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IT & TELECOM NEWSLETTER | 2 FEBRUARY 2012

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One-line news

HARDWARE

Home-grown models set to rival iPhone

China Unicom started domestic sales of Apple's iPhone 4S on January 13. Analysts expect the handset, which was released in Hong Kong in November and in Taiwan in December, to face strong competition from other major brand-name smartphones and affordable models that cost less than CNY1,000 from Chinese manufacturers. Apple's top-of-the-line, 64-gigabyte version of the iPhone 4S will sell for CNY6,788, with the 32GB version at CNY5,888 and the 16GB version at CNY4,988. The new model is available from China Unicom and a select group of authorized resellers. The 8GB iPhone 4 and iPhone 3GS have been reduced in price to CNY3,988 and CNY2,888, respectively, to make these Apple's lowest-priced smartphones in

China. The country has become Apple's second-largest market after the United States, with a record USD13 billion in sales in its financial year ended September 24, accounting for 12% of Apple's global revenue. Sales of smartphones from Chinese brands will continue to be competitive and expand this year, according to market research firm IHS iSuppli. Such sales, led by Huawei Technologies and ZTE, would increase by 94% to 101.4 million units this year from 52.2 million units last year. Chinese handset manufacturers last year started selling 3G smartphones costing less than CNY1,000, down from CNY2,000 in 2010. Nokia and Samsung Electronics remain the largest suppliers of smartphones in China, ahead of Apple, HTC and domestic brands such as Lenovo, Huawei, ZTE, TCL and Yulong Coolpad. Macquarie Securities Analyst Lisa Soh said iPhone 4 sales would help boost Unicom's 3G subscriber numbers in the first quarter. Unicom had 36.5 million 3G subscribers as of November.

iPhone sales suspended at Apple stores in China

People — many of them scalpers — hurled eggs at Apple's flagship Sanlitun store in Beijing as they lined up early on January 13 only to be told sales were suspended. Scalpers — in different groups and identifying themselves by wearing the same armbands, masks or gathering under a balloon — clashed with each other for a place at the front of the line. At least two people had been knocked down during the scuffle by 4 am outside the store, according to witnesses. People were seen being chased, beaten and quarreling, with most of the outbreaks quelled by police shortly after they began. Both Apple fans and scalpers standing in the wintry square overnight for the launch gradually lost their tempers, the China Daily reports. At about 5 am, the Sanlitun store put up a notice announcing that the phones were only available online, which irritated people. Then someone started pelting the glass wall of the store with eggs. More than 100 police and security guards started dispersing the crowd at 8:45 am. The Sanlitun store remained closed on January 13. "It is regretful that the Sanlitun store cannot operate because too many people gathered in Sanlitun and because Apple wants to protect the customers' and its staff members' safety," Apple said. "The demand for iPhone 4S is beyond imagination," it said in a statement. Another store in Joy City in Beijing and others in Shanghai opened for business as usual. Scalpers who snatched up the devices from Joy City immediately resold the handsets, asking for an additional CNY900 for a black iPhone 4S and CNY800 for a white one. Apple later announced a temporary suspension of the sales of iPhone 4S at its five official retail stores in Beijing and Shanghai — and said customers can book online or buy from authorized resellers or from China Unicom. Many scalpers hired people or invited friends to join them as the company only allowed each consumer to purchase two phones. When they failed to obtain the phones, scalpers hired by black marketeers were not paid for their efforts. Many genuine iPhone fans were unable to obtain the phones. Apple sold 5.6 million iPhones in China in the first nine months of last year, giving it a 10.4% share of China's smartphone market in the third quarter, according to research company Gartner.

China Unicom (Hong Kong) said it has large stocks of Apple's iPhone 4S handsets available for purchase, despite Apple's mainland stores halting supplies of the device. "Most Chinese people buy an iPhone through China Unicom's channels, so it (the sales suspension in Apple's stores) has had a limited impact on the performance of the iPhone 4S in China," said Li Gang, Deputy General Manager of the parent company, China United Network Communications Group Co. He added that since the iPhone 4S made its Chinese debut, the market performance has surpassed that of its predecessor, the iPhone 4, but he declined to reveal specific sales numbers. "China Unicom is the world's second-biggest cooperation partner with Apple, second only to U.S.-based AT&T," said Li. China Unicom had more than 40 million subscribers to its 3G services by the end of December, according to Li. He said China Unicom hopes to become the No 1 player in China's 3G market in 2012. In Beijing shopping centers and supermarkets such as Wal-mart Stores, shoppers can easily find and purchase an iPhone 4S without pre-ordering. But resellers often charge higher prices. Sundan Electronic Store charges CNY5,488 for a 16G iPhone 4S, CNY500 more than the official retail price.

