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## HARDWARE

### Quality watchdog surveys smartphone brands

A survey by the Shanghai Quality and Technical Supervision Bureau revealed that more than 45% of smartphone glitches were related to system blowout, while blank screens, poor quality cameras and software malfunctions were among the major irritants noted. The survey polled 9,571 respondents in the city and covered 15 brands. Nokia was the most satisfying brand, followed by Apple and HTC. In terms of quality, Apple topped the list, but ranked No 5 for after-sales service, while Motorola was voted best for its after-sales service. Apple representatives did not attend a conference to address the complaints of its users, leading the Bureau to rebuke it for its arrogant attitude. "We have never encountered such a situation, as companies are usually very cooperative and actively communicating with us," said a Bureau official

sumamed Chen. The survey found that most users of smartphones were unhappy by the way producers and retailers handled their complaints.

## Apple criticized for after-repair warranty

The State Administration for Industry and Commerce (SAIC) will tighten supervision of Apple and other electronics firms after CCTV and People's Daily published negative reports about the company's warranty policies, which they said are "unfair" to Chinese consumers. CCTV accused Apple of skirting warranty periods and adopting customer-service policies for Chinese that were different from the company's practice in other countries. Apple later announced it would improve its warranties, including replacing faulty iPhone 5s for customers within the warranty period. Apple Chief Executive Tim Cook apologized to mainland customers in an open letter on the firm's Chinese website and said the warranty on iPhone 4 and 4S handsets repaired by its shops would be renewed for another year, not just the remaining period on the initial warranty. China is Apple's second-biggest and fastest-growing market, with sales of USD6.8 billion in the December quarter, 12.5% of its total sales. Apple also said it will provide simpler and clearer warranty guidelines on its website and ensure that customers get easy access to feedback and services. Cook added the firm will boost training and supervision of authorized resellers on the new warranty terms. Apple has come under fire frequently in the past two years in China, after customers said it replaced many parts of a malfunctioning device, except for the case and battery charger, but then refused to renew the device's warranty.

- Tests ordered by the Zhejiang Provincial Administration for Industry and Commerce and carried out by a Guangzhou-based telecom-products test center found that products from a number of cellphone makers – including Samsung, Sony, Motorola and Nokia – are substandard and can cause fires and explosions. The test found 27 out of the 36 batches of sample cellphones, or 75%, were of inferior quality, with 20 batches failing to pass the battery heating test. Other defects found included inferior audio frequency and insufficient battery capacity. Retailers were requested to stop selling the affected models and recall those they had.
- Semiconductor manufacturer Applied Materials predicts a decline in integrated circuit market revenue in China this year but expects demand for flat panel displays (FPD) and solar energy equipment to grow. Liquid crystal display panel manufacturing plants, invested by Samsung, LG and Sharp, are moving to China and demand will surge from the second half. Last year LG announced a USD4 billion investment in a LCD panel plant in Guangzhou, which will start production in 2014.
- Lenovo Group said that it plans to make its server and storage business unit into one of the company's major revenue sources over the next three years. The company also released co-branded server and storage products with U.S. data storage company EMC Corp. Most of the servers released were mid- and low-end entry-level products. The company released its first server in 1995, but later partnerships with technology providers such as Oracle Corp failed to boost Lenovo's enterprise business.
- Baidu, China's largest search engine, is developing a prototype of digital eyewear similar to Google's Google Glass that will leverage Baidu's strengths in image search and facial recognition, Baidu Spokesman Kaiser Kuo said. Internally known as project "Baidu Eye", the glasses are being tested and it is not clear whether the product will ever be commercialized. Therefore, comparisons to Google Glass were premature, said Kuo.
- Samsung's Galaxy S4 smartphone will be introduced to the local market at a Samsung-hosted media event on April 18 at the Hong Kong Convention and Exhibition Center. Hong Kong's five operators will all sell the new smartphone. The release date would be near the end of this month. The S4 has a 5-inch display, 13-megapixel rear camera and 2 MP front camera, and up to 64 gigabytes of internal memory. Samsung was the third-biggest advertiser in Hong Kong last year, with a 142% year-on-year increase in advertising spending to HKD554.31 million.
- Intel is accelerating its involvement in mobile devices such as smartphones, tablets and ultra-books in the Chinese market. In March, ZTE announced a strategic partnership with Intel for its advanced smartphones to be powered by Intel's new Atom Z2580 processor. Industry analyst Luo Qingqi said it was natural for Intel to branch out into mobile devices. ZTE and Lenovo are Intel's largest mobile phone partners in

China.

- China National Radio (CNR) denounced Microsoft for providing a warranty covering its Surface Pro media tablet that did not conform to Chinese law. It said there should be a one-year repair warranty for the whole device and a two-year warranty for its main parts, instead of Microsoft's existing one-year warranty for both. The attack on Microsoft came about three weeks after Apple was subjected to scathing reports in state-run media outlets over its iPhone warranty and repair policies.

