

Chinese Carrier in Talks with Apple on iPhone

Joe McDonald, AP Business Writer

BEIJING (AP) — State-owned China Unicom Ltd. said Friday it is talking with Apple about becoming an iPhone carrier but denied a report it has reached a deal and will buy 5 million handsets.

China is the world's most populous mobile phone market and iPhones are produced in China by an Apple contractor for export. Apple has yet to sign up a Chinese partner but thousands of unlocked iPhones brought in from other markets are in use in China.

"Talks between us and Apple have been going on for some time, but no agreement has been reached yet," said Unicom spokesman Yi Difei. "There are all kinds of possibilities. There is no particular timetable for the talks."

Yi declined to give details. But he denied a report by the newspaper China Business News that Unicom secured a three-year exclusive iPhone deal and would pay 10 billion yuan (\$1.5 billion) for handsets.

"The report is not true," Yi said.

China Business News said its information came from a sales manager for Unicom's subsidiary in the southern province of Guangdong, Yu Zhaonan. Employees who answered the phone at Guangdong Unicom said they did not have a number to reach Yu. A Unicom Guangdong spokesman, Xiao Fangxin, said he knew of no agreement and referred questions to Yi in Beijing.

The newspaper said the iPhone would go on sale in September at French retailer Carrefour SA's outlets in China. Phone calls to Carrefour spokespeople were not answered.

An Apple spokeswoman in Beijing, Tiffany Yang, said she had no information about an iPhone agreement in China.

Apple's talks with potential Chinese carriers have snagged on disagreements about how to share revenues, according to Chinese news reports.

Apple, based in Cupertino, Calif., reported last month that the sales of the popular iPhone helped to boost its latest quarterly earnings by 15 percent to \$1.2 billion despite the U.S. economic slowdown.

An iPhone deal could help Unicom compete with giant China Mobile Ltd., which dominates the mobile market.

China has 650 million mobile phone accounts. Unicom says it had 133 million

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accounts as of Dec. 31, while China Mobile, the world's biggest carrier by subscribers, says it has more than 450 million. The third competitor is China Telecom Ltd., with a small mobile unit.

Beijing rearranged its state-owned phone companies into those three groups last year to revive competition. They were awarded third-generation mobile licenses in January.

Associated Press researcher Bonnie Cao contributed to this report.

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