Apple underestimated the staggering demand for the iPhone 4S when it started sales in China in January, CEO Tim Cook said. "We thought we were betting bold," Cook said about sales of the device in China. "We didn't bet high enough." Chinese demand for the handset is "off the charts", Cook said. Apple has introduced a lottery system for iPhone reservations in Hong Kong to combat scalpers. Customers are requested to submit their personal details online for a chance to reserve an iPhone between 9 a.m. and 12 p.m. each day, and the lucky ones will be notified via e-mail before 9 p.m. when and where they can pick up the phone. Those who don't receive an e-mail can try their luck again the next day. The Apple store is not selling the iPhone 4 or iPhone 4S to walk-in customers. The lottery system has so far not been used on the mainland.

Apple close to launch iPhone for China Telecom

Apple moved a step closer to accessing 33 million potential iPhone customers in China, as regulators approved new specifications. The China Radio Management Office granted Apple's application for a handset that operates on the CDMA2000 network standard used by China Telecom and China's Telecommunications Equipment and Certification Center also granted a license. The iPhone is now available with a service contract only through China Unicom (Hong Kong), the second-largest carrier, which had 36.5 million 3G subscribers at the end of November, while China Telecom had 33.4 million 3G subscribers. The model for China Telecom would probably be based on the iPhone for Verizon Wireless users in the U.S. It could be in stores by the end of February or in early March.

Apple releases report on its suppliers

Apple for the first time released a 27-page report detailing working conditions throughout its supply chain along with a detailed report on factory inspections. In one of his first interviews as Chief Executive, Tim Cook said the flap was "unfortunate" and "we will learn some things for the future and change some things." He added that safety was of the "upmost importance" to the company. The Chinese market is of growing significance to Apple. Last fall, it said China was its fastest-growing region, with around USD13 billion in annual sales. Apple's supplier report findings are: 62% of its suppliers weren't compliant with working-hours limits; 32% weren't compliant with hazardous-substance management practices; and 35% failed to meet Apple's standards to prevent worker injuries. The report is the most comprehensive on the subject in Apple's history, based on 229 audits of factories that do work for the company. Apple also said it found 112 facilities that weren't properly storing, moving or handling hazardous chemicals. Nearly a third of its suppliers didn't abide by Apple's standards on wages and benefits, the company said. The audits also found five facilities that employed underage workers. While Apple has occasionally divulged the names of selected suppliers, the new list covers those 156 companies that represent 97% of its materials, manufacturing and assembly spending. Apple said it has established new requirements for firms dealing with combustible dust after a blast in Chengdu and an explosion at another supplier's factory in Shanghai that injured 59. Apple has agreed to open its factories to independent auditing by the Fair Labor Association (FLA), a non-profit group founded in 1999. "In high tech to date there hasn't been anything like external independent assessment, which is what makes Apple's decision such big news," says FLA President Aurret van Heerden. Apple has been auditing itself since 2007. Working hours are a major issue. In China, 12 and 16 hour shifts are common. In 2008, 82% of factories violated Apple's limits – a 60 hour week with no less than one day off. By 2011, the number was 68%. In 2008, half violated wages codes by deducting salary as a disciplinary measure, or not providing pay slips. The figure was 30% last year.

Lenovo increases market share

Lenovo posted the strongest sales gains among the world's top personal computer makers in the fourth quarter last year, closing the gap with industry leader Hewlett-Packard. The company saw its global market share rise to a new high of 14%, according to technology market research firms IDC and Gartner. IDC estimated that Lenovo increased its shipments last quarter by 36.8% to a record 13 million, up from 9.5 million a year earlier. By comparison, Gartner calculated Lenovo's shipments advanced 23% in the last quarter to 12.9 million, from 10.5 million. The growth was achieved when total PC shipments declined due to a shortage of hard disk drives, slow economic conditions and stiff competition from other consumer electronics devices, such as media tablets and smart phones. Total personal consumer shipments last quarter fell 1.4% to 92.2 million units from 93.5 million a year earlier, according to Gartner. IDC saw a more modest 0.2% decline last quarter to 92.7 million, from 92.9 million the previous year. HP remained the industry's leading supplier with a 16% global market share, but saw its fourth-quarter shipments fall 16% year on year to about 15 million units. Following HP and Lenovo, Dell is in third place, ahead of Acer and AsusTek. Analysts attributed Lenovo's robust fourth-quarter performance to an aggressive pricing strategy in both the consumer and business markets, as well as an expanded distribution network achieved through strategic investments last year. While Lenovo has set its sights on unseating HP as the world's top computer supplier by the end of this year, another strategic investment may be needed for the Chinese computer maker to reach that milestone, the South China Morning Post reports. Lenovo also announced a change in business structure to spur growth. From April 2, the company will divide its business into four regions – China; Asia-Pacific/Latin America; North America; and Europe, the Middle East and Africa. Its business in the Asia-Pacific/Latin American region will be headed by Senior Vice President Milko Van Duijl, while its

business in China will be run by Senior Vice President Chen Xudong.