## OPERATORS

### China Mobile raises capital spending 49%

China Mobile will increase capital expenditure by 49% to CNY190.2 billion this year, from CNY127.4 billion last year. The world's largest wireless network operator is facing intense competition from the two other traditional telecommunications operators, as well as from internet firms that provide voice calls and short messaging services. The company built a trial fourth-generation (4G) network in 15 cities with about 20,000 base stations last year and plans to extend it by adding more than 200,000 base stations this year. China Mobile will spend CNY41.7 billion, or 52% of its network spending, on developing its TD-LTE 4G network. Its state-owned parent has been shouldering the construction costs in the past but is now shifting it to the listed company as it waits for regulators to issue 4G licenses. Chairman Xi Guohua said he expects 4G licenses to be issued around the end of this year, echoing remarks by a Ministry of Industry and Information Technology official. Independent industry commentator Xiang Ligang said China Mobile has lagged behind its rivals China Telecom and China Unicom in attracting 3G users and needs to better prepare itself for competition in the 4G era. Just 13% of its users are on 3G, compared with one-third at China Unicom and 44% at China Telecom. Xue Taohai, China Mobile's Vice President and Chief Financial Officer (CFO), said the firm has no need to raise funds for the investment, as it has enough cash and bank deposits – CNY408 billion by the end of last year – adding that “we have a strong ability to generate cash flow”. The company plans to spend CNY27 billion this year on handset subsidies to lure high-end 3G customers compared to CNY23.8 billion last year. Xi said the growth driver this year will be data traffic, as increasing numbers of subscribers are downloading movies, games and music on their handsets. Revenue from data services increased 19.4% to CNY166.3 billion, comprising 29.7% of total revenue, compared with 26.4% in 2011. Voice calling remains the firm's mainstay, contributing 65.7% of total revenue. China Mobile had 710.3 million subscribers at the end of last year, up 9.3% from a year earlier, but its market share declined to 63.9% from 66.5% in 2011. The carrier had 714.7 million mobile-phone subscribers at the end of January, including 95 million 3G users. The firm posted a 2.7% rise in net profit to CNY129.3 billion last year, the slowest growth in three years. Operating revenue went up 6.1% year-on-year to CNY560.4 billion, the South China Morning Post reports.

China Mobile is betting on an increase in data services to boost revenue. Revenue from short message and multimedia message services dropped about 5% to CNY44.2 billion, as more users turn to apps like WeChat and WhatsApp. Revenue from voice services was almost stagnant, increasing just 1.1% year-on-year to CNY368 billion. But there was a surge in revenue from wireless data traffic, up 53.6% to CNY68.26 billion, which in volume grew 187.6% to 1,039 billion megabytes, a clear sign that China Mobile's data services are taking off. Revenue from wireless data traffic accounts for 12.2% of the carrier's total revenue, up 3.8 percentage points from 2011. The proportion of short message and multimedia message services, in turn, dropped 0.9 percentage points, to 7.9%. On a single day — December 31 — the number of outbound messages on WhatsApp hit 11 billion. In January, Apple said that users on its iMessage service were sending more than 2 billion messages a day, up from 1 billion in June.

### Hutchison to add more mobile spectrum

Hutchison Telecommunications Hong Kong plans to add more mobile spectrum and keep its existing spectrum holdings to meet rising data service requirements. Hutchison Telecom, SmarTone Telecommunications, CSL and PCCW's HKT have formed a united front to renew their existing 3G spectrum allocations, while competing in the latest government auction of new 4G mobile spectrum. Their respective 3G spectrum licenses are due to expire in October 2016. An option that the government apparently favors is to take a third of each of the four mobile network operators' current 3G spectrum allocation and auction these off. The

Communications Authority will decide after the conclusion of its public consultation on April 11. Hong Kong's Communications Authority completed its eighth radio spectrum auction since 2001. A total of HKD1.54 billion in spectrum utilization fees were submitted for 50 megahertz of new 4G mobile spectrum in the 2.5 gigahertz and 2.6GHz bands. SmarTone was the most aggressive auction participant, with a HKD640 million bid for the two chunks of spectrum that it won. Hutchison Telecom reported a 20% rise in net profit last year to HKD1.23 billion, largely driven by robust demand for smart devices and data services. Revenue rose 16% to HKD15.54 billion. Huawei Technologies and Nokia Siemens Networks have joined local mobile operators in raising the specter of acute services disruption in Hong Kong if the government seizes and auctions off chunks of 3G spectrum currently in use. Deputy Director General of the Office of the Communications Authority, Ha Yung-ken, reiterated the government's estimate that average 3G data download speeds would drop 18% in the transition period after parts of the existing spectrum were redistributed, but Nokia's Nigel Chan said there would be "at least a 30% loss". The city's 3G network operators claimed that the regulator "severely underestimated" the potential disruption, saying the loss in 3G download speeds would be 40% to 50% with less amount of spectrum in use. China Mobile has expressed its support of the plan and its intention to bid for the reassigned spectrum. It now utilizes local 3G network capacity from HKT and CSL.

Hutchison Whampoa, which saw its net profit more than halve last year, said it would not rule out a legal challenge to the Hong Kong government's decision to seize part of its 3G mobile spectrum for sale to new competitors. Canning Fok, Hutchison Group Managing Director, slammed the government's decision to take a third of the used spectrum from each of the existing four operators for newcomers such as China Mobile (Hong Kong). The government plans to auction off the spectrum.

## China Telecom's profit drops

China Telecom's net profit fell 17% year-on-year in the fourth quarter to CNY2.36 billion due to the popularity of mobile broadband which eroded income from the traditional fixed-line phone business. Its revenue in the fourth quarter rose 17% to CNY73.1 billion from a year earlier. China Telecom, whose spending will rise 40% to more than CNY75 billion this year, had 90.12 million broadband users at the end of 2012. For full year, Hong Kong-listed China Telecom's net profit totaled CNY14.92 billion, a decline of 9.5% from 2011. The wireline business still contributed the lion's share of CNY165.2 billion in revenue, but the growth was only 1.8%. Revenue from the mobile segment jumped 42.5% to CNY117.8 billion. Operating expenses grew 18.5% during the year to CNY261.9 billion due to increased marketing initiatives during its launch of the iPhone. Chairman Wang Xiaochu said the firm aimed at adding more than 30 million mobile subscribers this year. The company's percentage of 3G users reached 45% in February, much higher than the industry average of 20%. The rise in the number of 3G users helped the average revenue per user (arpu) rebound to CNY53.90 last year from CNY52.40 in 2011. Arpu has been falling over the past couple of years, as new users are mostly in rural areas with weaker consumption power. Wang expected arpu to stay stable this year. He said subsidies on handsets would continue to increase in absolute terms, but the ratio to the mobile business revenue would decrease. Wang said the firm had no interest in joining China Mobile in bidding for mobile spectrum in Hong Kong and compete in the market. "There are already five telecoms operators. Enough is enough."

