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HARDWARE

Lenovo's net profit rises 34% in fiscal year to March

Lenovo Group's net profit jumped 34% in the last fiscal year ended in March, making it the only one of the world's top-five personal computer vendors to avoid a decline in the global PC industry. A rise in market share and booming smartphone sales propelled Lenovo's net profit to USD635 million. The world's No 2 PC maker generated a revenue of USD33.9 billion, up 15%. At the end of March, Lenovo's PC market share rose to 15.3% from 13.2% a year earlier. In the same period, it narrowed the gap with market leader HP whose share fell to 15.7% from 17.7%. Lenovo's U.S. market share was nearly 9%, a new record in the firm's history. Its market share in China, the world's No 1 PC market, rose to 35%. Lenovo's full-year smartphone sales jumped 3.6 times, ranking it No 2 in the domestic market behind Samsung. Lenovo's Chief Executive Yang Yuanqing said that Lenovo would focus its investments this year on expanding sales of smartphones and media tablets worldwide, while quickly developing its enterprise server and storage system businesses. Lenovo, which has its headquarters in Beijing and in North Carolina in the United States, saw its revenue rise 4% last quarter to a record USD7.8 billion, up from USD7.5 billion the previous year. Wong Wai-ming, the company's Chief Financial Officer, said: "This was the 14th consecutive quarter that the company achieved year-on-year growth, despite the overall PC market showing negative growth in the past four quarters." While Lenovo operated in more than 160 countries worldwide, it reported that mainland China accounted for 43% of its total sales for the year. Yang Yuanqing said he expected Lenovo's smartphones would be released in more emerging markets, while the company will also target Europe and North America.

"Lenovo will become the No 1 smartphone vendor within China in two years," said Liu Jun, Senior Vice President of Lenovo and head of the company's PC, smartphone and tablet businesses. Sales turnover of Lenovo's smartphone business is projected to make up more than 15% of the company's total by the end of this year, he said. On May 16, the Beijing-based manufacturer released its latest smartphone, the K900. Selling at CNY3,299, the company hopes the new device will attract customers away from Samsung's Galaxy Note series and Apple's iPhone 5. Lenovo hopes to sell 1 million of the new devices in China, offering high-end customers more options. Smartphones priced above CNY3,000 are categorized as high-end products. They took 10% to 15% of the market share in China, according to Chen Wenhui, Lenovo's Vice President and head of its mobile business. Lenovo was the top local smartphone maker in terms of market share.

Amazon to launch its Kindle e-book readers in China

Amazon is set to debut the long-awaited Kindle, the world's most popular e-book reader, in China this month. The price of the Wi-Fi only Kindle Paperwhite will start from CNY849. Amazon will also sell the 3G Kindle in China as well as the Kindle Fire. The sales will begin on June 7, Sina.com and Sohu.com reported. Suning, one of China's major electronics retailers, will sell the Kindle devices in the domestic market. Last month Amazon opened a mobile application store for Android phone and tablet users in China and in December, the company launched an online e-book store and related apps in China. China's e-book market is expected to reach CNY8.23 billion in 2014, up 52% from CNY5.42 billion in 2012, according to an estimate from Analysys International. "I think that the Kindle products will pave the way for future marketing in China for Amazon," Sun Peilin, Senior Analyst at the consultancy said. The Chinese e-book readers' market is largely dominated by Shanda Interactive Entertainment's Bambook and Hanvon Technology's gadgets. But the market for e-book readers was dealt a heavy blow in the past two years by the emergence of devices such as the iPad.

Hong Kong sales of tablets, smartphones and laptops surge in Q1

Total spending on smartphones, media tablets and laptop personal computers surged to HKD8.62 billion in Hong Kong on record sales of 2.03 million units in the first three months of the year. That was up 9% from HKD7.92 billion a year earlier when 1.93 million units were sold, according to market research company GfK. Walter Leung, Managing Director at GfK in Hong Kong, said purchases of the so-called "three screens" – smartphones, laptops and tablets – grew mainly on the back of strong demand for tablets and smartphones, especially those models with a larger display. Tablet sales in the first quarter grew to HKD1.68 billion from HKD1.05 billion a year ago, with the volume nearly doubling to 480,000 units from 243,000. Data from technology research firm IDC shows that the top five tablet brands in the first quarter were Apple, Samsung, Asus, Huawei and Acer. Smartphones rang up sales of HKD6.11 billion in the past quarter from HKD5.98 billion in the previous year, despite a decline in units bought to 1.44 million from 1.55 million. Samsung and Apple were the two most coveted smartphone brands in the market, according to telecommunications industry estimates, followed by Sony, HTC, and in a virtual tie, Nokia and LG Electronics. With greater demand for tablets, laptop sales dropped to HKD818 million from HKD880 million in the year-ago period. The number of units sold fell to 114,000 from 139,000, amid shrinking demand for personal computers in general. GfK, however, estimated that demand for ultra-slim laptop models with 11-inch displays has increased. The share of that segment rose to 15% in the first quarter, from 11% in the preceding quarter to December. Apple ranked No 1 among the city's top five laptop brands, according to IDC, followed by Lenovo, Acer, Dell and Hewlett-Packard, the South China Morning Post reports.