- RedPad has launched a tablet computer for party and government cadres called RedPad Number One. Based on the Android software, it includes applications catered to officials and managers of state-owned enterprises. Delivered in a leather case, it costs CNY9,999, almost twice the price of Apple's most expensive iPad 2.
- The Sunway BlueLight supercomputer, built with domestically produced microprocessors and capable of performing about 1,000 trillion calculations per second, has gone into official operation at the National Supercomputing Center in Jinan, Shandong province. It will be used in the fields of ocean utilization, bio-pharmacy, industrial design and financial risk prediction. The computer will also serve as a node in China's national computing grid.
- Lenovo saw its chip consumption rise 23.8% last year to USD7.54 billion on the back of record total PC shipments of 45.7 million units. "We have grown faster than the industry for 10 straight quarters and have been the world's fastest-growing PC maker for eight straight quarters," Lenovo Spokeswoman Angela Lee said.
- Domestic cell phone makers occupied six spots in the list of the top 10 handset brands in China last year and took a combined market share of 37.5%, up from 20% at the end of 2010, according to Analysys International.

OPERATORS

Number of 3G users expected to surpass 230 million

The number of users of third-generation (3G) telecommunication services in China is expected to grow rapidly and surpass 230 million this year, which will help the country to remain one of the world's strongest smartphone markets, according to officials of Chinese telecom carriers. Mid- and low-end smartphones, which usually sell at a price below CNY2,000, will attract the most attention from Chinese customers this year, said Zhou Youmeng, General Manager of the Sales and Marketing Department at China Unicom (Hong Kong). "At present, more than 90% of Chinese mobile phone users own a handset worth less than CNY2,000," Zhou said. The market for low-priced smartphones in China is massive, and Zhou predicted that approximately 90 million CNY1,000-smartphones will be shipped this year, together with 60 million in a price range between CNY1,000 and CNY2,000. She added that China Unicom believes the number of 3G users in China will reach 230 million in 2012, rising from 118 million at the end of November. Both China Unicom and China Telecom launched low-priced smartphones last year, but China Mobile failed to follow the trend because its 3G networks are based on the home-grown TD-SCDMA technology which lacks sufficient support for chipsets and terminals. The Blade V880, a low-priced smartphone produced by ZTE Corp, has achieved sales of more than 3 million units in the Chinese market since June, a record for domestic device sales. He Shiyou, Executive Vice President of ZTE, said the company hopes to ship twice the number of smartphones this year as it did in 2011. Of the eight newly launched CNY1,000 smartphones promoted by China Unicom in December, five use Qualcomm's chipsets, the China Daily reports.

China Telecom to launch mobile service in the UK

China Telecom plans to launch a mobile service in the United Kingdom within three months, resulting in the use of the first-ever Chinese SIM card outside China. The SIM card, called CTEXCEL, will mainly be marketed to Chinese residents, businesses and visitors in the UK, said Ou Yan, Managing Director of China Telecom Europe. The service will use rented space on the network of Everything Everywhere, the joint venture of France Telecom and Deutsche Telekom. CTEXCEL will enable callers to directly make cheap calls to China. Service, rather than low prices, will be the advantage, Ou said. "We will provide bilingual customer service to our users, which is a necessity for some Chinese people in the UK," he said, adding that China Telecom's connection quality will also provide another edge. Calling costs will be much cheaper compared with using UK SIM cards. China Telecom is also considering entering the U.S. market with a similar mobile virtual network operator (MVNO) model. "Everything Everywhere offers MVNO customers the biggest 3G network and widest 3G coverage in the UK, making us the partner of choice for MVNOs. We look forward to growing our partnership with China Telecom (Europe) in the future," said Marc Overton, Vice President of Everything Everywhere's Wholesale and M2M unit. "The deal is notable for China Telecom's expansion

outside of China and as an attempt for it to do something different from its rivals. However, the impact in the UK is likely to be muted,” said Steven Hartley of the industry research firm Ovum. The service may be expanded to Germany and France if it proves successful, the China Daily reports.

