Technology

Google takes stake in China voice-recognition group

Funding for Mobvoi shows how Chinese start-ups are driving new technologies

HENNY SENDER — SINGAPORE

Google has taken a significant minority stake in Mobvoi, a Beijing-based start-up that has developed Chinese-language voice-recognition and search technology for mobile devices.

The investment underscores how rapidly Chinese entrepreneurs are developing technologies for the domestic market and comes as the Silicon Valley group continues to look for ways to rebuild its internet services in China.

"The new funding by Google will enable the company to further enhance its core artificial intelligence technologies, and develop new consumer products empowered by [artificial intelligence], and explore robotics technologies," Mobvoi said.

Earlier this year, the two companies signed a strategic partnership agreement, with Mobvoi providing search and speech recognition for Android Wear, Google's smartwatches.

The companies did not disclose the value or the size of the investment, but people familiar with the matter said it was 10 per cent to 20 per cent.

Voice-recognition applications are among the hottest areas for tech groups on both sides of the Pacific. In the past, the flow was almost entirely one way from the US to China, but the relationship has evolved.

Li Zhifei, Mobvoi's founder and chief executive, received his PhD in speech recognition and natural language processing in the US and worked at Google before returning to China in 2012 to start his own company.

"Without Johns Hopkins University and my two years at Google, I could never have gotten funding so easily," said Mr Li. "Now, though, a real ecosystem is emerging in China with a market and investors and scale."

Neil Shen, founder of the Chinese arm of Sequoia Capital, the venture capital firm, said the combination of a potentially vast mainland market for voice-recognition apps and Mr Li's background was the key driver behind his decision to invest in Mobvoi on day one.

The company has seen a decline in the popularity of its search engine in the country since it moved the servers powering it to Hong Kong in 2010, after dropping its censored domestic search service on the mainland. Chinese internet companies Baidu, Alibaba and Tencent dominate but some observers believe there is an opportunity for a better service to thrive.

"People want Google to come in. Monopoly power means firms have no incentive to improve," said the head of one asset management group.

Google is not considering relaunching a domestic Chinese search engine, according to a person familiar with its plans, but is seeking regulatory approval to launch a mobile app store for users of its Android mobile operating system.

Hardware companies in the country are developing a reputation for producing cutting-edge technology.

Mobvoi, whose Chinese name is Chumenwenwen, produces its own wearable devices, notably a smart watch that uses its own operating system and has a months-long backlog on orders.

Shenzhen-based DJI is the largest maker of consumer drones worldwide and has a valuation of at least $8bn.

Mobvoi's voice-search function is mainly directed at inquiries about travel and local services but Mr Li hopes to move on to cars and robots with Google's help.

Automobiles. Market manipulation case

Ex-Porsche bosses on trial over failed VW takeover

Pair to tell court they did not mislead investors by denying a plan to control the carmaker

CHRIS BRYANT — FRANKFURT

Two former top executives at Porsche, the sports car maker now owned by Volkswagen, will go on trial tomorrow for alleged market manipulation in one of the most keenly awaited cases in German corporate history.

Wendelin Wiedeking and Holger Härter, who were respectively Porsche's former chief executive and chief financial officer, face charges relating to the company's failed attempt to take over VW in 2008.

Prosecutors claim the pair repeatedly denied a plan to take control of the much larger VW, thus misleading investors. Both men deny the charge of "information-based market manipulation". If found guilty, however, they may be fined or sentenced to up to five years in prison. Their trial in Stuttgart comes as VW faces massive penalties, repair costs and lawsuits over a diesel engine emission scandal, which has caused its stock to plummet almost 40 per cent over the past month.

But while the Porsche case refers to the alleged manipulation of financial markets, not emissions-test results, its impact on VW's share price at the time was no less dramatic. In 2008, the David versus Goliath battle of Porsche versus VW had transfixed the car sector. It also caused stock market turmoil — and enraged some investors who lost billions on bets that VW shares would fall.

