaba Group. The court said he had accepted bribes worth more than CNY538,00. The court also found several other former Juhuasuan and Taobao employees guilty of involvement and handed down sentences.
- China's Ministry of Public Security and the State Council's Development Research Center are preparing to investigate IBM, Oracle and EMC over security issues. The report follows revelations by former U.S. National Security Agency (NSA) contractor Edward Snowden of widespread surveillance, including the Prism program, and his assertion that the agency hacked into critical network infrastructure at universities in China and in Hong Kong.
- Pacnet, operator of Asia's largest privately-owned submarine cable network, has stepped up construction of data centers in China through subsidiary Pacnet Business Solutions (PBS), a 50-50 joint venture it formed in 2008 with Zhong Ren Telecom. Large data centers are essential to support the fast-growing cloud computing market. The company's enhanced value-added service license allows it to operate data centers in five cities and provide internet access in 10 cities. The first phase of Pacnet's sixth USD30 million data center in Chongqing began operations in March.

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