China Mobile signs deal with Clearwire to test 4G devices

China Mobile aims to hasten the adoption of time-division long-term evolution (TD-LTE) technology – the high-speed 4G standard backed by China – under a new pact with United States wireless broadband carrier Clearwire. Both companies have reached an agreement to conduct tests for TD-LTE devices in the so-called global band configuration. The collaboration is expected to strengthen efforts by China Mobile to foster the international adoption of TD-LTE as a viable 4G system for the industry's 3G mobile network operators and device makers. Wider TD-LTE coverage would enable global roaming services for subscribers on networks that adopt this standard. With increased data use by consumers on smartphones and tablets, roaming services enable carriers to generate more revenue. China Mobile last year helped form the Global TD-LTE Initiative, an advocacy group that encourages cooperation among network operators worldwide to promote the China-backed standard. The group's 38 member firms also promote the convergence of TD-LTE with frequency division duplexing long-term evolution (FDD-LTE) technology, the earlier established 4G network standard. Beginning this month, China Mobile, Clearwire and other GTI member carriers will establish 4G mobile broadband laboratories featuring a joint test platform for TD-LTE devices, the South China Morning Post reports. China Mobile has said it expects to complete commercial trials of its TD-LTE network by June, which may coincide with the possible release of a compatible iPhone from Apple. Market research firm IHS iSuppli has forecast that there will be 744.2 million 4G LTE network users, out of 7.3 billion mobile handset subscribers worldwide, by 2015.

- China Unicom, the nation's second-largest wireless carrier, is aiming to lure high-end subscribers by offering customers an iPhone 4S if they sign a three-year contract costing CNY286 a month. But Li Zhiwu, Analyst at Bocom International Securities, said he doubted the deal would boost customer numbers. The Unicom package includes a 32-gigabyte model with a three-year plan, while customer signing up for two years for a monthly fee of CNY386 will get a 16-gigabyte model. China Unicom is the only mainland carrier offering the iPhone with a service contract.
- The number of users of high-speed third-generation (3G) networks in China more than doubled in the first 11 months of last year to 117 million. China Unicom had 36.5 million 3G subscribers as of November, 31% of the nation's total. China Mobile, the world's biggest wireless network operator, had 48 million. Unicom did well in attracting 3G users in the latter half of the year, driven by the successful launch of a series of smartphones that cost less than CNY1,000. Unicom's 3G subsidy costs in the first half of last year jumped to CNY5.94 billion from CNY1.62 million in the same period in 2010.
- The number of China Telecom's Wi-Fi hot spots in Shanghai will triple within three years to 20,000 and the average bandwidth will be raised to 100 to 300 megabytes per second (Mbps) from 54 Mbps now, the city's biggest Wi-Fi network provider said. Shanghai Telecom now provides free Wi-Fi services in some public areas like airports, railway stations and gyms. It also offers paid services in public places. China Mobile and China Unicom each have only 3,000 Wi-Fi spots.
- CSL, the largest wireless network operator in Hong Kong, has teamed up with Taiwanese handset maker HTC to offer local mobile subscribers the first new 4G smartphones based on Long Term Evolution (LTE), the Velocity 4G. CSL's LTE infrastructure was designed and built by ZTE. The Velocity 4G features an 11.4 cm touch screen, 1.5-gigahertz dual-core processor, an 8-megapixel camera on the back and 1.3-megapixel camera in front, Bluetooth and Wi-fi support, 16 gigabytes of storage and an expansion slot for a memory card.

RADIO, FILM & TV

China ranked as third largest film market in the world

China's cinema box-office revenue is expected to have surged nearly 30% to CNY13 billion last year, with China becoming the third-largest film market in the world. The top 10 list was

still dominated by Hollywood blockbusters, according to statistics from EntGroup, a Beijing-based research firm that specializes in the entertainment industry. The Chinese market ranked sixth with CNY10.17 billion in revenue in 2010, up 65% on 2009. The top two films last year were Hollywood blockbusters *Transformers 3*, which raked in CNY1.1 billion, and *Kung Fu Panda 2* with CNY617 million, followed by Zhang Yimou's *The Flowers of War*, the first Chinese film to feature an A-list Hollywood star, Christian Bale, which took CNY488 million. Other Hollywood films in the top 10 were *Pirates of the Caribbean 4*, *Harry Potter and the Deadly Hallows 2*, *Smurfs* and *Fast and Furious 5*. They were joined by Hong Kong Director Tsui Hark's *The Flying Swords of Dragon Gate* (CNY433 million), Han Sanping and Huang Jianxin's *Beginning of the Great Revival* (CNY412 million) and Teng Huatao's *Love is not Blind* (CNY352 million). Two domestic movies, *Aftershock* and *Let the Bullets Fly*, ranked second and third behind the Hollywood smash hit *Avatar*. Analysts said the mainland film market was seeing the fastest growth in the world, backed by more investment and a growing number of screens, with about 3,000 added last year, taking the total to more than 9,000. "There is a long way to go for domestic movies to compete with Hollywood movies," Professor Zhou Xing from Beijing Normal University's College of Art and Communication, said.