Porsche's audacious takeover plan had involved the secret use of options contracts to build a stake in VW. At the time, many hedge funds had been short selling VW shares — borrowing shares to sell, expecting to be able to buy them back more cheaply.

When Porsche announced in October 2008 that it intended to take control of VW, those hedge funds betting that VW's shares would fall were forced to repurchase VW shares to cover their short positions, almost at any price — a so-called "short squeeze". At one stage, VW's ordinary shares soared from about €200 to more than €1,000, briefly making VW the world's most valuable company by market capitalisation.

In 2009, the Porsche plan eventually came unstuck when it struggled to refinance a €10bn loan and VW was forced to rescue the sports car maker. Mr Wiedeking and Mr Härter resigned.

Thomas Möllers, a commercial law professor at the University of Augsburg said: "These events were an embarrassment for Germany's capital markets. It is a tragedy that it has taken seven years for a trial to begin."

The trial will be watched closely by investors and hedge funds — including Elliott International and Perry Capital — which are collectively suing the Porsche SE holding company for a total of more than €5bn in separate civil proceedings.

Before the ill-fated VW takeover plan, the outspoken, cigar-smoking Mr Wiedeking had been known for rescuing Porsche from near-insolvency after US sales had slumped in the 1990s.

By expanding Porsche's model range and hiring Japanese production consultants he turned the company into the world's most profitable carmaker.

In turn, a profit participation agreement made him Germany's highest paid executive, with an annual income that reached €80m.

But Porsche was still too small to fund rising development costs on its own. So, in 2005, it began building a stake in VW. Porsche's advisers codenamed Porsche "Paris" and VW "Venice".

Related hedging transactions in VW shares, masterminded by Mr Härter, helped Porsche to book profits far in excess of what it made from selling cars — leading some critics to brand it a "hedge fund". Then, in March 2008, Porsche's board gave the go-ahead to increase its VW stake to more than 50 per cent — but Porsche denied wanting to raise the stake to more than 75 per cent, which would give it access to VW's cash flows.

However, in October 2008, Porsche announced that it intended to increase the stake to 75 per cent. It said it already held 42.6 per cent of VW's shares and a further 31.5 per cent in so-called cash-settled options, representing a 74.1 per cent claim over VW. This, it said, would pave the way for Porsche to take control of VW the following year.

Prosecutors are set to argue that Porsche had actually decided by February 2008 to take over VW but subsequently issued a series of press releases denying that goal, thereby misleading investors.

In a second charge brought against the two executives this summer, prosecutors allege a press release issued by Porsche in October 2008 was "misleading".

One month before that, the collapse of Lehman Brothers had led to falls in VW's share price and threatened to oblige Porsche to make large collateral payments to hedging partners that it could not afford, prosecutors claim.

This would have triggered an unravelling of Porsche's options structure, freeing up more VW shares — and thus avoiding the short-squeeze on investors.

Instead, though, the prosecutors allege that the Porsche press release created a false impression that there would be a "long-term narrow market" in VW shares, which pushed the price back up.

Both men deny the charges and are expected to tell the court that they provided accurate data that reflected the supervisory and management boards' decisions. They will argue there was no secret takeover plan and the October press release was correct and was not intended to cause a short squeeze.

If Mr Wiedeking and Mr Härter are found guilty, the Porsche holding company could be forced to surrender any profits related to the alleged market manipulation, which prosecutors have not yet quantified. Porsche says the allegations are "without merit".

See Markets

'It is a tragedy that it has taken seven years for a trial to begin'

Facing charges: Wendelin Wiedeking, left, Porsche's former chief executive, with Holger Härter, the ex-finance chief, at an EGM
Wolfgang von Brauchitsch/Bloomberg

2008
Year that Porsche announced that it intended to take control of VW

€1,000
Price that VW shares jumped to from €200, amid a 'short squeeze'

75%
Level to which Porsche said it planned to raise its VW stake, to pave the way for a takeover

€10bn
Size of loan that Porsche then struggled to refinance, ending hopes of deal

€5bn
Sum that funds and investors are suing Porsche for in separate civil proceedings

Automobiles

Warning that scandal might spark foreign schadenfreude

STEFAN WAGSTYL — BERLIN

Germany's top business leader has warned the country's exporters that Volkswagen's emissions scandal could provoke foreign competitors to schadenfreude.