- The number of users on China Mobile's home-developed TD-SCDMA 3G mobile network surged 84.1% year-on-year to surpass 100 million for the first time at the end of February, the Ministry of Industry and Information Technology (MIIT) said. They accounted for 40% of the national 3G user base. At the end of February, there were 1.13 billion mobile phone users in China, a rise of 19.88 million from the end of last year. The 3G penetration rate rose to 23% from 20.9% over the same period.
- China Unicom reported a 68.5% jump in net profit in 2012 year-on-year to CNY7.1 billion, thanks to its cooperation with Apple on the iPhone as well as surging wireless data income. By comparison, market leader China Mobile's net profit gained only 2.7% annually in 2012 while smaller rival China Telecom recorded a 9.5% fall in net profit. China Unicom's revenue was CNY248.9 billion in 2012, up an annual 19%. In the fourth quarter, China Unicom posted a net profit of CNY1.6 billion.
- The Ministry of Industry and Information Technology (MIIT) may approve as soon as May several domestic private companies applying to offer mobile communications services directly to consumers through purchasing bandwidth from China Mobile,

China Telecom and China Unicom, which have to provide bandwidth at “fair or favorable” prices. Ufida and Suning said they had applied for the service. The new policy may create “virtual carriers”. The move marks China’s latest bid to promote and attract private funds to the telecom industry to enhance competition and service quality.

- Mobile phone service providers in Hong Kong made a last-minute rush to collect as much personal data as possible before a tighter law on direct-sales tactics came into effect on April 1. At least three operators, SmarTone, PCCW and Three, amended their privacy policies before new provisions in the Personal Data (Privacy) Ordinance started to penalize illegal direct-marketing activities with a fine of up to HKD500,000 and up to three years in jail. Under the new law, customers have to opt in, but anyone who finds themselves already opted-in to marketing promotions before April 1 will still have to go to the trouble of opting out if they do not want their personal data used.
- China Unicom expects to sell 90 million WCDMA phones this year, a 50% annual jump. China Unicom and Nokia jointly launched the latest Lumia 520 mobile phone that costs CNY1,298 in Hangzhou. Unicom’s 3.5G network provides a mobile bandwidth of 21 megabytes per second, triple the level of current 3G networks operated by China Mobile and China Telecom. It has upgraded its networks to 3.5G in 330 cities nationwide, including Shanghai, Beijing and Hangzhou.
- The number of text messages sent by mobile phone users declined by 10.6% year-on-year in the first two months of 2013, as apps such as WeChat are becoming more popular. Industry analysts speculated that telecom carriers may charge extra operating fees to WeChat users for the app’s extensive use of mobile network resources.
- China Mobile is teaming up with Vodafone to bid for a mobile license in Myanmar, expected to be awarded in June. The country is doubling the number of mobile networks to four from the current two.

## RADIO, FILM & TV

### TPV raises targets on rising demand for smart TVs

TPV Technology, the world’s largest contract producer of computer monitors, is aiming to produce 18 million liquid crystal display (LCD) televisions this year as demand for smart TVs and large-sized high-definition TVs improves. The company reported a year-on-year drop of 7% in net profit last year to USD111.9 million due to weak demand for monitors, while revenue rose by 8.5% to USD12 billion during the period mainly because of the consolidation of TP Vision into the company last April. Shipments of LCD televisions rose to 15.1 million units in 2012, up 12.7% from the previous year. TP Vision, a joint venture TPV formed with Royal Philips Electronics in April last year, contributed 5.8 million units. Market research firm DisplaySearch found that global LCD television shipments declined for the first time in 2012, down 1% to 203 million. TPV’s Chairman and Chief Executive Jason Hsuan said he expected smart TVs to become the focal point of the market this year. In 2012 the average selling price of the company’s televisions was USD353.20, up from USD292.60 the previous year. Shane Tyau, TPV’s Chief Financial Officer, said TPV would be put under pressure by inventory adjustments in the first quarter but improvements to margins from the second quarter could be expected, as the company launches new products. Monitor shipments fell 6.3% last year to 56.2 million units, due to the “weakening momentum of the monitor market”, the company said. The popularity of mobile computing devices was cannibalizing personal computer demand, and affecting the sales of monitors, it said.

### Movie theater business boosts Bona Film group’s revenues

Bona Film Group has reported annual net revenues of USD142.3 million for 2012, a 12.8% year-on-year increase, driven by its film investment, production and movie theater businesses. Net revenues from its theater business rose to USD41.7 million from USD26 million in 2011, a 60.4% rise year-on-year, which the company attributed to an expansion of its theater activities across the country. Bona opened nine theaters in 2012, increasing its portfolio of owned and operated theaters to 20, and its number of screens to 163 by the end of December. The new theaters now provide 5,800 seats and 40 screens, and by 2014, the company plans to own 35 to 40 cinemas nationwide, it said. In May News Corp acquired a 19.9% stake in Bona and in October, Bona signed a letter of intent for film co-production with Fox International Productions, a division of 20<sup>th</sup> Century Fox Film Corp. It has also signed a co-production

agreement with Universal Studios and Working Title Films. But Yu Dong, Founder, Chairman and CEO, acknowledged that the company's financial results were affected by a weak fourth quarter, which was largely attributable to the delayed release of "The Grandmasters", lower than expected box office receipts for "The Last Tycoon" and increased start-up costs associated with new theater openings. Bona distributed 15 films during the year, including two imported films it also helped to market. China's box office revenues reached CNY16.8 billion last year, a surge of nearly 30% year-on-year, with domestic films contributing less than half of the figure for the first time in four years, the China Daily reports.

