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Hardware [Chipmaker TSMC plans big boost in spending](#)
[Apple and Proview trying to settle iPad dispute](#)
[Data center provider Digital Realty Trust looking to China](#)
[Baidu launches entry-level smartphone](#)
[Lenovo closes in on HP](#)

Operators [iPhone central to China Telecom's 3G expansion](#)
[3 Hong Kong joins the 4G market](#)
[TV network operator to offer broadband by year end](#)
[U.S. officials wary of China Mobile plan](#)
[China Telecom launches virtual mobile network in the UK](#)

Radio, film & TV [Dalian Wanda acquires AMC Entertainment](#)
[China second-largest market for IMAX](#)

Software [Rovio in talks to distribute Angry Birds in China](#)

Telecom Mfg. Co. [Huawei, Intel to work on 4G technology](#)
[ZTE posts weak CNY150.9 million profit](#)
[TCL set to fight back in wake of profit tumble](#)
[ZTE and Huawei launch challenge to Apple and Samsung](#)
[Atelier Haute Communication to expand in China](#)
[Foxconn building Shanghai HQ](#)
[Huawei pushes sales of consumer devices](#)

Web [Taobao intensifying fight against fakes](#)
[Sina plans to keep investing in micro-blog services](#)
[Yahoo sells half of its stake in Alibaba](#)

One-line news

HARDWARE

Chipmaker TSMC plans big boost in spending

TSMC, the world's biggest contract chipmaker, will increase capital spending by up to 16% this

year, joining South Korean rivals in beefing up operations. Taiwan Semiconductor Manufacturing said it plans to spend between USD8 billion and USD8.5 billion this year, compared to the USD6 billion planned at the beginning of the year and USD7.3 billion spent last year. "TSMC has stated that the added capex [capital expenditure] will be used on 28 nm [nanometre] and 20 nm expansion and we believe is in response to customers demand exceeding its initial conservative build plan," said CS Analyst Randy Abrams. "2012 is better for foundries as product cycles are driven by both high-end and low cost smartphones and better PC drivers into the second half of 2012, alongside inventory restocking versus destocking in 2011." "The news in the last quarter has ranged from encouraging to exciting," TSMC Chairman Morris Chang said. "Encouraging was macro-economic news from the U.S. and China, which is our largest end market. And also encouraging is the world semiconductor trend, which now looks like it will exceed our earlier forecast of 2% growth from last year." He described incoming orders in the first quarter as "stronger than we expected". TSMC said net profit in January-March was NTD33.47 billion, above the NTD29.7 billion average estimate of 17 analysts polled by Thomson Reuters.

Apple and Proview trying to settle iPad dispute

Apple has offered compensation to settle a dispute over ownership of the iPad trademark in China. "Right now, there is still a big gap between the two sides on the settlement amount," said Xie Xianghui, a lawyer for Proview Technology (Shenzhen) Co, which claims it owns the iPad trademark on the Chinese mainland. Xie declined to disclose the amount. The Guangdong High People's Court is trying to mediate in the dispute. The Superior Court of California in Santa Ana County granted Apple's motion to throw out a complaint filed in February by Taipei-based Proview Electronics based on the two firms' previous agreement to settle all their disputes in Hong Kong. Superior Court Judge Mark Pierce said that Proview Electronics did not present evidence to demonstrate that Hong Kong's jurisdiction over their agreement was unreasonable or unfair. Apple won a bid in a Hong Kong court to exclude some evidence that was previously filed by Proview International Holdings. Two expert reports filed by Proview in October failed to comply with Hong Kong court instructions, making the evidence inadmissible. Apple may be able to buy the right to use the iPad trademark on the Chinese mainland for a "reasonable" price — much less than the USD400 million or even USD3 billion mentioned earlier, according to Ma Dongxiao, a lawyer for Shenzhen-based Proview.

In the first quarter, Apple's revenue in China grew four-fold to USD7.9 billion, making it Apple's No 2 regional market. Apple's fourfold growth in revenue in China in the January-March quarter contributed about 20% of its total income. Its revenue in China was USD7.9 billion due to booming sales of the iPhone, iPad and iMac. The sales of the iPhone were five times the level a year ago after the launch of the iPhone 4S. Meanwhile, Apple is in negotiations with China Mobile to launch a new iPhone on the operator's future TD-LTE 4G network. iPhone sales in China are expected to reach 25 million units this year and at least 35 million units next year if China Mobile and Apple don't reach a deal. If they have a deal, iPhone sales in China will jump to 125 million units in 2013, Deutsche Bank said. China Mobile is expanding its 4G trial network. "Currently we have more than 20,000 4G base stations and if the results of the trial are satisfactory, I am confident the number of 4G base stations will hit more than 200,000 in the next year," said CEO Li Yue. However, the 4G network has not yet been formally approved for commercial application by the authorities.

Data center provider Digital Realty Trust looking to China

Digital Realty Trust, the world's largest wholesale provider of data centers, will expand its operations into Beijing and Shanghai once its first China-based facility is completed in Hong Kong next year. "We're definitely looking to do multiple facilities on the mainland and in Hong Kong because of rising demand for data centers in these markets," Chief Executive Michael Foust said. Digital Realty is making an initial investment of up to USD150 million to acquire and redevelop a 165,000 square foot industrial site in Hong Kong's Tseung Kwan O. The project is a joint venture with Savvis, a global information-technology services provider and subsidiary of United States-based broadband and telecommunications network operator CenturyLink. The total cost of the first phase of the new Hong Kong center, which will start operations in April next year, will reach an estimated USD200 million after the expenses for server computers, data-storage systems, networking equipment and other information-technology installations are added to the capital outlay for site acquisition and redevelopment. "Hong Kong is one of the most attractive, yet under-served, data center markets in the world,"

Foust said. Once opened, the new Hong Kong center will be the 103rd facility in San Francisco-based Digital Realty's worldwide portfolio. "We're looking at potential opportunities in Shanghai and Beijing," Foust said. "We're in early days of discussions, but it is very likely we will do joint ventures either with a service provider or a [property] development company with a lot of experience building in those markets." The Asia-Pacific region now accounts for a small percentage of Digital Realty's global business. The firm last month reported a 13% rise in first-quarter revenue to USD283 million from USD250.7 million a year earlier, the South China Morning Post reports.