Chinese semiconductor maker SMIC plans Beijing plant

Semiconductor Manufacturing International Corp (SMIC), China's largest semiconductor foundry, has signed a contract to participate in a USD3.59 billion joint venture in Beijing. Of the USD3.59 billion, SMIC and its wholly-owned subsidiary, SMIC Beijing, will invest USD660 million and hold a 55% stake in the business, which will design, manufacture and sell semiconductor wafers. Two firms owned by the Beijing government, Beijing Industrial Development Investment Management and Zhongguancun Development Group, will invest USD540 million and hold the remaining 45%. “The joint venture is expected to build up significant manufacturing capacity with a focus on 45-nanometer integrated circuits and aims to reach a manufacturing capacity of 35,000 wafers per month,” SMIC said. BOC International Analyst Tony Yang said it would take two to three years for the Beijing facility to make a significant contribution to SMIC's revenue as the plant needed time to improve its yield. SMIC appointed a new Chief Operating Officer (COO), Zhao Haijun, on April 25, after its Chief Business Officer, Chris Chi, resigned on March 1. SMIC's first-quarter results beat all analysts' estimates, “retaining its upbeat performance for four quarters in a row”, a JP Morgan report said. SMIC swung to profit in the first quarter with net income of USD40.6 million, compared with a loss of USD42.8 million in the first quarter of last year, as revenue soared 50.8% to USD501.6 million, the South China Morning Post reports. The venture, which still needs government approval, will be located in the Economic Technological Development Area in Beijing.

- Apple is easing its dependence on Foxconn by enlisting Pegatron to assemble a low-cost iPhone it is planning. Taiwan-based Foxconn assembled nearly all iPhones and iPads, but Apple CEO Tim Cook is moving to diversify the supply chain. Pegatron, headquartered in Taipei, became a minor manufacturer of iPhones in 2011 and began making iPad Mini tablets last year.
- Research firm Strategy Analytics named ZTE the fastest-growing smartphone vendor of the past year in the U.S. ITG Market Research ranked the Shenzhen-based company third trailing only South Korea’s Samsung Electronics and Apple. ZTE is now planning to bring its flagship phones Grand S and Grand Memo to the U.S. market. Almost all of ZTE’s 18 phones in the U.S. have gone to the pre-paid, or pay-as-you-talk market in which users can top up their balance at any time using a credit card, paying through an ATM, or buying a refill card.

OPERATORS

China Mobile beefs up supervision of accounting

China Mobile said its unlisted parent is beefing up its internal supervision after a government audit office highlighted problems in accounting practices and internal management. The report by China’s National Audit Office (NAO) comes at a time when the new Chinese leadership led by President Xi Jinping has made tackling corruption a top priority. Over the past few years, several executives and former executives of group parent China Mobile Communications Corp have been investigated by the Chinese authorities for graft. In May, the China Daily said Li Xinze, General Manager of China Mobile in Guangdong province, became the 13th senior executive from the company to be placed under investigation. The National Audit Office said it audited the group parent’s 2011 results and identified problems that included inflated sales and unaccountable receipts. For example, its Inner Mongolia and Fujian offices amassed fake and unaccountable receipts totaling around USD100 million from 2009 to 2011, while some units inflated sales figures by tens of millions of dollars between 2005 and 2011. China Mobile said its Board of Directors and senior management had “drawn up and pro-actively executed detailed rectification measures and plans”. China Mobile said the problems in the audit would not have any material impact on its overall operating results and financial statements.

China Mobile launches large-scale 4G trial in Shanghai

Long-awaited 4G services, which provide mobile users with internet access 20 to 50 times faster than 3G networks, are expected to make their debut in Shanghai this month when China Mobile begins large-scale trials. From June 1, China Mobile’s Shanghai branch will invite

5,000 users to test the latest 4G products including mobile phones and data cards based on the time division-long term evolution (TD-LTE) technology, a domestic 4G technology. Shanghai Mobile has built 1,000 base stations – 700 outdoors and 300 indoors – to cover the Inner Ring region. It will cover the whole city by the end of this year, said Xu Da, Shanghai Mobile's General Manager. The 4G data cards and handsets provide real download speeds from 10 to 60 megabits per second, compared to about one megabit on the current 3G network. Wei Zhong, Editor of an information technology website, became the first invited 4G user in Shanghai. Handsets and data cards are made by Huawei, Alcatel-Lucent Shanghai Bell and Datang Mobile. The most popular smartphones, like Apple's iPhone 5 and Samsung Galaxy 4, don't support TD-LTE. Apple's upcoming new iPhone will support China Mobile's 4G network later this year or in 2014, according to analysts at Morgan Stanley and iSuppli. More than 44 LTE 4G networks operate in 28 countries and China Mobile's 4G network will be the first in China. China Mobile will boost capital spending by 50% this year to CNY190.2 billion on building 4G networks. The operator said it would expand its 4G network to 100 cities this year with 200,000 base stations, covering 500 million people. China Mobile's total user base of 726 million is far ahead of China Unicom (251 million subscribers) and China Telecom (168 million), but the numbers of 3G users are closer: Mobile at 115 million, Unicom's 88 million and Telecom's 78 million, the Shanghai Daily reports.