## Dalian Wanda in talks to acquire European theater chain

Dalian Wanda Group Corp, one of China's leading property developers and the owner of the country's largest movie theater chain by box office revenue, is in talks to buy a European theater chain, several months after its USD2.6 billion acquisition of the United States' second-largest theater chain, AMC Entertainment Holdings. Dalian Wanda has shown interest in at least two of Europe's largest chains – Odeon & UCI Cinemas Holdings and Vue Entertainment – which are both based in the United Kingdom and run thousands of screens in a number of countries. After the AMC acquisition, the Chinese company became the world's largest theater operator, operating a total of 495 theaters with about 6,000 screens, taking up 10% of the global market share. In China, the company owned 115 theaters with about 1,000 screens at the end of last year, and it plans to expand to 200 theaters with 2,000 screens by 2015. If it succeeds in buying a major European theater chain, it would be easier for the company to access superior resources in Hollywood to develop co-productions with foreign counterparts, said Shao Gang, Consulting Director at EntGroup Consulting, a Beijing-based entertainment research and consultancy firm. Odeon & UCI Cinemas is the largest operator of theaters on the European continent, with 2,179 screens in 236 cinemas in seven countries, including the UK, Spain and Germany. It is owned by Terra Firma Capital Partners, a British private equity firm. A person close to the talks said that Wanda has also approached Vue Entertainment, but that the UK company is not interested in a deal. Vue Entertainment operates 1,150 screens in 120 cinemas in five European countries and in Taiwan, the China Daily reports.

- Chinese movie fans helped push worldwide cinema sales up 6% to a record USD34.7 billion last year, as the world's most-populous nation passed Japan to become the No 2 film market. Moviegoers in China increased box-office spending by 36% to USD2.7 billion last year, according to the Motion Picture Association of America. The growth puts China behind only the combined box-office revenues of the U.S. and Canada. "China is building 10 screens a day," Association Chairman Christopher Dodd said, and the number of foreign films that could be released in the country has been raised.
- The Shanghai Animation Film Studio has sued Apple in a Beijing court, seeking compensation of CNY3.3 million, alleging the U.S. company sold its movies without approval. The Beijing No 2 Intermediate People's Court accepted the case. The animation film studio said Apple and its subsidiary sold 110 movies it made, including "Calabash Brothers" and "Black Cat Detective".
- Top Hollywood studio Paramount said it will produce the fourth movie in its popular Transformers series in partnership with China Movie Channel and its online movie services partner Jiaflix, which hopes to become the Netflix of China with a service to be launched later this year. The new Transformers film will be shot in China, and will be released in the summer of 2014. "Transformers 3" was one of the biggest hits at the China box office in 2011, generating USD165 million in the country alone, or about 15% of its worldwide total.

## SOFTWARE

### Microsoft opens flagship China online store on Alibaba's Tmall.com

Microsoft has opened its flagship online store on Alibaba Group's Tmall.com. It has expanded its product offering to include its own Surface media tablet and Windows-based personal computers and smartphones from brand-name manufacturers. Kevin Eagan, Vice President of E-commerce for Microsoft Retail Stores, said the company sees great potential in China's e-commerce market. Microsoft has set up a dedicated team to oversee offers and promotions based on local consumer needs and preferences. Initially, more than 50 software and hardware products, including related technical support services, will be available at its store.

Tmall.com's President Daniel Zhang, said he expected the collaboration with Microsoft, which has long relied on traditional retail sales, would "further streamline the divide between offline and online retail offering". Tmall.com, launched in April 2008, is the leading business-to-consumer e-commerce platform in China, with more than 70,000 major multinational and Chinese brands offered by more than 50,000 online merchants. JP Morgan has estimated that the gross merchandise value of China's online shopping market will be USD436 billion by 2015, accounting for 8.5% of total retail sales as the country's online population swelled to 538 million at the end of June and is expected to reach 800 million by 2015. The global consultancy firm Bain & Co has predicted that mainland China will overtake the United States as the world's biggest e-commerce market this year. Microsoft has built partnerships with a number of local companies, including Baozun Technology, Alipay, Shunfeng and EMS. But although it is expanding investment in the e-commerce market, Microsoft does not rule out the possibility of opening physical stores in China. Egan said: "We would say our entry strategy is online; our long-term strategy is multichannel. And our strategy is driven by wanting to serve the customers with a seamless experience regardless whether they are buying via mobile, via their computers, in local stores, in flagship stores, or even through partners."

## Shanghai Zhi Zhen versus Apple in Siri patent suit

Shanghai Zhi Zhen Internet Technology Co is suing Apple in the Shanghai No 1 Intermediate People's Court, alleging the firm's use of the Siri application infringed its patent rights. Siri, a voice-activated personal assistant for iPhones and iPads, is popular among Apple fans for recognizing speech and answering queries, including calling a contact, finding the nearest gas station or checking the weather. "Siri is very similar to Xiaoi, a chat robot system we have been developing since 2003," said Mei Li, Spokeswoman of Shanghai Zhi Zhen. She added that Siri was established in 2007 – a year after Xiaoi's patent came into effect in China. Zhi Zhen filed a suit on June 21, 2012, asking Apple to stop producing and selling products with Siri in China. Zhi Zhen said it was not demanding compensation but asked the court to confirm its patent right. Apple has applied to China's State Intellectual Property Office (SIPO) to demand that Xiaoi's patent be invalidated. A pre-trial hearing has been held and the full case is expected to be heard in July.