Lenovo beats Apple to unveil smart television

Lenovo in January unveiled its first smart television in Las Vegas, leapfrogging Apple in a race to introduce advanced products in this nascent market segment. Lenovo's new 55-inch, high-definition K91 smart television runs the latest version of Google's Android operating system and will initially be available in China. A smart television provides internet access, online video streaming, and the capability to download software applications from the internet and sync files with smartphones and media tablets. The TV was introduced ahead of the opening of the four-day International Consumer Electronics Show. The K91 is powered by Qualcomm's Snapdragon 8060 dual-core processor. It features a built-in 5-megapixel webcam, a flicker-free liquid crystal display (LCD) panel, SRS Labs' TruSurround three-dimensional audio technology, voice control, face-recognition security, and online access to applications from the Lenovo App Shop and Android Market. There has been market speculation that Apple will also introduce a smart television since the recently published official biography of Steve Jobs mentioned the successful development of such a device.

- The film watchdog is mulling measures to make movie-going more affordable, including capping ticket charges and allowing more half-price screenings. "Ticket prices are still on the high side and cannot meet people's expectations and demand for movies," said Tong Gang, Director of the Movie Bureau at the State Administration of Radio, Film and Television (SARFT). In Beijing and Shanghai, a blockbuster can cost more than CNY100 to watch.

SOFTWARE

Writers sue Apple for millions over pirated book apps

The Writers' Rights Alliance, representing nine authors, filed a case with the Beijing No 2 Intermediate People's Court, seeking about CNY12 million in compensation for copyright violation. The alliance was set up in late 2010 after the authors discovered that hundreds of applications at Apple's App Store offered unauthorized downloads of their books. The alliance accuses Apple's App Store of profiting from pirated versions of 37 works by the nine writers, who include novelists and popular bloggers Han Han, Murong Xuecun, Kong Ergou and He Ma. More Chinese authors could join them as the case progresses. Apple earns 30% of each app's sale. The same group of authors successfully petitioned Baidu, China's largest internet search engine, to remove 2.8 million documents containing their material from Baidu Library in March. However, new pirated versions usually appear on the Baidu site within a month of removal. While Baidu Library provided the downloads for free, Apple receives commissions on the sales.

- The "2011 China Mobile Phone Tracker Spy Pro: Location Anyone" application is unable to provide the location of a mobile phone if its phone number is tapped into another one as advertised, consumers found out. China Mobile denied having any relationship with the app. More than 790 customers in China complained that the application lacked location functions. The App Store added a new description, saying it

is “for entertainment purposes only and does not provide true phone tracking functionality.”

- The difficulty of securing a train ticket online during the Spring Festival has prompted hackers to write computer programs that break into booking sites. The official e-ticket channel 12306.cn received 100 million hits a day during the holiday period, with thousands of requests being rejected every second. Some customers have resorted to a hacking tool known as “tag-on” software that disrupts a website’s normal operations and allows unauthorized access. More than 100 such programs have emerged on Taobao.com, priced from CNY1 to CNY5.

TELECOM MFG. CO.

Huawei unveils world's slimmest mobile

Huawei, seeking to expand its presence in the United States and Europe, unveiled the world's slimmest smartphone on January 9. At 6.68 mm, the Ascend P1S is thinner than the width of a pencil. Apple's latest iPhone, the 4S, by comparison, has a thickness of 9.3 mm. Huawei Device Chairman Richard Yu said the Ascend P1S combines being the slimmest smartphone in the world with “high performance.” Yu said he expected the handset, which is powered by the latest generation of Google's Android software, to go on sale in Europe in March and the following month in the rest of the world, including the United States. He expected the device to sell for around USD400. The Ascend P1S features front- and rear-facing still and video cameras and a 0.92-centimeter screen. Huawei hoped the Ascend P1S would help raise its brand image abroad. Huawei, founded more than 20 years ago by Ren Zhengfei, a former People's Liberation Army engineer, is at the forefront of Chinese efforts to shift from being the world's workshop to being the creators of genuine global brands.

Huawei may branch into IT outsourcing services

Huawei Technologies could soon evolve into a giant in information technology outsourcing services in China through its investment in a new operating unit of ChinaSoft International, according to analysts. Shenzhen-based Huawei, China's biggest telecommunications equipment manufacturer, in December agreed to acquire a 40% stake in an outsourcing joint venture being formed by Hong Kong-listed ChinaSoft. “Huawei may want to use the joint venture as a stepping stone to enter the information technology outsourcing business,” a report from JP Morgan Securities (Asia-Pacific) said. JP Morgan forecast the Chinese market for IT services may be worth USD23.6 billion by 2015, up from an estimated USD16.2 billion this year. Huawei is a major client of three leading Beijing-based providers of IT outsourcing services. The company accounted for 16.8%, or USD41.4 million, of ChinaSoft's USD246.3 million revenue last year, and for 25%, or USD52.9 million of New York-listed VancelInfo Technologies' sales last year. Huawei also made up 25%, or USD49.3 million, of the USD197 million in revenue last year of New York-listed iSoftStone. JP Morgan said Huawei had been reviewing since the middle of last year its outsourcing strategy, with the aim to streamline its exposure to key providers. Long term, Huawei may end up being a large competitor to VancelInfo and iSoftStone, JP Morgan said. On January 12, Huawei agreed to invest CNY40 million in Chinasoft International Technology Services, which will have a registered capital of CNY100 million. Huawei plans to develop the venture into an expert in research and development (R&D) and systems integration processes, the South China Morning Post reports.