Baidu launches entry-level smartphone

Search engine Baidu introduced an entry-level smartphone model running on Baidu Cloud, the latest mobile phone operating system developed by the company. The Changhong H5018, a low-end smartphone priced at CNY899, is the second smartphone model to run on Baidu's mobile operating system. Consumer electronics manufacturer Sichuan Changhong Electric Co partnered with Baidu to produce the handset. Users can enjoy 100 GB cloud storage and access Baidu's services such as a search engine, maps, music and an application store. Baidu launched its first smartphone in cooperation with Dell last September, but the device received a muted market response due to its high price and limited sales channels. In addition to Dell and Changhong, Baidu Vice President Wang Jin revealed that a number of other mobile phone manufacturers had been discussing the possibility of adopting Baidu's operating system. Baidu had a 34.9% share of China's wireless search engine market last year, much less than the 78.5% market share of PC-based searches. Wang Ying from Analysys International said competition in China's low-end smartphone market is heating up, with more players from home and abroad joining the fray, and he was not optimistic about the prospects of Baidu's new phone. Domestic rivals, such as Huawei Technologies and ZTE, have the upper hand in the entry-level smartphone market through their good relationships with telecom carriers, while international players, such as Samsung Electronic and HTC Corp, can take advantage of their strong branding. Other Chinese internet companies, such as Alibaba Group, Shanda Interactive Entertainment and Qihoo 360 Technology, have all expressed an interest in the low-end mobile phone market, the Shanghai Daily reports.

Lenovo closes in on HP

Lenovo Group's net profit surged 59% in the first quarter to USD67 million. It posted an annual 54% jump in revenue to USD7.5 billion. Its China revenue grew 32% to USD2.9 billion. Lenovo became the fourth-largest maker of tablet PCs in the world measured by market share in the last quarter of its 2011 fiscal year. It also reported having a record-high annual net profit growth rate of 73%, bringing it closer to its U.S. rivals Hewlett-Packard and Apple. For its entire 2011 fiscal year, Lenovo said it had USD29.6 billion in sales. During that time, it commanded 12.9% of the global market for the types of products it sells, making it the second-largest PC producer and fourth-largest tablet PC producer measured by market share. The results brought its market share to within 2 percentage points of HP's, up from the 9 percentage-point difference in its 2010 fiscal year, according to International Data Corp (IDC). Also in the fiscal year, the company saw its sales revenue increase by 37% year-on-year. As for the last quarter, Lenovo saw its China sales increase by 22.7% year-on-year, while they increased by 81% in mature markets such as the United States and Japan, which contributed about 45% of the company's global revenue. Lenovo's tablet PCs, such as the ideaPad, held 17.2% of the Chinese market for such products in the last quarter of the company's fiscal year. "A year before, Lenovo had ranked eighth in the global market for tablet PCs, but now it is behind only Apple, Samsung and Amazon," said Wang Jiping, Senior Analyst at IDC Asia-Pacific. Within the two years leading up to March, its market share for smartphones increased from about 2% to 10%. The company expects sales of smartphones to increase by 300% by the end of this year, and its tablet PC products to hold about 20% of the market.

- Lenovo Group will invest CNY5 billion to build a manufacturing and research center in Wuhan. The plant is expected to generate output worth CNY10 billion by 2014, rising to CNY50 billion within five years. The plant, set to open next year, will create 10,000 jobs. Lenovo has adopted a strategy called PC Plus to focus on smartphones and tablet computers to help it compete with rivals such as Apple and Samsung.
- Lenovo Group launched its first smart TV, the ideaTV K91, in Beijing. The device uses Google's Android 4.0 operation system. In order to add more applications and functions to the new device, the company paired it with a game console.

- Chipmaker Marvell Technology expects rising Chinese sales of mobile phones and a recovery in the hard-drive market after floods in Thailand last year to propel results this quarter. The company forecast a second-quarter profit of between USD0.26 and USD0.30 per share on revenue of USD840 million to USD890 million. Marvell also makes processing chips used in phones that run on the TD-SCDMA network, offsetting diminishing sales to Research in Motion (RIM).
- Digital schoolbags will be ready for every junior middle school and primary school in Shanghai by 2015. The “schoolbag” is a tablet computer like an iPad that will replace traditional textbooks. Also, a 10-times faster WiFi network will cover every classroom in Shanghai, according to the Shanghai Municipal Education Commission and China Telecom’s Shanghai Branch. The tablet-PCs will have science and education functions only. The cost will be lower than that of textbooks used during nine years of primary and junior middle schools, which is about CNY5,000. Hanwang, Lenovo and Intel are involved in the project.