- Apple has removed at least one online application from the China App Store because it provides access to books that are banned by the Chinese government, according to the developer of the app. Hao Peiqiang, the developer of an online bookstore app called "jingdian shucheng", received a letter from Apple's "App Review" telling him his app will be removed because it "includes content that is illegal in China".

## TELECOM MFG. CO.

### Huawei wins telecom patent case against ZTE

Huawei Technologies has won an injunction from a court in Germany against ZTE, which is now barred from selling its 4G-ready LTE base stations in that market, but Hong Kong-listed ZTE said it would appeal against the decision of the Mannheim Regional Court to a higher court. ZTE said it was "confident the product involved in the lawsuit doesn't infringe Huawei's patent rights", adding that the court's decision would not affect its business operations worldwide. Huawei, which is privately held, brought lawsuits in Germany, France and Hungary against ZTE in April 2011, mainly for alleged infringements of its rights over a patent on the "key derivation function", which represents a "standard-essential patent" for the 4G mobile technology long term evolution (LTE). ZTE filed a countersuit in China later that month, alleging that Huawei had violated ZTE's 4G LTE patents and should pay unspecified compensation. The same court, however, cleared ZTE over patent-infringement allegations related to USB modems that are attached to laptop computers "because these were not deemed to implement the patented invention to a degree that would have warranted a sales ban". ZTE said it was "ready to settle any intellectual property right issues through negotiations".

### Telecom NZ awards 4G network contract to China's Huawei

China's Huawei Technologies has won a contract to build the 4G mobile network infrastructure for New Zealand's biggest telecommunications company, expanding its presence in the country after receiving the cold shoulder in neighboring Australia. Telecom New Zealand said

the network will go live in Auckland, the country's biggest city, in October, and extend coverage to Wellington and Christchurch by Christmas. Huawei has also built the mobile network for 2degrees, while Vodafone uses Huawei equipment in its fixed-line network in the country. While Huawei accounts for around 70% of the world's 4G deployment, it was barred from bidding for a contract to build Australia's national broadband network, after the Australian government cited cyber-security concerns. Industry experts said the Telecom New Zealand contract indicated that New Zealand did not share the same security concerns. Huawei has increased sales and gained market share in Europe, Africa and Asia, muscling in on rivals such as Alcatel-Lucent by offering lower prices, but it has run into obstacles in countries including Australia and the United States, where it is not allowed to sell telecommunications equipment to domestic carriers. It also faces exclusion from Canada's government broadband network. Huawei has repeatedly said that it has no links with the Chinese government, and that it does not believe U.S. security concerns will have an impact on decisions by other countries to use its technology. Telecom New Zealand said that it had selected Huawei because of its global dominance in network development. "Huawei's selection was based on two main factors. The first is that they have extensive experience, having built 73 LTE networks in 42 countries," David Havercroft, Telecom New Zealand's Chief Technology Officer, said in a statement. "The second is that they are truly pushing the boundaries of LTE technology."

Separately, Huawei said it has completed the world's first advanced LTE active antenna system on trial for Deutsche Telekom in Germany. Huawei Technologies targets a 10% compound annual growth over the next five years by increasing its smartphone and cloud computing sales. Guo Ping, Huawei's Co-CEO expects Huawei's network equipment sales to tumble to 60% of the company's sales by 2017 from 73% last year after the Shenzhen-based privately-held firm drew cyber security concerns from foreign governments including the U.S. and Australia. Huawei's sales rose 8% to CNY220.2 billion last year while net profit surged 32% to CNY15.4 billion. Huawei's sales in China rose 12.2% to CNY73.6 billion, or a third of the total. Huawei's founder Ren Zhengfei attributed its performance during the past 25 years to "gaining might from a small hole", explaining that water under high pressure can be spurted from a small hole to cut steel plate. Huawei and its 150,000 employees, he said, pursue the dual target of focusing on customers and lifting competitiveness. Huawei entered the world's top three of smartphone makers for the first time in the fourth quarter of last year. It shipped 32 million smartphones in 2012, a 60% year-on-year increase.

- Samsung Electronics topped China's smartphone market in 2012, with sales nearly tripling year-on-year, according to research firm Strategy Analytics. This was the first time that the South Korean smartphone maker topped the list. Samsung sold more than 30 million smartphones in China last year, up from 10.9 million a year earlier. The company grabbed 17.7% of the market share in the country.
- Huawei Technologies may face additional restrictions selling its products in Canada as the federal government considers new regulations on foreign wireless suppliers it deems security risks. Huawei, which supplies both Telus and Bell Canada, the country's largest telephone company, has already been barred from providing equipment for government networks. Canada could require that suppliers have their software code verified by third parties and be subject to random audits.
- Lenovo is negotiating with Japan's NEC to buy its struggling handset subsidiary, NEC Casio Mobile Communications. If the purchase goes through, it would mark the second major deal between Lenovo and NEC this decade. Lenovo invested about USD175 million in 2011 to take a 51% stake in the joint venture NEC Lenovo Japan Group. A Lenovo Spokesman said the company has "no comment on rumors and speculation in the market".
- Huawei Technologies and ZTE – opponents in a series of 4G technology patent disputes – have closed ranks to fight intellectual property cases brought against them by InterDigital, a Philadelphia-based developer of wireless communications technologies used in mobile devices, networks and services worldwide. Huawei, ZTE, Nokia and Samsung Electronics were accused by InterDigital of infringing certain 3G and 4G patents in a case it filed in January with the United States International Trade Commission (ITC). InterDigital is seeking an import ban of devices making use of the patents.
- HTC Corp's first-quarter net income plunged 98% to NTD85 million, the sixth straight decline. HTC lost early momentum for its HTC One handset in February as a shortage

of camera components forced it to delay shipments in key markets by as much as a month. Prospects for revenue to rebound this quarter may be limited as the new device becomes widely available less than a month before Samsung Electronics' new Galaxy S4, which goes on sale in the U.S. on April 26.

