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HARDWARE

Apple top seller in Hong Kong in Q2

Apple led all brands in sales of smartphones, media tablets and laptop personal computers in Hong Kong in the second quarter. According to Dickie Chang, Senior Market Analyst at IDC Asia-Pacific, Hong Kong was the only market in the Asia-Pacific where Apple topped all three categories. Market research company GfK said total spending on smartphones, tablets and notebook computers in the city fell 18% to HKD7.21 billion in the quarter to June from HKD8.81 billion a year earlier. Shipments of those devices in the local market fell 15% to 1.75 million units from 2.06 million in the previous period. Walter Leung, Managing Director of GfK in Hong Kong, said: "Both the smartphone and laptop categories recorded negative growth in the quarter to June, while tablet shipments were on par with the total a year ago." IDC said tablet shipments continued to be dominated by Apple's iPad products, followed by tablets from

Samsung Electronics, Sony, Asus and Acer. GfK data showed tablet sales dropped 21% to HKD1.24 billion during the quarter from HKD1.57 billion a year ago, while shipments remained flat at 365,000 units. IDC said Apple overtook Samsung during the quarter to regain the No 1 position among smartphone brands in the city. The other top-selling smartphone suppliers were Sony, HTC and LG Electronics. Smartphone sales dropped 19% to HKD5.23 billion on total shipments of 1.29 million units, down from 1.58 million a year earlier. According to GfK, smartphones priced at HKD4,500 and above made up about 50% of total units sold in the period. Laptop computer sales fell 7% to HKD738 million from HKD796 million previously, on purchases that dropped to 105,000 units from 121,000. The city's top five laptop brands during the second quarter were Apple, Lenovo, Asus, Dell and Acer, the South China Morning Post reports.

Dell push in enterprise server market

Computer maker Dell plans to bolster its lead in China's growing market for enterprise servers, despite efforts by rival Lenovo to expand operations in that niche over the next few years. Dell, which is the world's third-largest personal computer supplier behind Lenovo and Hewlett-Packard, is also expected "to accelerate development of its capabilities in the market", Philip Davis, Asia-Pacific Vice President for Dell's enterprise solutions business, told the South China Morning Post. The company's "Greater China" operations, which include Hong Kong and Taiwan, employ about 9,000 staff. It plans to add about 100 new sales and marketing personnel this fourth quarter to meet further expansion in small and medium-sized enterprises (SMEs) in tier-four to tier-six cities. Dell is spending about USD25 billion a year in China in terms of manufacturing, the sourcing of information-technology components and related products. According to Eric Peng, Research Manager at IDC in Beijing, Dell has led server shipments in China for the past five quarters, but Lenovo has said it would become a bigger player in the server business within three years.

TSMC building huge chip plant in Taiwan

Taiwan Semiconductor Manufacturing Co (TSMC) is building a new site the size of about 20 soccer fields in southern Taiwan to manufacture chips smaller than 1/5,000th the size of a human hair. The company plans to invest NTD500 billion and hire 7,000 workers for the new facilities. "TSMC remains by far the biggest player in foundry, and it'll continue to dominate, as it's got the biggest capacity and best foundry technology. But margins are set to come under pressure, as it will see more competition from the likes of Samsung", said Doh Hyun-woo, Analyst at Mirae Asset Securities in Seoul. To keep its position as the world's top foundry business, TSMC must invest even more on research and development (R&D) to boost profitability, says Warren Lau, Hong Kong-based Analyst at Maybank Kim Eng Securities. TSMC makes chips for designers that do not have a production factory, including Qualcomm, Texas Instruments and Nvidia. Analysts and industry sources say TSMC has snatched the Apple contract from Samsung and its new 20 nm chips will be used in future iPhones and iPads. TSMC's sales shot up 19.3% in the first eight months of this year from a year earlier thanks to increased chip sales.

Lenovo seizes record share as global PC market slows

Lenovo increased its market share to remain the world's top supplier of personal computers in the three months to September, despite total industry shipments dropping to a five-year low. IDC and Gartner said Lenovo's personal computer shipments rose about 2% year-on-year in the quarter to 14.1 million units. Lenovo, which operates in more than 160 countries, expanded faster than the overall personal computer market for the 18th consecutive quarter. The company also seized its highest ever quarterly market share, which IDC put at 17.3% and Gartner at 17.6%. That was in contrast to the sixth consecutive quarter of declining shipments for the whole industry. IDC said the global market contracted 7.6% year-on-year to 81.6 million units, while Gartner estimated an 8.6% drop to 80.3 million. Angela Lee, Spokeswoman for Lenovo, said that "the PC industry still represents a USD200 billion opportunity and offers Lenovo substantial room for profitable growth." In its fiscal first quarter ended June, Lenovo beat analysts' estimates when it reported a 23% year-on-year increase in net profit to USD174 million on the back of growth in all its geographic markets. Revenue climbed 10% to USD8.7 billion, as it cornered a 16.7% share of the global personal computer market that quarter. Strong growth in the Americas, Europe, the Middle East and Africa, offset declining personal computer shipments in the Asia-Pacific market". A report by Barclays predicted Lenovo would "continue growing sales year-on-year even amid a slow global PC demand environment", the

South China Morning Post reports. Lenovo is also the second-biggest smartphone supplier and No 3 media tablet brand in China.