OPERATORS

iPhone central to China Telecom's 3G expansion

China Telecom is betting on increased marketing initiatives and sales of Apple's iPhone to help expand its 3G mobile operations despite weak first-quarter net profit. Chairman and Chief Executive Wang Xiaochu said the company's 3G service “is entering into a phase of accelerated growth”. China Telecom, the country's biggest fixed-line network operator and third-largest wireless carrier, reported a 6.5% drop in first-quarter net profit to CNY4.27 billion, from a restated CNY4.57 billion a year earlier, because of higher handset subsidies, marketing and other support expenses. It was the only one among China's three major operators to post a decline in net profit for the three months to March 31. Operating costs last quarter swelled 19% to CNY61.78 billion from a restated CNY51.78 billion the previous year. Revenue was up 15.7% to CNY67.93 billion from a restated CNY58.72 billion a year ago. “China Telecom appears to be making a large loss on handset sales,” Macquarie Securities Analyst Lisa Soh said in a report. She added its resolve to boost iPhone 4S sales, while also supporting mid-priced to low-end handsets, pressured profits. The carrier started offering the iPhone 4S on March 9 to subscribers on its 3G network, which is based on the CDMA2000 1xEV-DO standard. Following that launch, Chief Financial Officer Wu Andi said: “The amount of money we'll spend on mobile phone subsidies this year will not be less than last year.” China Telecom spent CNY15.6 billion on handset subsidies last year, up 29% from 2010. China Telecom's aggressive marketing added 7.26 million 3G subscribers last quarter to increase its 3G user base to 43.55 million. The carrier has 135.83 million mobile subscribers, mostly on its 2G CDMA network, the South China Morning Post reports.

3 Hong Kong joins the 4G market

Hutchison Telecoms' mobile unit 3 Hong Kong has launched its new 4G high-speed network in Hong Kong. The 4G operations will deliver theoretical internet download speeds of up to 100 megabits per second and initially cover about 90% of the city. Full local coverage is expected in the third quarter. Other local carriers already offer 4G mobile services: CSL, China Mobile's Hong Kong unit and HKT, PCCW's telecommunications arm. “We have the capability to deliver a completely different service experience to our customers,” said Amy Lung, Chief Operating Officer for mobile services at Hutchison Telecom. The company and HKT are partners in a joint venture called Genius Brand that won a government license in 2009 to deliver citywide 4G services on a block of radio spectrum in the 2.6-gigahertz band. The joint venture's network is based on the frequency-division duplexing long-term evolution (FDD-LTE) standard and built by Shenzhen-based Huawei Technologies. Lung said the 4G operations of 3 Hong Kong, which had 3.51 million subscribers in the city and in Macao at the end of last year, was complemented by its existing 3G network, which offers internet download speeds of up to 42 Mbps, and a selection of 4G mobile devices from Samsung Electronics, LG Electronics, HTC and Huawei. The operator offers 4G LTE smartphone service plans at monthly rates of between HKD168 and HKD418. SmarTone is also close to launching its 4G network. It would be rolled out in the third quarter on the lower 1.8 GHz frequency band, which offers better indoor coverage.

TV network operator to offer broadband by year end

Chinese TV network operators may provide broadband services directly by the end of this year, which will break the monopoly of telecommunications operators. The State Administration of Radio, Film and Television (SARFT) will form a state-level company with investment from TV network operators, which would become the country's fourth telecom carrier to operate a broadband network following China Telecom, China Unicom and China Mobile. China has targeted 250 million broadband users by the end of 2015, a jump of 60% from now, according to the Ministry of Industry and Information Technology (MIIT). The TV network operators are now not permitted to operate basic telecom services like internet access without cooperating with telecom carriers. By the end of the fourth quarter, the average broadband speed in China was 1.4 megabits per second, 1/15th of South Korea's and 1/10th the speed in Japan and Hong Kong, according to a recent report of Akamai, a U.S.-based research firm. The average cost of a 1-megabyte-per-second bandwidth in China is four times the equivalent price in the United States and more than 400 times that of Hong Kong's.

U.S. officials wary of China Mobile plan

Concerned about possible cyber spying, U.S. national security officials are debating whether to take the unprecedented step of recommending that a Chinese government-owned mobile phone company be denied a license to offer international services to American customers. China Mobile applied in October for a license from the U.S. Federal Communications Commission (FCC) to provide services between China and the United States and to build facilities on American soil. Officials from the Federal Bureau of Investigation (FBI), the Department of Homeland Security and the Justice Department's National Security Division are concerned the move would give the company access to physical infrastructure and internet traffic that might allow China to spy more easily on the U.S. government and steal intellectual property from American companies. The review is being led by the Justice Department. A move to block the license could provoke a lawsuit by China Mobile, officials said. China Mobile is not applying to provide domestic U.S. telephone or internet services, but traffic from U.S. carriers, such as Verizon Communications or AT&T, could be routed to the China-owned network should a license be granted. Two other Chinese government-owned firms, China Telecom and China Unicom, were granted similar licenses in 2002 and 2003, respectively. Both carry phone and internet traffic between the U.S. and China.

China Telecom launches virtual mobile network in the UK

China Telecom announced the launch of its mobile phone business in the United Kingdom, called CTEExcelbiz. The service will use leased capacity on the network of Everything Everywhere, the joint venture of France Telecom and Deutsche Telekom. This partnership means that China Telecom will be the first Chinese mobile virtual network operator to be launched outside the country. The launch was also linked to the London Olympic Games, when 170,000 Chinese tourists are expected to visit Britain. Under a mobile virtual network operator arrangement, the mobile phone operator provides services directly to its own customers but does not own the network or the infrastructure behind the services. CTEExcelbiz will be sold as a SIM card, currently available only through the company's website. The company plans to add more points of sale later. Competition will be tough since service providers in the UK that focus on the international call market, including Lebara and LycaMobile, already provide very cheap call rates. As of 2010, about 271,000 Chinese were living in Britain, and the country attracted 110,000 Chinese tourists in 2010, up 23% from the year before. Lord Stephen Green, British Minister for Trade and Investment, called the launch of CTEExcelbiz a "milestone event". "China Telecom has shown the way for other Chinese companies into the UK," he said at the company's launch ceremony. Chinese Ambassador to the UK Liu Xiaoming tried the CTEExcelbiz service and praised its "strong signal, quick connection and low price". If CTEExcelbiz proves successful, the company will launch similar services in other European countries, such as France and Germany, the China Daily reports.