- Hon Hai Precision Industry, the world's largest contract manufacturer of electronics, posted its biggest revenue decline in at least 13 years. First-quarter revenue fell 19.2% from a year earlier to NTD809 billion. Sales missed expectations by 9.6%, the most in more than four years and indicating a slowdown in orders from Apple, Hon Hai's largest customer. Spokesman Simon Hsing declined to comment on the reasons for the decline.

## WEB

### Sina Weibo looking to ads for revenue

Users of Sina Weibo are complaining about a growing number of advertising postings on the platform in recent months. Sina, a major news portal on the mainland, launched its weibo product in August 2009. The social networking service had more than 500 million users at the end of 2012, up 74% compared with a year earlier, but the company is struggling to gain revenue from its users. The Nasdaq-listed company's 2012 net revenue grew by 10% year-on-year to hit USD529.3 million, while advertising revenue was USD412.9 million, a 12% increase. That means nearly four-fifths of Sina's income is generated by advertising, the traditional way for internet companies to make money. You Tianyu, Senior Analyst at iResearch, said the income generated by Sina Weibo last year – USD66 million – missed market expectations after it captured investors' attention with dazzling growth over the previous two years. The failure to monetize its user base was common to all social networking sites, You said. Sina Chief Executive Charles Chao said the company will “continue to improve user experience and expand the scale of weibo monetization” in 2013. While announcing its annual results in February, Sina appointed Jack Xu as the company's Chief Technology Officer. Xu recently joined Sina from Cisco, and previously worked for eBay and NetEase. Under Xu, new Sina Weibo products could be expected among efforts to improve the platform's profitability, probably in the second quarter of this year, according to You.

Dong Xu, an analyst with Analysys International, said she was not overly concerned that the increasing advertising content on Weibo would seriously worsen users' experience. “Internet users have been trained to get used to seeing commercials online,” she said. Instead her concern is the relocation of users to mobile terminals, which means fewer chances for internet firms to cash in, since small-screened gadgets are less effective at displaying commercials compared with computers. According to Sina's annual report, three-quarters of its active weibo users access the service through mobile devices including smartphones and tablets. Weibo is also facing a challenge from Weixin, or WeChat in English, a mobile instant-messaging application developed by Tencent. After being live for just a year, WeChat hit 300 million registered users in January, becoming the second most popular application behind mobile QQ. According to iResearch data, WeChat surpassed Sina Weibo on mobile by time spent in the fourth quarter of last year.

### Founder Securities launches online sales channel

Founder Securities has launched an online sales channel to become the first brokerage to sell products and services on a third-party e-commerce platform. Founder's online shop on Tmall.com sold more than 100 products within 30 hours of opening, including 94 copies of a CNY1 wealth management app, which had previously sold for CNY500. Founder is China's eighth-biggest brokerage by market value, and is the Chinese partner of Credit Suisse. Its Tmall shop, which focuses on investment consultancy services and wealth management software, will deliver products via digital documents to buyers' e-mail accounts or mobile phones upon receipts of payment. Unlike investors using Founder's own online account system, buyers do not need to have an account with the brokerage when they use the consultancy services or buy software online. Yang Zihao, Account Manager with a Shanghai-based brokerage, said the impact of online shops is small so far, as investors need time to get familiar with the channel.

## Chat app Line to take on Twitter

Line, the Asian chat app that registered 100 million users about three times faster than Facebook, is putting growth before profit to take on Twitter. With 38% of its users in Japan, developer NHN Japan is honing plans to expand Line's reach, setting up a U.S. marketing team and planning joint promotions and content-delivery agreements with local companies. NHN Japan is still at an investment phase as it targets as many as 1 billion customers globally, said Jun Masuda, Chief Strategy and Marketing Officer. Known for cartoon characters and other "stickers" that users can include in chat messages, Line is among several apps from Asia challenging Facebook, Twitter and Skype as a way of communicating via mobile devices. South Korea's KakaoTalk is looking to Vietnam and Indonesia to expand past 82 million users, while China's WeChat has about 300 million. Line has features, such as group messaging, that make it stand out. But Clark Fredricksen, Researcher at EMarketer, said major platforms that are big enough and innovative enough could head off any threat from a foreign competitor. Part of the reason Line and free messaging service KakaoTalk have been successful in Asia may be that users in the region are particularly concerned about privacy, NHN's Masuda said, as the apps mainly focused on person-to-person messages. NHN could list Line as a spin-off in Japan late next year, but Masuda said there were no plans for an initial public offering (IPO) at the moment, the Shanghai Daily reports.

## Tencent's focus switches from PCs to smartphones

Tencent Holdings is shifting its focus from personal computers to smartphones, following trends in changing user activities, Chairman Pony Ma announced. The advent of low-end Android smartphones, especially devices that cost around CNY1,000, helped raise smartphone coverage in China. Therefore Tencent plans to strengthen its services on smartphones. This year, the company plans to add more functions, including games and content services, to its instant messaging service Weixin, known as WeChat in overseas markets. In response to rumors that it might start charging Weixin users, Ma added that his Shenzhen-based company has no immediate plans to monetize Weixin. Ma made the comments after reporting that profit rose 37% to CNY3.46 billion in the fourth quarter, on robust growth in online gaming. Qiu Lin, IT Analyst with Guosen Securities Co in Hong Kong, estimated that Weixin-based games will help bring Tencent CNY1 billion to CNY2 billion in the first year. Ma said Tencent's first game based on Weixin may come out in "months", but he added the company is not eager to monetize its mobile internet business.