Apple to add more sales outlets in China

Apple Chief Executive Tim Cook is working to broaden the company's distribution in China as a way to reignite growth after the iPhone maker reported its first decline in annual profit in at least a decade. Cook said Apple is expanding how it sells the iPhone and iPad in China, focusing on areas outside the country's largest cities. The firm is adding more outlets besides Apple stores to sell its devices, and the iPhone is now available in 50% more stores in the country than last year, he said. Apple's sales in China rose 6% in the recent quarter to USD5.7 billion, making it the company's second-biggest market after the U.S. Yet it lags behind Samsung Electronics and local manufacturers which offer cheaper smartphones and tablets with more design choices than the iPhone and iPad. China is critical as Apple seeks to jump-start sales and profit growth, which have stalled in the increasingly crowded mobile market. Devices running Google's Android software dominate the mobile market in China. Worldwide, Android is expected to have 75% of the smartphone operating-system market this year, compared with the 17% share for Apple's iOS software, IDC estimates.

- All 100,000 units of Xiaomi's latest flagship smartphone, the Mi-3, sold out in 86 seconds online. The Mi-3 is the world's first smartphone running on Nvidia's Tegra 4 quad-core chipset. The 16-gigabyte version of the Mi-3 sells for CNY1,999.
- Lenovo has hired actor Ashton Kutcher to promote its computers, smartphones and tablets. Kutcher, who stars on the television show "Two and a Half Men", has more than 15 million followers on his Twitter microblog, and had the title role in "Jobs", a biopic on Apple's co-founder released in August.
- Samsung apologized to Chinese consumers and promised to improve after-sales service for two smartphones after China Central Television (CCTV) alleged that the two models have "serious design flaws" that were not included in the warranty. Samsung, which has around 20% share in the Chinese smartphone market, promised to extend the warranty period by a year for the Galaxy S3 and Note 2 models produced before November 30, 2012. The problems, probably caused by a memory chip, were originally not covered by Samsung's warranty. Some customers paid CNY800 to CNY2,000 for repairs.
- Apple will start selling its next-generation iPad – the iPad Air – in China on November 1. It will cost from CNY3,588 for the 16 gigabyte (GB) model to CNY5,688 for the 128 GB model. The iPad Mini with Retina display will be available later in November and be priced from CNY2,888 for the 16 GB model to CNY4,988 for the 128 GB model. Apple also upgraded its flagship laptop Macbook Pro. This is the first time that China has been included in the first batch of markets for a new iPad release.
- Luxury mobile phone maker Vertu launched its second Android phone, the Constellation, in Hong Kong. Vertu Chief Executive Massimiliano Pogliani also told the South China Morning Post that Vertu would develop audio devices as part of its luxury product portfolio. The mid-tier Constellation, with prices starting from HKD52,000, marks the British firm's second major product launch this year, following the release of its top-of-the-line Ti model in February. Vertu, which has annual sales of about €300 million, counts China – the mainland, Hong Kong, Taiwan and Macao – as its biggest market worldwide.

OPERATORS

China's massive 4G network roll-out to lift operators' revenue

When Beijing issued in May last year its 12th Five Year Plan for the telecommunications sector, one of its lofty goals was to plough investments of more than USD323 billion into basic network infrastructure by 2015. A major part of that plan is the commercial roll-out of advanced, high-speed 4G mobile infrastructure, built on the China-developed standard called time-division long-term evolution (TD-LTE), by all three state-owned telecommunications network operators. Technology research firm IHS forecast China Mobile, China Unicom and China Telecom to deploy a total of 1.05 million 4G base transceiver stations from this year to 2015, a massive undertaking that will increase the operators' lucrative data traffic in the world's

biggest smartphone market. “The effort is important because mobile revenue accounts for an increasingly larger share of each carrier's overall revenue,” IHS Analyst Zhao Hailin said in a report. “And revenue could grow even more if more next-generation wireless infrastructure were in place.” The expansion in 4G mobile services will likely help the industry achieve another big target set by the 12th Five Year Plan: more than USD241.9 billion in revenue by 2015. The three operators had combined revenue of USD172.9 billion last year. Of China's 1.2 billion total mobile subscribers at the end of August, about 360 million were 3G users “ripe for upgrading to 4G if the infrastructure were available”, Zhao said. China Mobile is making the biggest push this year with a plan to deploy 207,000 4G base stations in both urban and rural areas. China Telecom will install 70,000 base stations and China Unicom 30,000. IHS forecast China Mobile to run the largest 4G mobile infrastructure in China with 477,000 base stations by 2015, which would cement the company's position as the biggest 4G network operator worldwide. It had 750.42 million subscribers at the end of August. IHS estimated that China Telecom, which had 178.64 million subscribers in August, will have 320,000 4G base stations by 2015, while China Unicom, which counted 269.47 million subscribers in August, will have 250,000 stations. For both China Telecom and China Unicom, FDD-LTE will serve as the primary standard of their 4G networks, with TD-LTE adding supplementary capacity, the South China Morning Post reports.