- According to the Beijing-based Data Center of China Internet, 91% of users experienced broadband speeds of less than 400 kilobits per second by the third quarter of last year. China is to upgrade broadband networks in urban regions to 20 megabytes per second by 2015, two to five times the current level, at a total investment of CNY500 billion this year.
- China Unicom's net income rose to CNY1 billion in the first quarter, from a restated

CNY145 million a year earlier. China Unicom added 8.84 million users to its 3G network in the first quarter, which Macquarie Group Analyst Lisa Soh called “a weak number.” Revenue rose 25% to CNY61.2 billion in the first quarter. China Unicom’s 3G subscribers numbered 48.9 million at the end of March. The company lagged behind China Mobile’s 59.6 million 3G users.

- China’s phone penetration rate will surpass 100% for the first time by 2015, compared with 85% at the end of 2010, the Ministry of Industry and Information Technology (MIIT) said. Although it doesn’t mean everyone will own a phone — some people may have several — it shows the potential of the domestic mobile phone market. China overtook the U.S. as the world’s biggest smartphone market in the first quarter of this year due to booming sales of Apple’s iPhone and other 3G phones, according to Canalys, a U.S.-based research firm. By March, China represented 22% of global smartphone sales while the U.S. accounted for 16%.
- China Unicom (Hong Kong) has started offering cloud-based services to enterprise customers, a move that will help diversify its revenue sources. China Unicom aims to become a supplier of cloud resources, an operator of enterprises’ private clouds, and play a role in developing industry cloud applications, the company said. “The services aim to lower enterprises’ costs, since they have no need to buy bulky hardware and establish a system on their own, said Tian Wenke, General Manager of the Enterprise Customer Business Department. China Unicom opened a website — cloud.10010.com — to attract customers to its new service.

RADIO, FILM & TV

Dalian Wanda acquires AMC Entertainment

Dalian Wanda Group Corp, which operates China’s highest-grossing movie theater chain — Wanda Cinema Line — has acquired the second-largest U.S. cinema chain, AMC Entertainment, for USD2.6 billion. The deal could mean that Wanda would also diversify in content production. The Beijing-based company is to invest an additional USD500 million to fund AMC’s development. AMC’s management team will stay on after the merger, said Wang Jianlin, Wanda’s Chairman and President. The acquisition was approved by China’s National Development and Reform Commission (NDRC) in March this year, but is still subject to approval by the U.S. government. Wang said Wanda had applied to the Chinese government for a license to import movies, a right held now by two state-owned companies, but he said the AMC acquisition concerned only film exhibition, not production or distribution. Wanda Group mainly focuses on commercial properties and luxury hotels. It entered the film industry in 2005 with the establishment of Wanda Cinema Line Corp, which generated CNY1.77 billion in box office revenue in 2011, ranking first among domestic cinema chains, according to the Zero2IPO Research Center. Wanda Cinema Line currently owns 86 five-star cineplexes and 730 screens, of which 47 are IMAX screens, and plans to increase the number of cineplexes to more than 200 and to own 2,000 movie screens by 2015, accounting for more than 20% of China’s box office market. Wanda Cinema Line is in the process of applying for an initial public offering (IPO) on the Shenzhen Stock Exchange. Chairman Wang Jianlin expects total revenue to exceed CNY140 billion, of which CNY20 billion will come from its cultural business.

Wang became the wealthiest person on this year’s New Fortune Magazine 500 Rich List with CNY46 billion in personal assets, up CNY3 billion from last year. He ranked sixth on the Hurun Rich List 2011 and first on the Hurun Research Institute’s China Property Rich List of 2010. China’s box office receipts grew 29% year-on-year to CNY13.15 billion in 2011, and the number of screens rose from 6,266 in 2010 to 9,296 last year, up 48.4%, according to the National Bureau of Statistics (NBS). After the acquisition is complete, Wanda will become the world’s largest cinema chain. Wanda plans more future mergers with big European and American theater chains, targeting to reach a 20% share of the global film market by 2020. The AMC deal is the third-largest Chinese corporate investment in the U.S., according to financial research firm Dealogic, after investments by the China Investment Corp (CIC) of USD5 billion in Morgan Stanley and USD3 billion in the Blackstone Group in 2007.

China second-largest market for IMAX

“China has become the second-largest market outside of North America for IMAX,” said IMAX CEO Richard Gelfond. The company will release “Flying Swords of Dragon Gate”, starring Jet Li, on about 30 screens in North America, the first Chinese film to be released there in IMAX 3-

D format. When Avatar hit China in 2010, it was released on only 13 IMAX screens, but now The Avengers is available on 68. There will be about 100 IMAX screens in China by the end of this year, and another 100 are coming in the next two years, Gelfond said. Box office revenues in China have been increasing at an average 30% a year since 2003, reaching CNY13 billion in 2011. China imports only 20 foreign films a year, but in February a deal was reached to import an additional 14 films in IMAX 3D and in traditional format. More Chinese films will also be made available in IMAX format for the American theater goers. The company previously would only convert one or two Chinese films a year, such as Feng Xiaogang's "Aftershock" about the disastrous Tangshan earthquake, and Hong Kong Director Tsui Hark's "Flying Swords". The number will be raised to three to five in the near future. The company is currently in talks with Legendary East, a subsidiary of Legendary Pictures, about using IMAX cameras to shoot "Great Wall", a Chinese epic story. It would be the first Chinese film shot with IMAX cameras, instead of converted to the format after shooting is completed.