## Taxi apps become popular

Using mobile apps such as Didi Taxi for calling taxis in some big Chinese cities could help cabdrivers increase their income while providing greater convenience to passengers. When a customer selects "call a cab now" on the app, any driver of a nearby taxi equipped with the same software can answer the passenger's call and arrive quickly. In peak periods or places, users have to bid for a taxi by offering tips, usually ranging from CNY5 to CNY30. The app is used in more than 5,000 cabs in Beijing, but the actual number might be much higher. There are more than 4,000 requests for cabs on average every day through the system. Some 70% of them lead to deals. Besides Beijing, Didi Taxi is also used in Guangzhou and Shenzhen and will be rolled out in more cities. Before the app appeared, the only way to book a taxi was through reservation hotlines, but only a handful of Beijing's 200 taxi companies have them. The city now has some 70,000 taxis on the road. "A CNY10 tip does not work in rush hour, but if I offer CNY20 extra in a bid on the app, there is always a driver contacting me in no more than 30 seconds," said one Didi Taxi user in an online forum.

## MOOC services expected to become hugely popular

Free online teaching is set to explode as a trend in China. "Massive online open courses" or MOOC, designed for large-scale interaction and open access at no cost, have become a rising power in China's education landscape. Educators in China have called it the most important invention in their field since the internet. One of the biggest providers of MOOC, alongside other American operations like Udacity and edX, is Coursera. Since launching in April 2012, Coursera has picked up more than three million users. Andrew Ng, the Chinese-American academic and co-founder of Coursera, recently lectured at Tsinghua University. Stanford is one of Coursera's partners in the United States and Ng is seeking similar relationships in China. "Coursera wants to embody the Confucian value of making no social distinctions in teaching; providing education for all people without discrimination. Education for everyone is

our goal,” explains Ng. MOOC platforms set hours of homework every week in addition to lecture videos, and the homework is either graded automatically or by students’ peers. MOOC has also successfully brought together student communities. They either discuss difficult points online or come together in the real world to meet. Participants can earn a certificate. Many students in China have been attracted to the free courses for the chance to learn from top teachers worldwide. Guokr.com hosts the country’s largest MOOC forum, the MOOC Study Room. Professor Sun Maosong, Party Secretary of Tsinghua’s Department of Computer Science and Technology expects MOOC to have a great impact on traditional college education. “I have a dream that all who want to be a student of Peking University can be a student of Peking University,” said Peking University President Zhou Qifeng. Language has been the main obstacle for MOOC’s spread in China, as most courses are in English. Tsinghua’s Sun Maosong suggests Chinese institutions may prefer to set up their own versions instead of joining foreign platforms. “Chinese courses need to be made in China,” he says, stressing that MOOC is still “in the experimental phase” and that some universities may wait for the platforms to prove themselves before explicitly backing them, the Shanghai Daily reports.

- The download speed of applications in Apple’s online store in China has jumped 10 times through a recent network infrastructure upgrade. China is Apple’s second biggest regional market by revenue behind the U.S.
- Several Chinese firms said they are able to provide alternative services after Google announced it will shut down Google Reader in July. “We won’t abandon millions of users. Google’s exit brings us opportunities in China,” said Liang Gongjun, Chief Executive of Xianguo.com, a Chinese firm which provides an RSS reader service. Besides Xianguo, Sina has also launched its own reader tool Sina View. Google will allow users to transfer their subscriptions and personal setup from Google Reader to third-party RSS readers like Xianguo.
- People.com.cn opened a branch in Hong Kong to bridge the gap between Hong Kong and mainland people, according to Vice Editor-in-Chief Pan Jian. He also set a target for People.com.cn’s Hong Kong and Macao news channel to double its daily hit rate to 400,000 by the end of the year. Hong Kong is the ninth offshore branch of People.com.cn. The news portal was founded by the People’s Daily in 1997 and listed on the Shanghai Stock Exchange in April last year.
- Tencent Holdings’ net profit in 2012’s fourth quarter rose 37% from a year earlier to CNY3.46 billion as online advertising income boomed. Tencent’s sales in the three months surged 53% to CNY12.2 billion. Sales at its internet value-added service unit, which includes online games, rose 32% to CNY8.5 billion from a year earlier. Online advertising revenue increased 58% to CNY947 million. Its profit last year jumped 24.8% to CNY12.7 billion on a 54% surge in revenue to CNY43.9 billion.
- Alibaba Group Chairman Jack Ma predicts that China’s e-commerce market is entering a “golden age”, with 30% of total retail sales moving online in the next five years. In his keynote address at the Credit Suisse Asian Investment Conference, Ma also hinted about the company’s possible initial public offering (IPO). An offering this year would value the firm at USD80 billion, Morgan Stanley said. Alibaba is also leading efforts to finance and establish a domestic logistics network, which will be able to support up to CNY10 trillion in annual online sales, enabling all package deliveries to be made within 24 hours across the country.
- South Korean investigators said they wrongly identified a Chinese Internet Protocol address as the source of a coordinated cyberattack on six major South Korean companies. The attack shut down 32,000 computers in March and exposed big internet security holes in one of the world’s most wired, tech-savvy countries. The IP address was a virtual one, used only for the company’s internal network, but was identical to a public Chinese address.
- Sina Corp, which owns micro-blogging service Sina Weibo, will launch an online payment service in April, dubbed WeiboPay. The company regards the service as a key driving force for profit growth, General Manager Hong Lizhou said. Customers can pass on their credit card information through WeiboPay, which will act as a middleman between the merchant and the bank. WeiboPay is similar to Alipay, a popular online payment tool operated by Alibaba Group Holding, which has more than 550 million registered users and handles around 8.5 million transactions daily. Sina saw its net profit drop 74% in the fourth quarter.