- Sales of mobile phones made by TCL Corp (TCL) rose 20% in Europe last year. CEO Li Dongsheng said TCL will produce 45 million mobile phones in 2011, 35 million more than in 2004. “TCL ranks seventh in the global mobile phone market, which brings us the confidence to improve our international competitiveness,” he said. The company's overseas profits increased from CNY5 billion to CNY20 billion in the past 10 years.
- Sony Ericsson recently unveiled the Sony brand for mobile phones in China after the Japanese electronics company sealed a deal to acquire Ericsson's stake in the joint venture for €1.05 billion. With the acquisition Sony will focus on the high-end Android smartphone market as it taps the parent company's rich resources in music, video and gaming via the PlayStation game service, according to Magnus Ahlqvist, Sony Ericsson China President. The first Sony-brand Android phone, XPERIA S, will be available domestically in the first quarter of the year.

- The first smartphone equipped with an Intel chip – the Lenovo K800 – will go on sale in China in the second quarter of the year, Lenovo said. Almost all smartphones and tablet PCs use chips from Qualcomm or Broadcom Corp. The Lenovo K800 will run the Android OS on China Unicom's network.
- ZTE and Ericsson are close to forging a cross-licensing deal that would resolve their 10-month intellectual property dispute. ZTE's filing with the Shenzhen Stock Exchange said "the two parties have mutually agreed to withdraw all patent infringement litigation against each other". In its case against Ericsson (China) Communications, ZTE alleged the company contravened domestic patent laws related to a range of ZTE patents in so-called core telecommunications networks, GSM cellular systems and in 4G wireless infrastructure. Ericsson's lawsuits claimed that ZTE infringed several of its patents related to GSM and 3G WCDMA cellular technologies found on various ZTE handset models.

WEB

Google determined to expand in China

Google, which pulled its search engine out of mainland China two years ago after a confrontation with Chinese authorities over censorship, has renewed its push to expand there, in an acknowledgment that it can't afford to miss out on the world's biggest internet market. The company is hiring more engineers, salespeople and product managers in China and working to introduce new services for Chinese consumers, according to Daniel Alegre, Google's top Executive in Asia. In particular, Google is aiming to capitalize on its fast-growing Android operating system for mobile devices, online-advertising and product-search services to grow in China, Alegre said. One goal is to introduce its Android Market, which offers thousands of mobile applications to users of Android-powered smartphones and tablets but isn't available in China. The company also is trying to win over Chinese consumers with services that don't require official censorship, such as Shihui, which launched in September to help people search among Chinese sites offering discounts at local stores. Google is also working to beef up its product-search service to help consumers find goods from online retailers. China currently accounts for no more than 2% of Google's total revenue, which is expected to reach more than USD40 billion for 2011, according to a Citigroup analysis. Google's share of China's search market declined to 17.2% in the third quarter of 2011 from 36% in the fourth quarter of 2009, largely to the benefit of rival Baidu, according to Analysys International, a Beijing-based research firm. Still, the number of Google web searches by mainland-Chinese internet users has risen over the past two years. Separately, the company has seen growth in its services that help Chinese advertisers target internet users, both inside and outside of China, on thousands of non-Google websites and mobile apps, the Wall Street Journal reports. Google also wants to make money from Android, which powers nearly 60% of smartphones in China, according to Analysys.

Brain damage detected in some Chinese internet addicts

Excessive internet use can be as damaging to a teenager's brain as cocaine or alcohol, a study by the Chinese Academy of Sciences (CAS) concluded. One British psychiatrist described the study as groundbreaking. Magnetic resonance scanning on adolescents with internet addiction disorder (IAD) showed that neuron fibers in the white matter in their brains were less healthy than normal. White matter makes up part of the brain and spinal cord and facilitates communication between the brain and the rest of the body. The study found that spending excessive time online harms white matter tissue in a way similar to cocaine abuse. Professor Lei Hao from the Wuhan Institute of Physics and Mathematics of the Chinese Academy of Sciences said the findings showed excessive internet use and brain damage were inter-related – although to what degree remained to be quantified. "Internet overuse seems to be wearing out myelin, a coating on the neuronal fibers. The myelin is electrically insulating with protective functions like the plastic coating over cables. When it is damaged, it may reduce the quality of signal transmission." The study also shows that the more brain damage young internet addicts suffer, the less they are able to control their emotions or their behavior. Lei noted that the findings might not apply to adults because their brain structure was different. But he said that did not mean they would suffer less damage, although the actual effect on adults was unknown, the South China Morning Post reports.