- The Shang8 Culture Group announced the founding of the "Shang8 Film Industry Park," vowing to build it into China's first base for the production of "micro movies", a new medium which involves films shot over a short period of time and lasting only a few minutes or less, mostly completed on extremely small budgets. The park will set up "workshops for young filmmakers," "new director introductions" and other projects to promote the rise of new filmmakers and the micro-movie industry.
- The futuristic building in Beijing with two leaning towers linked with a 90-degree twist at the top is now ready for occupation by China Central Television (CCTV). Construction of the new headquarters officially concluded on May 16, 10 years after Dutch firm OMA designed the 54-story, 234-meter skyscraper. By summer 2008, the exterior of the building was completed, but a fire in February 2009 sparked by fireworks engulfed an adjacent hotel in the complex and delayed further construction work.
- News Corp has agreed to buy a 19.9% stake in Chinese movie distributor Bona Film Group from founder and Chief Executive Yu Dong. Bona Film distributes films through most theaters in China, and owns and operates 13 theaters in several large Chinese cities. It has also expanded into home video products, digital distribution and television. The company's net revenue reached USD43.7 million in the first quarter, up 126.8% year-on-year, and its net income rose 35.3% to USD3.3 million. During the first quarter, it took in more than CNY450 million in box office receipts through the distribution of five films.

SOFTWARE

Rovio in talks to distribute Angry Birds in China

Rovio Entertainment, creator of the "Angry Birds" mobile phone game, is in talks with Chinese companies, including Baidu and Sohu.com about possible new methods of internet distribution in China, Henri Holm, Senior Vice President at Rovio Asia, said in Hong Kong. The Finnish company is also in similar talks with Renren, after starting work with Tencent Holdings, Sina Corp, Youku and Qihoo 360 Technology, he said. Rovio has recorded more than 100 million downloads for "Angry Birds" in China, helped by demand from users of Apple's iPhone and iPad devices and phones running Google's Android operating system. "The number of smart devices is growing exponentially" in China, Holm said. "Downloads of the game will increase "dramatically" in the country this year." Angry Birds addicts may soon get their own theme park in the Yanguan scenic area in Haining, Zhejiang province. Yanguan is famous for the Qiantang river tide, one of China's natural wonders which has a crest as high as 9 meters. The theme park is likely to be built along a 1.5 kilometer stretch of the Qiantang shore. The world's first Angry Birds Land opened in Tampere, in southwest Finland, on April 28. Angry Birds developer Rovio Entertainment will also set up official stores in large cities for people to buy licensed Angry Birds products.

- Evernote, one of the world's most popular online note taking service providers, unveiled its Chinese name Yinxiang Biji and said it would cooperate with two Chinese firms, Tencent and UC Web. China has become the U.S.-based start-up's third regional market behind the U.S. and Japan and it will soon surpass Japan due to the huge internet user base, Evernote officials said.

- China Mobile said that it is investigating a popular free mobile phone application that allows users to access the company's paid WiFi at public venues for free. The app, developed by a Shanghai-based computer firm, allows users with Android-based mobile phones to search for nearby public WiFi hotspots provided by China Mobile. With a simple click, users can gain access to the company's paid WiFi service, skipping the username and password page.
- 75 regional software industrial parks, which contributed 60% of Chinese software and IT service revenue, formed a national development alliance in Shanghai to improve regional cooperation and better develop the industry nationally. "The development alliance is a new platform," said Chen Wei, Software Division Director of the Ministry of Industry and Information Technology (MIIT). The major members of the alliance are the Shanghai Pudong Software Park, Beijing Zhongguancun Software Park and Shenzhen Software Park. China's software industry is expected to grow by 20% annually until 2015.

TELECOM MFG. CO.

Huawei, Intel to work on 4G technology

Huawei Technologies and Intel have joined forces to speed up adoption of 4G mobile networks using a China-backed standard. The two companies agreed to establish, for an undisclosed amount, a joint laboratory that would conduct interoperability testing on TDD-LTE technology, China's high-speed 4G mobile standard. Shenzhen-based Huawei supplied either FDD-LTE or TDD-LTE network equipment and software to 23 of the 49 commercial 4G networks deployed globally as of last year. The company was also contracted by Genius Brand, a joint venture of Hutchison Telecommunications Hong Kong and PCCW's HKT, to implement a new 4G network in Hong Kong. The two carriers have separately announced plans to launch their local 4G services this year. Deng Taihua, President of Huawei's TDD-LTE business unit, said the company was focused on expanding adoption of TDD-LTE 4G networks worldwide. The partnership with Intel would help "accelerate the development of our technology and provide our customers with leading TDD-LTE solutions". An Intel Spokesman said the company's mobile chip platforms would have extensive tests on Huawei's TDD-LTE infrastructure. Total wireless infrastructure spending in China by China Mobile, China Unicom and China Telecom is expected to hit USD11.2 billion by 2014, boosted by new 4G mobile investments, up from an estimated USD10 billion in spending next year and USD9.9 billion this year.