- The internet download speed in Shanghai ranked 14<sup>th</sup> among Chinese mainland cities, but was only one-third of that of Hong Kong, according to Xunlei, an internet download tool provider. Xiangfan in Hubei province had the highest download speed of 1,742 kbps. But Shanghai's speed was far higher than Beijing's 690 kbps. The mainland's average speed was 646 kbps by the end of last year, only one-fifth of Hong Kong's 3,434 kbps. China plans to upgrade broadband networks in urban regions to 20 megabytes per second by 2015, which provides a download speed of about 2,500 kbps.
- Online retail sales hit CNY1.32 trillion in 2012, a jump of 64.7% from the previous year, according to the Internet Society of China. The sales took up 6.3% of total retail sales last year, Lu Wei, Secretary General of the Society, said.
- Qihoo 360's lawsuit seeking compensation from Tencent for excluding competitors from the market was rejected by the Guangdong Provincial Higher People's Court. Qihoo 360 had demanded CNY150 million compensation and a public apology from Tencent for blocking business. But the court rejected the claim and ordered Qihoo to pay CNY790,000 in legal costs.
- Longmaster Information and Technology Co, an internet enterprise based in Guiyang, Guizhou province, predicted its Phone Plus, a competing product with WeChat, will generate 100 million users in two years, with the company's market value reaching CNY50 billion by 2015. Phone Plus combines some key features of Skype and Facebook, and messages exchanged between friends will be automatically deleted after reading. Phone Plus currently has just 5 million users, but Longmaster expects the number could reach 50 million by the end of this year.
- Tencent President Liu Chiping said the company's WeChat software will remain free, in response to netizens' complaints about the possibility of being charged for using the mobile chat application. Minister of Industry and Information Technology Miao Wei said earlier that telecom service providers may be allowed to impose charges on the WeChat service. The remarks triggered strong protests from netizens, who accused the country's telecom operators of imposing unfair fees in a drive to maximize monopolistic profits.
- Microsoft pulled the plug on Windows Live Messenger, formerly known as MSN, worldwide but Chinese users will continue to use the service under the joint venture between TOM.com and Skype. The joint venture, in which Skype owns 51%, has been running MSN on the mainland since 2007. Microsoft said existing users worldwide will be incorporated into Skype, which it bought in 2011 for USD8.5 million.
- Alibaba Group has extended the reach of its market-leading daily deals group-shopping business into Hong Kong and Taiwan. The company's consumer-to-consumer online retail unit Taobao Marketplace and group-buying specialist Juhuasuan jointly launched the Juhuasuan Overseas group-shopping platform for the two markets. Taobao has more than two million registered users in Hong Kong and Taiwan. The group-shopping platform will feature between 12 and 20 new deals each day in popular product categories. Alibaba's Juhuasuan remained the mainland's top group-shopping platform last year, with a 47.8% market share in the fourth quarter.
- Online travel platform Qunar is facing the departure of many of its agents, underscoring the dangers of operating an online platform where third-party merchants and agents supply the actual products and services being sold to consumers. By comparison, more traditional players like travel services leader Ctrip deal directly with hotels and airlines to offer room reservation and ticketing services, in a process that requires more labor but cuts out third-party agents. The agents abandoned Qunar's platform after the company changed its operational model to squeeze more money out of them to raise revenue and profits in anticipation of an IPO.

## ONE-LINE NEWS

- Taiwan has set up a unit to create a comprehensive internet shield against hackers, in response to what it claims is a growing cyber threat from China. Tsai Teh-sheng, Director of Taiwan's National Security Bureau, described the perceived cyber threat from China as "very severe". "They could sabotage Taiwan's infrastructure and spoil financial order whenever needed," he said.
- Newly appointed U.S. Treasury Secretary Jack Lew "pressed hard" in meetings with

Chinese leaders over alleged Chinese cyber attacks aimed at stealing commercial secrets from American companies. Raising the issue at a meeting with Chinese Premier Li Keqiang, he said President Obama considered it to be “a very serious threat to our economic interests”. China has invariably denied any involvement in cyber hacking.

- The People's Daily – the official newspaper of the Chinese Communist Party – has criticized Apple for being dishonest, greedy and arrogant. In particular, Apple has returned the considerable contributions China has made to its revenue, the editorial said, with a “swaggering arrogance” that must have originated from the “traditional superiority enjoyed by westerners”.
- A quarter of firms that are members of the American Chamber of Commerce in China (AmCham) have been victims of data theft, a report by the group said. “This poses a substantial obstacle for business in China, especially when considered alongside the concerns over IPR (intellectual property rights) enforcement and de facto technology transfer requirements,” the Chamber said. Only 10% of companies in the survey said they would use China-based cloud computing services. Blocked internet searches in China had impeded business for 62% of respondents.
- Internet search service provider Baidu is set to work with Yihaodian.com, a local online retailer backed by Walmart, to tap the country's fast-growing e-commerce sector. Baidu will profit from the users it sends to Yihaodian. Last year, Baidu had CNY22 billion in total revenue. Most of the revenue came from advertising, with a significant part from online shopping portals.
- Thailand has become the first overseas client of Beidou – China's home-made satellite navigation network. A CNY2 billion agreement to promote the use of Beidou in Thailand's public sector, including disaster relief, power distribution and transport, was signed by the two countries in Bangkok. China will build a national remote sensing system based on Beidou for Thailand, and a large satellite ground station with an industrial park for the development and production of Beidou receivers for the Southeast Asian market.

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### **Contact:**

Flanders-China Chamber of Commerce

Voldersstraat 5, B-9000 Gent

Tel.: +32 9 264 84 86/82 – Fax: +32 9 264 69 93

E-mail: [info@flanders-china.be](mailto:info@flanders-china.be)

Website: [www.flanders-china.be](http://www.flanders-china.be)

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