China Mobile launches Jego phone app

China Mobile has developed a new phone application called Jego to challenge rivals such as Skype. Jego was launched on June 1 and can be used on mobile devices running Apple's iOS operating system or Google's Android platform. To save long-distance call fees, an increasing number of customers have switched to voice over internet protocol (VoIP) services such as Skype. Jego targets international users who want to call friends and family in China. In addition, Jego provides free in-app text messaging along with other standard features, such as push-to-talk voice messages, photo sharing, video calling, and a multimedia-sharing function. In the Chinese market, VoIP calling on Jego from China to a Chinese landline or mobile phone is not available because Chinese authorities forbid VoIP calls. Domestic users can only use the messaging and Jego-to-Jego calling services. Skype's pay-as-you-go calls to China cost around USD0.026 per minute (including taxes) in addition to a USD0.049 connection fee. Jego will cost USD0.022 per minute. Jego also offers unlimited calling to the Chinese mainland for USD15.99 a month or to Hong Kong for USD11.79 a month. "We see Jego as a creative application which will increase customers' loyalty and extend China Mobile's global reach. However, it's unlikely to have a big influence on the carrier's financial performance," Beijing-based Telecom Expert Xiang Ligang said. Jego may put some pressure on Tencent's WeChat since it also provides similar messaging services, the China Daily reports.

- Shanghai police plan to establish an intercept system with telecommunications authorities to block fraudulent text messages and curb phone fraud cases in the city. Fraud rings have illegally made CNY300 million to CNY400 million annually from the Shanghai market. They keep inventing new stories to trick people into transferring money to their bank accounts. Police warned residents not to transfer money to strangers when they call and say a family member is sick or just had an accident and is in surgery as more telecom scams have been reported recently. With banks cooperating with police, authorities have stopped 1,227 telecom scams this year, preventing criminals from getting more than CNY60 million, police said.
- Chinese telecom operators promoted online activities on World Telecommunication and Information Society Day. China Mobile offered favorable prices for people topping up accounts, purchasing mobile phones, or registering a telecom service plan. It also started offering an optional package of diversified telecom services. By April, China Mobile had sold around 250,000 mobile phones per month on its website, an increase of 30% on January. From May 17 to May 23, rival China Unicom offered 10,000 smartphones at discounts to new telecom service subscribers.
- China Mobile sees its future in the expansion of 4G services to help it cope with threats including from Tencent' s WeChat message app, according to Chairman Xi Guohua. Speaking at the company's annual meeting in Hong Kong, Xi said the way WeChat has replaced traditional telecom services was "quite severe" on China Mobile, and the company must boost data usage and investment in 4G services in response. More than 3,000 Shanghai residents have applied to test the new 4G service, only four days after China Mobile started to receive applications.

- CSL, Hong Kong's largest wireless network operator in Hong Kong, switched on additional 4G network spectrum to boost its high-speed mobile services coverage across the city. The expansion was made possible by more than HKD1 billion it had invested on network development and innovation since last year. It now provides 20 megahertz of 4G spectrum in the 2.6-gigahertz frequency band, up from 15 MHz previously. It also plans to have 20 MHz of 4G spectrum on the 1.8 GHz band by adding up to 10 MHz of spectrum between June and early next year. The expansion means more capacity and greater download speeds on 4G devices.
- More than 60 private companies in China have applied to enter the telecom industry, with the first privately-owned telecom provider likely to begin operations this month. Top firms such as Huawei Technologies Co and Alibaba Group Holdings have passed a regulatory inspection.
- China Telecom is to focus on middle to high-end clients rather than competing in the low-end market. By the end of April, China Telecom had 170 million mobile subscribers. During the first four months of this year, the company added a net 9.57 million mobile subscribers, down by more than 20% on the 12 million added for the first four months of last year. In April, the company added 3.07 million 3G subscribers, down 4% from the 3.2 million added in March, bringing the total of 3G customers to just over 81 million.
- China Unicom and Qoros Auto Co agreed to cooperate in telematics technology, which connects drivers and cars, as both partners aim to penetrate the market which is estimated to be worth over CNY100 billion in the next five years. The services will include smart navigation, in-car phone calls, social website sharing and cloud computing services.
- Macao's 32-year-old fixed-line telephony monopoly ended on June 3 when the government issued two new landline service licenses. Companhia de Telecomunicações de Macau (CTM), the existing service provider, and MTel Telecommunication, a new player, each received a license. MTel and ZTE would invest about MOP1 billion (Macao pataca) in infrastructure and the opening of new retail outlets. CTM said it would invest nearly MOP500 million to improve its network's systems and to expand optical fibre coverage. Competition was expected to see telephony rates fall. The two licenses are valid until the end of 2021.