ZTE posts weak CNY150.9 million profit

ZTE, the world's fifth-biggest supplier of telecommunications equipment, appears to show no signs of improved profitability after posting a weak net profit in the first quarter. Bernstein Research warned that ZTE could face "liquidity concerns in the medium term" if the company continues to spend more money to expand operations at all its lines of business, while struggling to boost profits. Shenzhen-based ZTE reported a first-quarter net profit of CNY150.87 million, up from CNY127.29 million a year earlier, as it aggressively competed in price to bolster sales worldwide. Revenue rose 24% to CNY18.61 billion from CNY14.98 billion the previous year. ZTE said last month that it plans to sell as much as CNY6 billion of bonds, maturing in five years or less, to prop up its cash position and cut down fundraising costs by about CNY100 million annually. It also applied this month to renew lines of credit with China Development Bank (CDB) and the Bank of China (BOC).

TCL set to fight back in wake of profit tumble

Hong Kong-listed TCL Communication Technology plans to roll out dozens of new smart phone models from the second quarter, aiming for 30% revenue growth this year. Shenzhen-based TCL Communication said net profit dropped 86% in the first quarter due to weaker demand for basic phones and higher costs in promoting smartphones. The company's gross profit margin eased to 20% in the first quarter from 22% a year earlier. "Growth momentum will come from smartphone sales this year," Chief Executive Dr Guo Aiping said. The company sold a total of 7.8 million units worldwide in the first quarter, down 10% year-on-year. "We are not satisfied with sales volume," said CFO Thomas Liu, predicting that gross profit margins would recover along with sales in coming quarters. Guo said its average selling price (ASP) would rise, reflecting the increasing proportion of smartphones in its handset portfolio. In the first quarter, the company's ASP improved to USD34.60 from USD31.30 in the year-earlier

period. Smartphones accounted for 9.5% of total shipments in the first quarter, up from just 0.3% a year earlier, Guo said. The company sold a total of 1.3 million units in China, up 211 year-on-year. But in Europe, Africa and the Middle East, sales dropped 26% to 2.5 million units because of the euro-zone debt crisis and regional political instability. Television maker TCL Multimedia, a sister company, said net profit surged 808.8% to HKD309 million in the first quarter year-on-year, and turnover rose 26% to HKD8.3 billion. The company forecast that market demand for liquid crystal display [LCD] TVs would remain strong in 2012, driven by urbanization and a trend to upgrade from traditional televisions. Its quarterly sales volume of LCD TVs increased 67% year-on-year to 3.22 million sets.

ZTE and Huawei launch challenge to Apple and Samsung

He Shiyou, Executive Vice President of ZTE, said the company aims to expand its share of the global mid- to high-end smartphone market and reverse gross profit margin declines in its handset business. ZTE, the world's fifth mobile phone vendor, aims to at least double smartphone shipments this year to more than 30 million. He said the percentage of mid- to high-end smartphones will also double. ZTE has said it could be shipping 100 million smartphones a year by 2015. "We want to put pressure on Apple and Samsung in the mid- to high-end smartphone market," He added. ZTE will face difficulties if it focuses on low-end mobile phones, so it must explore new opportunities, He said. Huawei, also based in Shenzhen, entered the high-end smartphone market by spending heavily on promotions and sponsoring the Italian Supercoppa (Italian Super Cup) last year. "Huawei is planning to have a broader portfolio. The high-end smartphone will boost our reputation greatly and help branding," said Wang Weijun, China President of Huawei Device Co. Huawei expects to ship more than 100 million mobile phones this year, including 60 million smartphones, as it aims to increase its global market share. Huawei launched its first elite flagship smartphone — the Ascend P1 — in Beijing last month. "I dare say most entry-level smartphone makers in China are struggling to make ends meet," said Xu Zhiyuan, Senior Engineer at the China Academy of Telecommunication Research. "It is hard to say that ZTE and Huawei's move to the higher-level smartphone market is already pressuring Apple and Samsung. There will be a gradual process." Wang Ying, Analyst with Beijing-based research firm Analysys International, said branding has a key influence on high-end users. "Few people outside China really recognize ZTE and Huawei. It will take time for them to establish branding and draw people's attention," she said.

Atelier Haute Communication to expand in China

Handset and accessories manufacturer Atelier Haute Communication plans to expand sales of its expensive luxury smartphones to China's lower-tier cities, as demand for high-end goods grows rapidly. The Paris-based company aims to add up to 20 new outlets this year in China, where its French-made handsets are sold in nearly 100 locations, including company-owned boutiques, licensee shops, brand stores and other outlets. It expects to drive more sales with the release this summer of a lower-priced smartphone, bearing Swiss watchmaker TAG Heuer's brand and costing about €2,400. Its two other licensed brands are Christian Dior and Versace. "We believe there is an untapped market for high-end luxury mobile phones and accessories that cater to the discerning taste of the most successful in society," said Atelier Chief Executive Stéphane Bohbot. About 56% of its global sales last year were generated from affluent buyers on the mainland and in Hong Kong, Macao and Taiwan, he said. In Hong Kong, prices for Dior handsets range from HKD40,000 to a one-of-a-kind HKD800,000 model. The average cost of its TAG Heuer and Versace models is around HKD200,000. Atelier considers British firm Vertu as its chief rival. A division of Nokia, it pioneered the luxury market segment in 1998 and its handset prices start from GBP3,500.