But Ulrich Grillo, president of the BDI, the German industry association, insisted that the global reputation of the Made in Germany brand would not be damaged by the "unacceptable behaviour" of one company.

He was responding to concerns that German industry as a whole might suffer from the debacle involving its largest carmaker, which faces heavy fines and possible prosecutions after admitting its diesel vehicles were fitted with software that enabled cheating in US emissions tests.

"Of course, there is perhaps a certain amount of schadenfreude coming from one or another international competitor," said Mr Grillo in a Financial Times interview. "People are a bit envious of our export successes. That should not put us off."

He added: "I don't think that this single case, however big, significant and unacceptable it is, is damaging the whole image of the brand Made in Germany."

Mr Grillo said that he did not expect any possible anti-German sentiments to affect the handling of the case in the US, where the justice department has launched a criminal probe.

"I hope that in America, as everywhere, the judicial authorities decide independently of the national origin [of those involved]," he added.

Mr Grillo, who is chief executive of Grillo-Werke, a family-owned metals company, warned regulators in Germany against reacting to the crisis by imposing new rules on industry.

He said: "This comes quickly when trust is put a bit into question. If German politicians here and there put [the behaviour of] German industry into question, then the call for the regulator is quick to come."

Mr Grillo urged German companies to forestall the danger by checking their management processes, including compliance and control systems. "We must now ask, 'Are we doing everything right?'" Politicians as well as customers needed to have their trust restored so that industry was not "over-regulated", he said.

As for VW itself, Mr Grillo expressed confidence that the company would pull through the scandal. He said that VW "must above all" make clear what had happened and how it would be put right.

Energy

Alternative solar project to see the light of day

SIMEON KERR — DUBAI

A renewable energy project with the potential to transform the solar power sector is to be launched in Dubai, to offer an alternative to established panel technology.

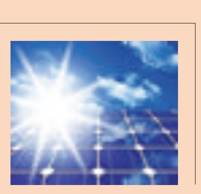
The 110-kilowatt concentrated solar power plant, built at a cost of €500,000 by Swedish sustainable energy technology group Cleanergy and Al Futtaim Carillion, the Dubai-based contractor, is being announced today.

The plant uses 10 mirrored dishes, each measuring 8.85m in diameter, to reflect solar heat into Stirling engines that generate electricity.

Cleanergy said its Stirling CSP system, which tracks the sun to produce more power for longer during daylight hours, is twice as efficient as traditional solar photovoltaics, or PV. It also utilises heat storage to produce electricity at night.

The company hopes to persuade Dubai and other regional states to adapt the project to commercial scale as countries seek to diversify their power mix. The Swedish group says the CSP system, which was commissioned this year, has produced about 47,000kWh during 12,650 operating hours.

Cleanergy says its Stirling CSP system is twice as efficient as traditional solar photovoltaics



State-owned utility Dubai Water & Electricity Authority has been studying different forms of CSP to complement its existing PV systems as it works towards producing 15 per cent of its power from solar technology by 2030.

Cleanergy, which has raised $60m in funding from investors such as Sweden's Wallenberg family and the Nobel Foundation, will need to overcome industry scepticism about the economics behind CSP systems. The group says a 100MW power plant using its CSP technology would cost about €200m.

Jonas Wallmander, Cleanergy's chief operating officer, said "competitive" tariff costs of 5 euro cents/kWh could be achieved depending on the amount of solar radiation received. That estimate is in line with the global benchmark set in January by Riyadh-based Acwa Power's landmark 25-year deal to build a 100MW PV plant at Dubai's solar park.

But industry executives question whether CSP can compete with PV systems that have recently benefited from a "drastic" drop in costs.