RADIO, FILM & TV

Chinese spending in film industry to grow 15%

Chinese consumer spending in the entertainment and media sector is expected to grow by 8% annually in the next five years, with spending in the film industry growing by 15%, PricewaterhouseCoopers (PwC) said in its Global Entertainment and Media Outlook 2013-17. China overtook Japan to become the world's second-biggest theatrical market in 2012, seeing USD2.66 billion in box-office revenue. An ambitious cinema building program is driving the box-office boom – each day nine new screens open on the Chinese mainland. The number of screens has increased 10-fold in the past 10 years, from fewer than 1,300 in 2002 to more than 13,100 at the end of 2012. "Although 25,000 new screens are planned over the next five years, the opportunity for further growth is still considerable," said Jane Kong, PwC China Entertainment and Media Practice Partner. The report also forecasts strong growth elsewhere in the entertainment and media industry, such as in music, video games and advertising. The music market, worth USD653 million in 2012, is forecast to grow by 8% a year to reach USD960 million in 2017. Revenue in the video games market is predicted to grow by 7.8% annually, reaching USD11.38 billion in 2017. The ban on sales of video-game consoles may be lifted soon. Advertising spending is projected to grow by 12.4% up to 2017, led by internet advertising with a growth rate of 21.5%.

TELECOM MFG. CO.

Mobile phone sales up 39% in first quarter

Sales of mobile phones surged 39% year-on-year in the first quarter, boosted by the popularity of low-cost smartphones, subsidies and new services offered by telecommunication carriers, the Ministry of Industry and Information Technology (MIIT) said. From January to March 163 million units of handsets were sold, 77% of those smartphones. "Technological development has made it possible for everyone to own a low-cost 3G smartphone, especially in emerging markets like China," said Michael Hurlston, Senior Vice President of Broadcom Corp, a U.S.-based chip designer. Broadcom, which has developed chips for handsets costing under USD100 each, expects global smartphone sales at 1.3 billion units in 2015, an annual growth of 29%. China Unicom, the country's No 2 telco, expects a 50% annual jump in smartphone sales to 90 million units this year helped by its faster network and subsidized prices. China Mobile, the world's biggest telco, hopes to increase demand for new phones by upgrading its network to 4G, which is 20 to 50 times faster than the current 3G standard.

Huawei Founder gives first media interview

Huawei Founder and former CEO Ren Zhengfei, 69, gave his first media interview to reporters in Wellington, New Zealand, in early May. He shied away from publicity before as he had been an officer in the People's Liberation Army (PLA) before he set up Huawei in 1987. Allegations in the U.S. that Huawei could act as an agent of the Chinese government or military and its equipment could compromise telecom networks have resulted in blocking it out of the U.S. market. Ren said he was confident no member of Huawei's staff would engage in spying, even if asked to by Chinese security agencies. Ren gave the interview after New Zealand's biggest telephone company, Telecom Corp, awarded Huawei a contract to build its new nationwide wireless network. Huawei was also chosen as a core supplier in 2011/2012 for New Zealand's ultra-fast broadband network. "New Zealand is one of Huawei's most important strategic markets and is very valuable to us," said Ren. Huawei entered New Zealand in 2005 and now employs 120 people there. While New Zealand welcomed Huawei, the U.S. and Australia both cited national security concerns to advise telecom companies not to award contracts to Huawei.

According to Huawei's 2012 annual financial report, the Chinese and European markets accounted for about two-thirds of the company's total revenues. The latest obstacles faced by Huawei include a U.S. Congressional report last year that said Huawei and ZTE Corp posed a threat to the country, citing concerns that their equipment might be used to spy on the U.S. The European Commission has been considering whether to start an investigation into allegedly unfair trade practices by Chinese companies including Huawei. Despite these challenges, Huawei is not far behind the world's No 1 telecommunications equipment vendor Ericsson. Huawei's revenue rose 8% to CNY220 billion last year. Its net profit increased to CNY15.38 billion during the period, up from CNY11.65 billion a year earlier. The major reasons behind its success are said to be its customer orientation and continuous self-criticism, according to Ren. He once said Huawei should treat customers with great passion. "Serving clients is the only reason why Huawei exists," Ren wrote in an article. He said that Huawei would not seek a public listing for at least a decade, because if it listed too early it would create many millionaires which would damage people's passion for work, the China Daily reports.