Foxconn building Shanghai HQ

Foxconn Technology Group began work on a Shanghai headquarters that it says will help spearhead its efforts to sell more products in the Chinese market. The groundbreaking by Foxconn for its new 861,120 sq ft "crystal box" center in Shanghai's prime Lujiazui financial district reflected the company's shift toward sales and services, said Chairman Terry Gou. "We are turning our export factories to be more domestic-market oriented," Gou said. Taiwan's Hon Hai Precision Industry owns the Foxconn factories on the mainland that assemble about 40% of the world's electronics. It is a key producer of iPads and iPhones for Apple. Hon Hai's revenue totaled USD116 billion last year, a 15% increase from 2010. Gou said he was confident the company would reach its "internal target" of growing revenue by at least 10% a

year. Foxconn employs about 1.2 million workers at low-wage factories in Shenzhen and elsewhere in the country. The company has been shifting its production away from its original base in Shenzhen toward central and western regions of the country where labor costs are lower. Foxconn's first quarter profit dropped more than 50% year-on-year to NTD14.92 billion from NTD35.03 billion, weighed by wage increases. Foxconn plans to set up an e-commerce business in two years.

Huawei pushes sales of consumer devices

Huawei Technologies expects its consumer device sales to reach USD9 billion this year, rising from USD6.8 billion in 2011, according to Yu Chengdong, CEO of the Huawei Consumer Business Group. Huawei is better known for its telecom equipment business and is very close to Sweden's Ericsson in annual sales. However, the company has diversified into mobile phones and the enterprise business since 2010. The company was the world's sixth-largest mobile phone producer by shipments last year, behind Nokia, Samsung, Apple, ZTE and LG, according to research firm Gartner. Huawei expects to ship 60 million smartphones this year and an average of 100 million annually in the future. "The smartphone business will play an increasingly important role for Huawei," said Yu at the 2012 Global Mobile Internet Conference in Beijing. The company shipped nearly 150 million consumer devices, including 20 million smartphones, in 2011. Huawei plans to introduce a new user interface for its smartphones in July. The company aims to become the world's No 1 mobile phone supplier. Yu also said Huawei will cooperate with Qihoo 360 Technology Co to produce customized smartphones for Qihoo 360 users. Other Chinese internet firms, including Baidu, Shanda Interactive Entertainment and Alibaba Group, have already launched self-branded smartphones. Huawei's enterprise unit, which was launched in September last year, aims to generate USD15 billion worldwide in revenue by 2015. The division's revenue rose 57.1% in 2011 to CNY9.16 billion, making it the fastest growing division, though it contributes only 4.5% of total revenue. The company is pursuing Cisco for market leadership in the U.S. Huawei announced its first U.S. distribution agreement with IT-distributor Synnex that will allow it to expand its presence in the U.S. enterprise market. It is also launching new products that compete with Cisco's telepresence offerings and network switches.

- India's Bharti Airtel has appointed Huawei Technologies to deploy and manage a 4G network in India's Karnataka state. Financial details were not disclosed. The state capital of Bangalore is the country's hub for technology services. Indian mobile market leader Bharti has been allocated 4G spectrum in four of India's 22 telecom zones. China's ZTE Corp is managing Bharti's 4G network in Calcutta, while Nokia Siemens Networks has the contract for its planned 4G network in the western Maharashtra telecoms zone.
- Foxconn International Holdings (FIH) issued a profit warning for the first half of this year, expecting a "significant increase in consolidated net loss" for the six months to June 30, largely due to lower demand from some of the company's major customers. Chairman Samuel Leung said the company's gross profit margin had declined because of unfavorable pricing changes and increased costs related to new product manufacturing initiatives. FIH is a 70% owned subsidiary of Taiwan's Hon Hai Precision Industries, whose operations are collectively known under the trade name "Foxconn Technology Group".
- Bernstein Research forecast Lenovo to sell about 13 million smartphones in its current fiscal year to March, up from an estimated 6.2 million in the past fiscal year, due to a booming domestic market for 3G handsets in the USD100 to USD200 price range. Lenovo does not sell handsets overseas.
- Foxconn Technology Group will invest USD210 million to build an Apple production line in October in Huai'an, Jiangsu province. The 40,000-square-meter plant's annual output may hit USD6 billion to USD7 billion, and the import and export value will be USD55.8 million.

WEB

Taobao intensifying fight against fakes

Taobao aims to ramp up its crackdown on counterfeit goods, particularly fake watches, sold on its trading platforms. The Taobao group of companies was working with Swiss watchmakers

Tissot, Omega, Rado and Longines to help police bust online vendors selling knock-offs of their products. Taobao has also removed 77 million products that infringe intellectual property rights (IPR) from its websites in the past two years. John Spelich, Vice President at Taobao parent Alibaba Group, said Taobao expected "stronger cooperation with IPR owners" to help drive the crackdown this year. Founded in March 2003, Taobao consists of three companies. Taobao Mall runs an online shopping portal where international brands and major retailers sell directly to consumers, while Taobao Marketplace is responsible for small consumer-to-consumer transactions, the Juhuasuan group-buying portal and social networking website Taojianghu. The eTao unit provides the online advertising platform and the shopping search engine that helps users scour the internet for products and services. The combined revenue of the Chinese-language Taobao retail platforms is forecast to reach CNY1 trillion this year. About 98% of sales made on Taobao Mall, which has more than 50,000 online merchants, and Taobao Marketplace, with more than 370 million registered users, are to consumers on the mainland and in Hong Kong, Macao and Taiwan. Spelich said Taobao had a multi-faceted approach to the IPR issue, including enforcement, education, consultation, and gathering feedback from customers and IP owners to improve its platforms. In a report in March last year, the Office of the United States Trade Representative included Taobao in its Notorious Markets List of 33 websites and physical sites that were the subject of enforcement action over counterfeiting and piracy, the South China Morning Post reports.