Number of Chinese internet users reaches 513 million

The number of internet users in China rose to 513 million at the end of last year, the China Internet Network Information Center reported. The internet penetration rate stood at 37.7%, up 3.4% from 2010 and against rates of more than 70% in Japan and South Korea. The number of micro-blog users exceeded 300 million, jumping from 195 million by the end of June. The value of China's internet economy surged 72.7% year-on-year to CNY71.6 billion in the third quarter of 2011, according to Shanghai-based iResearch. Cloud computing was expected to generate more than CNY60 billion in 2012. China has targeted up to CNY2 trillion in telecommunications infrastructure investment during the 12th Five Year Plan (2011-2015) period, with cloud computing a key project. In the first half of 2011, 217 million Chinese internet users were attacked by malware — including viruses and trojans — and 121 million had their accounts hacked or passwords stolen, China Internet Network Information Center data shows. China had nearly 250 million micro-bloggers last year, four times as many as in 2010. Major web portals, including Sina and Tencent, have all launched micro-blogging services, or “weibo.” The number of people using group-buying sites more than tripled to 64.7 million as of December from a year ago. Online shopping boomed in 2011 with retailers such as Taobao Marketplace, 360buy.com and Dangdang.com attracting 194 million users. The market value of China's internet industry grew to CNY260 billion and the figure is estimated to grow beyond CNY1 trillion by 2015, according to a report by iResearch. Users who went online with mobile devices increased 17.5 % over a year to 356 million. Consulting firm iResearch predicted 700 million people, or half of the country's population, would become internet users by 2016. But growth is expected to slow compared with the past five years as penetration among the young and educated peaks.

Chinese online ad spending to exceed CNY60 billion

Online advertising spending in China is expected to surpass CNY60 billion this year. “We believe online advertising has reached a turning point as key hurdles to its mainstream acceptance fall,” said Alan Lau at management consulting firm McKinsey in Hong Kong. In its latest internet investment guide, JPMorgan Securities (Asia-Pacific) forecast the mainland's online advertising market to grow 33% to CNY63.8 billion this year, from an estimated CNY47.9 billion last year. Sectors tipped by JPMorgan to see fast growth in online advertising exposure this year include fast-moving consumer goods, information technology and the internet. Online advertisers are also expected to gain from Beijing's efforts to encourage greater consumption to drive retail sales. “On the demand side, advertisers now have easier ways to place online advertisements via ad agencies, networks or exchanges,” McKinsey's Lau said. “On the supply side, more web publishers have gained sufficient audience reach. They have mastered how to create better ad inventory through analytics and traffic segmentation, and have developed clearer ways to measure marketing impact.” The report noted that advertisers were willing to pay premium rates for online display advertising campaigns in leading Chinese portals, such as those of Tencent and Sina. Advertising on online video sites are also predicted to flourish this year because such content would be made available on smartphones, media tablets and internet-enabled televisions. The top sites include Youku, Tudou, Sohu Video, and Tencent Video.

Qunar plans U.S. IPO

Chinese travel search website Qunar.com is considering an initial public offering (IPO) in the United States as it expects revenue to double this year amid soaring demand for travel services. Qunar, partly owned by search giant Baidu, broke even in 2010 and more than doubled sales last year to “a few hundred million” yuan, Chief Executive Zhuang Chenchao said. The website gets most of its revenue from cost-per-click travel advertisements and may raise money from U.S. investors after selling a USD306 million majority stake to Baidu in June last year. China's tourism market might overtake Japan's as the world's largest after the U.S. by next year, Boston Consulting said in March last year. Qunar is attracting users by offering flight and hotel booking information that is not limited to specific vendors and allows searchers to make reservations directly with airlines, hotels and services that match their needs. “Moving forward, the whole nation will be more and more comfortable using online travel,” Zhuang said. Tencent, the country's biggest internet company, bought a 16% stake in Qunar's competitor eLong for USD84.4 million to expand in online travel. Rival Ctrip.com International listed on the Nasdaq Stock Market in December 2003. Travel booked on the internet accounted for about 7% of China's tourism market and that ratio was expected to surge to 30% in the next five years, similar to current levels in the West, Zhuang said.