ZTE and Huawei drop in global mobile phone sales ranking

ZTE Corp and Huawei Technologies saw their rankings in the global mobile phone market fall in the first quarter, according to Gartner. ZTE slipped one place year-on-year to become the fifth-largest mobile phone vendor globally in the first quarter. The company shipped 14.6 million mobile phones in the first three months, from 17.4 million in the same period last year. ZTE's share of the global mobile phone market declined to 3.4%, from 4.1% a year earlier. South Korea-based LG Electronics overtook ZTE in the first quarter to reach fourth place. Samsung Electronics Co, Nokia and Apple occupied the top three spots. Huawei remained the world's sixth-largest mobile phone maker in the first quarter, shipping 11.1 million mobile phones. However, the company's ranking in the smartphone sector dropped to fourth place, from third a year earlier. Wan Biao, CEO of Huawei Device, the company's mobile phone unit, left his post in early May and took charge of Huawei's business in Russia. Analysts said Wan's departure may have partly been due to Huawei's failure to meet its smartphone sales target last year. The company had aimed to ship 60 million smartphones in 2012, but the actual figure was just 32 million. Global mobile phone sales to end users totaled nearly 426 million units in the first quarter of 2013, up 0.7% from the same period last year, according to Gartner. China saw its mobile phone sales increase 7.5% in the first quarter of 2013, and its sales represented 25.7% of global mobile phone sales, up nearly 2 percentage points year-on-year. Worldwide smartphone sales totaled 210 million units in the first quarter, up 42.9% from the first quarter of 2012, the China Daily reports.

Taiwan's HTC looking to new handset designs

HTC is looking at a risky new production scheme to regain market share after a long slump. The designer of models such as the Butterfly and the One is developing new smartphones at mid-range prices to stand out in a thickening crowd of competitors, industry experts say. But they fear the developer will face supply-chain obstacles for high-end parts, an arduous retraining of workers and lost income from spending funds on fancy components. Profits have slid since 2011 as Apple and Samsung have lured away customers. In 2010, HTC's revenues grew 93%. The company may roll out super-sized phones, up to 14 cm high, to vie with tablets, in line with one of the latest consumer trends, analysts believe. Some new devices will include cameras for low indoor light and come in metal casings rather than the usual plastic. “They're going for the risky route, because they want to come up with something different,” said C.K. Cheng, Analyst with CLSA Asia-Pacific Markets in Taipei. HTC must lock in stable supplies of high-end components in case its new phones face heavy demand, said Wilson Mao, Analyst with Taipei-based market research firm TrendForce. “The question is how to strengthen their supply chain in the second half of the year,” he added.

- Apple is evading taxes on imported software in China and is spreading pornography, according to the China Association of Consumer Protection Law. The company's tax strategy in China has become the focus of a lively debate. The discussions have centered on whether Apple must pay taxes on the thousands of software applications that Chinese consumers buy through its online App Store.
- Two of Europe's biggest telecommunications equipment makers, Ericsson and Nokia Siemens, have urged the European Commission to back off from threatening tariffs on their Chinese rivals in a row over alleged illegal government subsidies. The European Commission said it was prepared to probe possible Chinese subsidies to network makers such as Huawei Technologies and ZTE and the possible sale of equipment in the EU below cost. The inquiries would cover EU imports of more than €1 billion a year and determine whether these shipments harmed European producers. The idea of tariffs is failing to gain support from Europe's biggest equipment makers, because they are as much concerned about generating sales from the booming Chinese market as they are about fending off price competition at home.
- The Committee on Foreign Investment in the U.S. (CFIUS) has approved SoftBank's USD20.1 billion acquisition of Sprint Nextel dealing a blow to Huawei as the two companies had earlier said they would limit use of telecommunications equipment made by Huawei. SoftBank and Sprint, as a condition of the security clearance, agreed the U.S. could compel Sprint to remove “certain equipment” and approve future vendors, according to a filing by Sprint.
- Lenovo Group and Japan’s NEC are in talks to set up a smartphone joint venture. They have had detailed discussions but nothing had been finalized. Lenovo eyes cooperation with NEC as an entry into the Japanese smartphone market.

WEB

Drop in online commerce following December promotions

Online retail turnover fell for the first time in the first quarter, according to a report by the Beijing-based iResearch Consulting Group. Chinese shoppers spent CNY352 billion online in the first quarter of the year, a drop of 17.1% compared to the previous quarter. “Several large-scale promotional campaigns at the end of 2012 consumed buyers’ purchasing power – that’s the major reason for the decline,” said iResearch Analyst Zhang Jing. The industry’s turnover in the fourth quarter of last year topped CNY424.9 billion, a surge of more than CNY100 billion compared to the previous quarter, iResearch’s data showed. But because increasing numbers of Chinese web users are starting to buy goods on the internet, analysts said they remain optimistic about China’s online shopping sector, despite the first decline. China had 242 million online shoppers by the end of last year, or the equivalent of more than 40% of its total internet population. Chinese people are among the world’s most frequent online shoppers, said a recent PwC survey, which reported that 58% said they shop online at least once a week, against a global average of 30%. Annual turnover could hit CNY1.85 trillion in 2013, up from CNY1.3 trillion in 2012. Alibaba Group’s customer-to-customer (C2C) platform Taobao contributed nearly 70% of turnover, although the share of business-to-customer (B2C) websites is gradually rising, according to iResearch. Tmall, another shopping website also owned by Alibaba, was the country’s largest B2C portal, generating more than half of the sales in the sector, followed by JD, which was considered the instigator of last year's promotional price war, the China Daily reports.