Sina plans to keep investing in micro-blog services

Sina, China's largest internet portal, is prepared for continuing losses as it invests heavily in its Twitter-like micro-blogging platform Sina Weibo despite the government's tight grip on internet content. Sina Weibo is the top social-networking platform in China, where Twitter is banned. In a growing number of cities, users setting up a Sina Weibo account must register with their real name and a mobile number. The new rules "had an impact" on Sina Weibo's growth, said Charles Chao, Sina's CEO. The service added about 30 million users in the first quarter, for a total of 324 million at the end of March. In the previous quarter it added 50 million users. Nonetheless, Sina said it would invest USD160 million in the micro-blog service this year, up 45% from last year, to improve the service. "It is essential for us to build a more dominant scale in order for us to be successful in the long term," Chao said. The firm warned that owing to the increased spending on Sina Weibo, it might post another loss in the following quarter. The Nasdaq-listed company reported a year-on-year net loss of USD13.7 million in the first quarter, compared to a profit of USD15 million in the same period last year. The loss was smaller than the market expected, as advertising income, which makes up the bulk of Sina's revenue, rose 9% to USD78.5 million. Meanwhile, net profit at Tencent, China's largest provider of instant messaging and online games, grew only 2.8% year-on-year in the first quarter to CNY2.95 billion, as sales surged 52.2% to CNY9.65 billion. The firm's profit margin was trimmed to 46.2% from 53.1% a year earlier because of a lower profit margin at its e-commerce business, which has been a standalone unit since January, the South China Morning Post reports.

Yahoo sells half of its stake in Alibaba

Yahoo has agreed to sell half of its 40% stake in Chinese e-commerce group Alibaba for about USD7.1 billion. The announcement caps many months of on-and-off talks as Yahoo tried to sell the stake as part of efforts to turn its business around. "The new shareholder structure will allow Alibaba Group to have better control of its business, offering more stability in terms of corporate governance," said Lu Bowang, President of research firm China IntelliConsulting Corp. "The payment from Alibaba will allow Yahoo to reorganize and expand new businesses and the remaining 20% stake is also expected to bring Yahoo shareholders greater reward after Alibaba's listing," commented Qi Jianzhe, Researcher with Analysys International. Yahoo's interim CEO Ross Levinsohn said the stake sale provides clarity for Yahoo shareholders. Alibaba and Yahoo also have an agreement for Yahoo to sell the remainder of its Alibaba stake later on. Under the terms of the deal, if Alibaba Group goes public, it would have to buy back another 10% stake from Yahoo or let Yahoo sell those shares in the IPO. Alibaba, which operates e-commerce sites Taobao and TMall, is in the process of taking Hong Kong-listed unit Alibaba.com private.

- Search engine Baidu's net profit surged 76% to CNY1.9 billion in the first quarter of this year amid a rise in advertising income. Its revenue jumped 75% year-on-year to CNY4.26 billion. Baidu has 30.9% of China's CNY14 billion online advertising sector,

followed by Alibaba's 17.9% share. Baidu also occupies more than 50% of the mobile search market and its share continues to rise. Its search engine is pre-installed on more than 80% of China's Android-based smartphones.

- Alibaba Group Holdings, China's largest e-commerce company, said police have arrested some of its employees and external shop owners following an anti-corruption investigation. Nine online shops at Taobao.com were shut down and some of the shop owners face bribery charges. Alibaba said that it will step up efforts to stop any online vendors involved in "improper" business dealings. Some Taobao service staff took bribes from online shop owners to remove negative comments, boosting these online vendors' credit ratings.
- Tencent announced plans for a business restructuring — dividing its business into six groups, namely technology and engineering, social networking, creative business, interactive entertainment, mobile internet and online media — to better adapt to the market and focus on key sectors. It will also establish an independent e-commerce unit to operate its online shopping business. Tencent plans to inject USD1 billion into its e-commerce subsidiary to help it catch up with rivals like Taobao Mall and 360Buy.
- China's online video market is expected to double its revenues this year, boosted by the coming London Olympic Games and UEFA European Championship. Total revenues from the market are forecast to reach CNY12.6 billion this year, according to iResearch. Another Beijing-based researcher, Analysys International, gave a forecast of a 95.5% growth rate this year.

ONE-LINE NEWS

- China is to strengthen rules covering irregular charges in the telecommunications industry this year, including hidden charges, exaggerated advertising claims and abuse of monopoly positions, said the Ministry of Industry and Information Technology (MIIT). Users find they are often charged for "value-added" services they have not subscribed to.
- China launched two satellites to become part of the Beidou global navigation and positioning network. It was the first time the nation successfully launched two navigation satellites on one rocket into a medium-high earth orbit of about 20,000 kilometers. The Long March-3B rocket, carrying the network's 12th and 13th satellites, was launched from the Xichang Satellite Launch Center in Sichuan. China will launch three more satellites for the network this year. By 2020, Beidou will have more than 30 satellites, allowing it to compete with the GPS system operated by the United States.
- 482 people suspected of being involved in a major transnational telecom scam were seized by law enforcement officials from the Chinese mainland and Taiwan with the help of police in six countries. 177 are from the Chinese mainland and 286 from Taiwan, the Ministry of Public Security said. The other 19 suspects are from Thailand and Myanmar. They are suspected of having stolen more than CNY73 million in 510 cases of telecom fraud in China.

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Contact:

Flanders-China Chamber of Commerce

Voldersstraat 5, B-9000 Gent

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

E-mail: info@flanders-china.be

Website: www.flanders-china.be

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The FCCC Newsletters are edited by Michel Lens, who is based in Beijing and can be contacted by e-mail michel.jc.lens@gmail.com or mobile phone +86-13901323431. Disclaimer: the views expressed in this newsletter are not necessarily those of the FCCC or its Board of Directors.