Micro-blog registration to be expanded

Real-name registration for micro-blog users is to be expanded in China in the government's latest step to better control popular Twitter-like websites. Officials acknowledge that micro-blogs are useful as an outlet for critical public opinion, but have repeatedly accused them of spreading what they call unfounded rumors and vulgarities. They have issued warnings that online content must be acceptable. The Beijing Municipal Government said it would give users three months to register with their real names or face legal consequences. Other major cities followed suit. "Currently, this type of registration is being tested in Beijing, Shanghai, Tianjin, Guangzhou, and Shenzhen, and we will extend it to other areas once the pilot programs prove successful," said Wang Chen, Director of the State Council Information Office (SCIO). Wang said name verification would be standard for new users of micro-blogs. Existing users will be required to register later, he said. "The current management of weibo is not up to date to meet [the new situation] and it has posed challenges to internet security and social harmony and stability," he added. China has more than 300 million registered micro-bloggers, although many people have more than one account. Wang said there were 150 million postings every day on average.

- Chinese online retailer 360buy.com is planning to launch an e-book service to capitalize on the emerging e-book market. The service will offer more than 80,000 e-books initially, with a goal of offering 300,000 e-books by the end of this year. The company is the first online retailer in China to exceed CNY10 billion in annual sales, and will be able to leverage its customer base.
- China's digital game revenue rose 34% year on year in 2011 to CNY44.6 billion. PC game revenue, with 120 million players in total, still made up the bulk, or 96%, of total revenues. Mobile game revenue, fueled by online game firms' expansion and the popularity of smartphones and mobile devices such as the iPhone and iPad, surged 86% to CNY1.7 billion last year. The figure is expected to grow fourfold to CNY7.5 billion in 2016.
- Taobao Mall's transaction volume in 2011 more than tripled from that of 2010 and it expects sales at CNY200 billion this year. Taobao Mall attracts an average of 10 million visitors daily. Hosting about 50,000 retailers and more than 70,000 brands the website projected sales to increase to CNY200 billion in 2012. Taobao Mall officially unveiled its Chinese name as "Tian Mao".
- Alibaba Group pledged to invest more this year in Tmall.com, a website that allows businesses to sell products directly to customers. Tmall.com became Alibaba Group's business-to-customer website after it was spun off in June from Taobao.com. Tmall.com took up more than 50% of the business-to-customer market this past year, the company said. The new investment could go into shipping and storage. Last year, CNY100 billion worth of goods were sold through Tmall.com, up 3.5 times from the amount for the previous year.
- Baidu, which has a market capitalization of USD44.8 billion, is forecast to record a 50% year increase in revenue to USD3.4 billion this year from an estimated USD2.3 billion last year. The key drivers for its business growth include increased online advertising by large companies, the addition of more social-networking features on its search service, increased mobile internet search activity and greater adoption of its Phoenix Nest advertising system.
- Alibaba Group could be a step closer to forging a deal that will slash Yahoo's stake in the company after Jerry Yang abruptly resigned from Yahoo. Alibaba is considering to buy about a quarter of Yahoo's 40% shareholding. The key to closing that deal appears to be who replaces Yang on the boards of Yahoo's Asian assets. Yang also quit the boards of Alibaba Group and Yahoo Japan.
- German-born Hong Kong resident Kim Dotcom, 37, Founder of Megaupload.com, was arrested in New Zealand as part of a global operation involving Hong Kong Customs and America's FBI. Megaupload.com – registered to offices in Hong Kong's Wan Chai and Central – was shut down by U.S. authorities.
- The National Administration of Surveying, Mapping and Geo-information confirmed that Google's application for an online map license is being examined. The application was submitted in November through the joint venture Beijing Guxiang Information Technology Co. During the examination process, Google's online map service in China can remain operational, but should not be expanded. Google and the local firm

Ganji.com each hold a 50% stake in the joint venture. So far, 279 firms have been granted licenses for offering online mapping services.

ONE-LINE NEWS

- Construction of the world's biggest call center began in Luoyang. The CNY4 billion China Mobile center is part of efforts by the world's largest mobile phone operator to integrate its provincial and regional services, the company said. It will create 60,000 jobs.
- Strategy Analytics forecasts that 1.2 million of the 19.6 million cars sold in China this year will be fitted with a satellite navigation system, almost all using the GPS signal. By 2018, these devices would be fitted to 7.5 million of the 33 million cars likely to be sold in China that year.
- The annual output value of China's satellite navigation industry is estimated to reach more than CNY225 billion in 2015, according to a research report by a think tank under the National Administration of Surveying, Mapping and Geo-information. More than 5,000 firms and organizations are involved in satellite navigation, and the industry generated more than CNY50 billion of output value in 2010. China aims to increase the number of satellite navigation terminals used by the public to 340 million by 2015.

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This newsletter is realized with the support of the Federal Government of Belgium, the Flemish Government, the Walloon Government and the Government of the Brussels-Capital Region.

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