Chinese e-commerce companies are getting ready for a new round of cut-throat competition after business-to-customer (B2C) website Dangdang launched a promotional campaign offering discounts as high as 90% on some clothing items. Before Dangdang's move, Guangzhou-based Vipshop Holdings was the dominant player in China's discount shopping sector, but now other websites, including Tmall, Vancl and JD, are also preparing to follow Dangdang and launch similar online promotional campaigns. Besides price wars, e-commerce companies are also focussing on product quality to lure more high-end buyers. Chinese clothing companies are mainly trying to bring down inventory levels.

Cloudary to attract more influential writers

Cloudary Corp, the online literature unit of Shanda Group, will invest over CNY100 million in the next several years to develop its mobile internet business and lure more influential writers, the Shanghai-based company said. Hou Xiaoqiang, Chief Executive of Cloudary, said that income from the mobile internet business may grow four-fold this year because more people are reading novels on smartphones or tablet computers. Cloudary will invest to develop mobile services and improve income for writers, even offering them medical coverage, Hou added. In April, the number of new novels on Cloudary's website jumped about 70% month-on-month. Its revenue grew rapidly from the wireless business, copyright income and traditional online reading. Cloudary's revenue was CNY701 million in 2011, up from CNY53 million in 2008. It started to make a profit from the first quarter of 2012. Cloudary also plans an initial public offering (IPO) in the U.S.

Tencent first quarter profit rises 37%, driven by online games

Tencent, China's biggest internet firm, posted a 37.1% rise in first-quarter profit, bolstered by strong growth in its online game and e-commerce segments. Net profit jumped to CNY4 billion from CNY2.9 billion a year earlier. Revenue increased 40.4% to CNY13.5 billion. "Though the first quarter is usually weaker than the second and third quarters, growth in e-commerce and Tencent's social mobile application, WeChat, is very satisfactory," said Dong Xu, Analyst with Analysys International. Some 194.4 million people were active users of WeChat in the period, an increase of 228.4% year-on-year. Tencent announced that the app would remain free to use. "WeChat is important for Tencent because it helps the company cement its position in the mobile internet market," Dong said. Tencent said it would continue to invest in WeChat to attract international users. Its QQ service had 825 million active monthly users at the end of the first quarter, an increase of 10% year-on-year. Revenue from e-commerce transactions soared 154.2% year-on-year to CNY1.9 billion. Revenue from value-added services rose 28.6% to CNY10.7 billion, with most of it coming from online games. Revenue from online games alone climbed 19.3% quarter-on-quarter to CNY7.5 billion, benefiting from the Lunar New Year holidays and the winter break for students, the firm said. Half of the top 10 online games in China were developed and run by Tencent, Bank of Communications said in a report in March.

Tencent more valuable brand than Facebook

Tencent Holdings has overtaken Facebook in terms of brand value, boosted by its rising revenue and large number of loyal users, according to the BrandZ Top 100 Most Valuable Global Brands study, commissioned by WPP and conducted by Millward Brown Optimor. The Shenzhen-based company has seen a 52% rise in brand value compared with last year. It continued to draw more users to its instant messaging service and other offerings, and has 800 million active and loyal users. The ranking is compiled using the views of the potential and current buyers of a brand, alongside financial data. Tencent is among 12 Chinese brands on the list. Chinese companies were found to be declining in terms of brand value. The 12 Chinese companies – most of them state-owned – have a combined brand value of about USD270 billion. Six of the top 10 Asian brands are from China. The country's most valuable brand, China Mobile, increased 18% in value. Chinese search engine Baidu, also on the list, has seen its brand value decrease 16% year-on-year. On a global level, Apple remains at the top, and is now worth USD185 billion, up 1% year-on-year, compared with a 51% growth from its closest competitor, Samsung Group, which is now No 30 in the global ranking.

Use of mobile taxi booking apps grows sharply

Mobile taxi booking apps have emerged recently as a focal point of interest in China due to sharp usage growth, as well as growing scrutiny from China's regulators. According to the latest report from Analysys International, by the end of April, Didi Taxi Booking claimed a 36.8% market share in terms of cumulative downloads, followed by Yaoyao Taxi Booking (21%), China Telecom's Easy Taxi Booking (14.9%), Taxi Booking Secretary (13.3%) and Kuaidi Taxi Booking (10.1%). Other players each had less than 5% market share. Taxi booking apps broadly solve two long-time problems in the taxi market. Hiring a cab can often be challenging in cities such as Beijing and Shanghai, particularly during rush hours. On the other hand, taxi drivers often ply the streets for long periods of time without a customer during off-peak periods. Taxi booking apps generally enable passengers to catch a cab during peak hours by paying acceptable extra fees and push booking requests to the cabs near the passenger. Taxi bookings apps thus can create value for both drivers and passengers. Nearly all the existing offerings in the market are free to download. But the government regulator believes that taxi booking apps have disturbed the market system as they often encourage taxi drivers to favor customers offering big tips and those in need of long rides, thus creating difficulty for passengers who do not use such apps to hire a cab. Tighter regulations are expected in the future. A likely solution might involve the integration of taxi booking apps and taxi companies' existing booking systems, with both charging a reservation fee set by the local regulator.

In the southern Chinese city of Shenzhen, traffic authorities have banned the use of the apps, but many taxi drivers carry two mobile phones: one running the apps and one without in case they are pulled in for inspection. Over the weekend, Beijing released a new regulation reiterating its ban on taxis charging extra for mobile app bookings. It is also to set up a unified booking platform to cover all taxi companies and take orders through phones, websites and mobile apps. Zhao Dong, COO at the Kuaidi Taxi mobile apps firm, said about 100,000 cabbies nationwide use its app, with an average 40,000 bookings a day. Fewer than 20% involve a surcharge added to the fare. As an incentive for taxi drivers to use their software, Kuaidi pays cabbies CNY200 a month toward their mobile phone costs. The company is in talks with online companies Alipay and Baidu to bring mobile payments and mapping services to its apps.

IZP to set up new e-commerce platform

Online advertising company IZP Technologies Co plans to build a new shopping platform challenging traditional e-commerce websites such as Tmall.com and Taobao.com. Luo Feng, Founder and CEO of IZP, said the new model will help overseas businesses set up e-commerce websites and push advertisements to Chinese customers using IZP's data-based target-marketing system. He calls his business a "factory-to-consumer solution". The major business for IZP is mining data provided by telecom operators and helping advertisers distribute advertisements to target audiences. The 700-staff company claims its annual revenue exceeded USD100 million last year. On April 25, the Beijing-based company announced a partnership deal with SFR, the second largest telecom carrier in France, in setting up an internet-based marketplace for Chinese shoppers to buy French-made products. The company is in talks with companies in Italy, the United Kingdom and Spain over similar projects, and has partnerships with more than 20 telecom carriers around the world to collate customers' purchase behavior, key information for e-commerce websites. More and more Chinese buyers are looking for better prices on the web and are placing orders to overseas websites in the United States, Europe and Japan. According to the China Internet Network Information Center, China had 242 million online shoppers by the end of last year, more than 40% of the total internet population. Luo hopes his factory-to-customer business model could also help local brands explore global markets, the China Daily reports.

China and U.S. to hold talks on cyber security threat

The United States and China have agreed to hold regular, high-level talks on how to set standards of behavior for cyber security and commercial espionage. It is the first diplomatic effort to defuse tensions over what the United States says is a daily barrage of computer break-ins and theft of corporate and government secrets. On June 7 and 8, Chinese President Xi Jinping and U.S. President Barack Obama are scheduled to hold an informal summit meeting in Rancho Mirage, California, that could set the tone for their relationship. Cyber security is expected to be high on the agenda. The Director of the U.S. National Security Agency, General Keith Alexander, has said cyber attacks have resulted in the "greatest transfer of wealth in history". Hackers have stolen a variety of secrets, including negotiating strategies and schematics for next-generation fighter jets and gas pipeline control systems. Beijing insists it is a victim of cyber attacks, not a perpetrator, and Chinese officials have vigorously denied that a unit of the People's Liberation Army, Unit 61398 in Shanghai, is behind many of the most sophisticated attacks on the U.S. The Chinese will press the Americans on their use of cyber weapons: while there is no evidence they have been used against Chinese targets, the sophisticated cyber attacks on Iran's nuclear program by the U.S. and Israel are often cited by Chinese news media and military journals as evidence that Washington, too, uses cyberspace for strategic advantage. The talks over computer hacking will start as part of the Strategic and Economic Dialogue (SED), an annual meeting of Chinese and U.S. officials on a broad range of issues. Neither side, experts say, is ready to discuss military espionage, which means the conversation will necessarily focus on the theft of corporate secrets, the South China Morning Post reports.

- Alibaba is entering the growing digital mapping business by paying USD294 million for a 28% stake in AutoNavi Holdings. The deal will help Alibaba offer better lifestyle applications to clients. The two parties will deepen cooperation in data building, mapping, product development, cloud computing and marketing, and commercialization of products and services. The announcement was made at a celebration marking the 10th anniversary of Taobao. Alibaba runs Taobao, China's largest consumer-focused e-commerce website, business-to-business commerce platform Alibaba.com and online payment platform Alipay. AutoNavi, with a client base of more than 100 million, accounts for 29.8% of mobile mapping applications' market share.
- China Merchants Bank launched a WeChat service for credit card accounts at the end of April, which has sparked widespread discussion about the pros and cons of such services. They cover account queries, such as balance requests, but more services, including bill payments and sales of wealth management products, may be launched by the end of this year. The bank would start using WeChat messages instead of text messages, because they can also include images and sounds and are free of charge. This could save banks millions of yuan a year.
- Online video company Youku Tudou reported narrower losses in the first quarter as the merger between the country's two leading online TV sites progressed. Losses in the three months eased to CNY232.5 million from CNY265.5 million in the same period a year ago. The firm's quarterly revenue surged 20% from a year ago to CNY516 million in the first three months. Advertising made up most of its revenue, providing CNY429 million. The company expects income of CNY720 million to CNY770 million in the second quarter. China's overall online video market soared 39.5% from a year ago to CNY2.4 billion, research firm iResearch said in a recent report.
- Sohu.com is seeking strategic investment for its Sogou search unit to compete with Baidu and is also looking to buy larger video websites to provide content, Chairman and Chief Executive Officer Charles Zhang said in Beijing.
- Sina Corp has posted a narrower first-quarter loss of USD13.2 million due to rising revenue and lower marketing expenses, though personnel costs remained high. Revenue grew 19% year-on-year to USD126 million with advertising contributing USD93.4 million.
- Baidu may seek an initial public offering (IPO) of its iQiyi.com video site when conditions are ripe, Li Yipeng, Vice President of iQiyi, told the Chinict technology industry conference in Beijing. Baidu CEO Robin Li is seeking a greater share of advertising sales from online content. Revenue in China from internet videos is projected to rise to CNY16.2 billion in 2014 from CNY1.36 billion in 2009, according to iResearch. Baidu bolstered the unit last month by agreeing to buy PPS Net TV's internet video business for USD370 million. The iQiyi unit will do more in-house video production to lower costs as it seeks to achieve profitability, according to Li Yipeng.
- Microsoft will become the first multinational corporation to provide public cloud computing services in China when it unveils Windows Azure in China this month. The service includes storage, database and integration through online cloud servers. Microsoft's Windows Azure service in China will be operated by 21Vianet. Microsoft has built two data centers in Shanghai and Beijing for the new cloud services. Its first Chinese clients include Kingdee, Renren, PPTV and Qoros. Cloud computing will

create 4 million new jobs in China by 2015, according to International Data Corp (IDC).

- The number of cyber crime cases in Shanghai rose substantially in the first quarter of this year and most were committed by criminals under the age of 30. Shanghai police have handled more than 860 cyber crime cases from January to March, up 65% from the same period of last year. About 21% of the cases involved the online sale of contraband goods.
- China’s first e-commerce legislation is being drafted to regulate a market worth CNY1.1 trillion. Legislation covering online transactions and services was put on the agenda by two legislative bodies under the 12th National People’s Congress (NPC). The law is expected to tackle malpractices such as unfair competition, lack of intellectual property rights protection and tax evasion.
- Police detained 30 suspects who used the popular smartphone tool WeChat in a highly organized ring that lured more than 600 men to buy overpriced drinks and food. The scam brought in about CNY800,000.
- Gome, China’s second-largest home appliance retailer, has teamed up with Alibaba’s consumer shopping site Tmall to boost internet sales. Gome will open its authorized store on Tmall and the two companies will also work on supply chain management. Since the end of last year Gome has merged its Gome Online and Coo8.com shopping arms, and market observers said it hopes to catch up with rival Suning via Tmall.
- Nanjing authorities are considering opening up the Great Firewall to Facebook and Twitter ahead of the 2013 Asian Youth Games in August. A proposal was submitted to state censors by city officials, requesting access to social media networks during the eight-day event.

ONE-LINE NEWS

- The Pentagon will continue for another year the lease of a Chinese commercial satellite to provide communications for its Africa Command. The use of China's Apstar-7 satellite will be extended under a USD10.7 million lease through a unit of Harris CapRock Communications. Apstar-7 is operated by APT Satellite Holdings. State-owned China Aerospace Science & Technology owns less than 40% of Hong Kong-based APT.
- Beijing BDStar Navigation will build a network of Beidou stations in Pakistan to enhance the location accuracy of the network. The system has been delivering services for the Asia-Pacific region since December, with the aim of providing a global service by 2020. The Beidou network has 16 navigation satellites over the region, with 30 more due to join the system by 2020. China is expected to invest CNY7 billion to support the development of industries related to the country’s Beidou satellite navigation system before 2015. Thailand, China, Laos and Brunei already use the Chinese system.
- China will deliver Sri Lanka’s first communications satellite. China Great Wall Industry Corp and SupremeSAT, a Sri Lankan satellite operator, will provide the satellite in the near future. President Xi Jinping and visiting Sri Lankan President Mahinda Rajapaksa witnessed the signing of the contract in Beijing. The satellite will be based on the DFH-4 satellite platform. Great Wall had launched 43 satellites and provided 37 launch services for foreign clients as of May.
- IBM opened a center for computing systems in Beijing to help customers and outside software engineers develop business applications for the open-source Linux operating system. The facility will aid the creation of programs for big data, cloud, mobile and social-business computing and represents “a sizable investment”, said Colin Parris, General Manager of IBM Power Systems.

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