- China Mobile, the world's largest telephone company, posted an 8.8% profit decline – the most since 1999 – to CNY28.4 billion in the third quarter as costs to build its new fourth-generation network increased. Sales totaled CNY159.9 billion in the quarter. Chief Executive Li Yue intends to roll out commercial 4G services by the end of the year that will boost capital spending by 49% this year. China Mobile said the average monthly net additional customers for the first three quarters reached nearly 5 million and, as at September 30, the number of customers amounted to 755 million.
- China will issue 4G licenses by the end of this year as originally planned, the Ministry of Industry and Information Technology (MIIT) said. At the end of September, China had more than 1.21 billion mobile phone users, with 368 million of them using the 3G network. In the first nine months of this year, China's telecommunications revenue was CNY870.9 billion, up 8.6% from a year earlier. The value of e-commerce transactions totaled CNY7.5 trillion in the period, a 35% jump from a year ago.
- China Unicom (Hong Kong) posted a 51% increase in third-quarter net profit to CNY3.06 billion, driven by robust 3G subscriptions. For the first nine months, net earnings soared 53.6% from a year earlier to CNY8.37 billion. “The number of 3G subscribers has reached 110 million and the growth is expected to continue”, said Ma Jun, Analyst at Hua Chuang Securities. In the first three quarters, total revenue rose 18.9% year-on-year to CNY220.17 billion, Unicom said. Unicom had 272.76 million mobile subscribers at the end of last month, of whom 111.63 million were 3G users.
- China Telecom Corp, the country's third-biggest mobile phone company by users, achieved a better-than-expected gain of 20% in quarterly profit to CNY4.5 billion as it benefitted from an increased 3G user base and data income. Chairman Wang Xiaochu attributed the growth in net profit to 3G users and iPhone owners, who subscribe to heavy data packages and various value-added services. The telco's revenue jumped 12% in the three months ended September 30 to CNY80.7 billion. By the end of September, China Telecom had 96.5 million 3G users, over half of its total user base of 181 million.

RADIO, FILM & TV

Satellite stations allowed one foreign program each year

China will allow satellite television stations to buy the rights to broadcast only one foreign program each year from next year as part of new restrictions to push “morality-building” and educational shows. The campaign could push domestic viewers away from broadcast television toward pre-recorded shows downloaded from the internet to computers and mobile devices. The English-language Shanghai Daily said the new restrictions were intended to crack down on the growing practice of buying the copyright of proven foreign shows like Britain's Got Talent, and then localizing them without further modification.

IMAX and TCL to sell new home theater system

IMAX is partnering with Chinese TV maker TCL to design and manufacture a high-end home theater system aimed at China's growing ranks of affluent movie fans. The joint venture is expected to launch the new system in China and other unnamed markets starting in 2015. The home theaters will feature "Imax-enhanced" films delivered straight to homes through a secure system. Imax said it would cost less than the company's existing Private Theater system, which retails for USD2 million. Imax Corp and TCL Multimedia Technology Holdings have an equal share in the venture. Shenzhen-based TCL is one of the world's biggest television makers. "As content viewing in the home is constantly improving, we wanted to stake out an entirely new position in the premium home theater market," TCL's Chairman Li Dongsheng said in a statement. In July, Imax teamed up with Chinese partner Wanda Group to open 120 giant-screen cinemas in China.

- Hong Kong's Executive Council has decided to issue just two new free-to-air TV licenses, fearing more licenses would lead to fierce competition and the closure of TV stations. PCCW's Hong Kong Television Entertainment and i-Cable's Fantastic TV received the new licenses, while Hong Kong Television Network (HKTV) failed to obtain one. Chief Executive Leung Chun-ying said the whole market's sustainability was a concern.
- Shanghai Jiao Tong University plans to showcase "naked-eye" 3D technology – which puts a 3D lens onto the screen, allowing viewers to watch 3D images without glasses – at the 15th China International Industry Fair, which runs from November 5 to 9 at the Shanghai New International Expo Center in the Pudong New Area. The university will also introduce a 3D Pad for watching 3D movies and playing 3D games.
- Samsung Display said that its first LCD plant in China has started operations, joining rivals who are boosting capacity even as TV markets shrink and flat screens are in oversupply. Chinese companies such as BOE Technology Group and TCL's LCD unit CSOT are undercutting the world's two biggest LCD makers and winning market share with robust sales to local TV manufacturers.

SOFTWARE

Game developer Perfect World benefits from Shanghai FTZ

Perfect World, a leading developer and operator of online games in China, is expected to benefit from the plan to lift a 13-year ban on foreign video game console sales via the newly launched Shanghai Free Trade Zone (FTZ). The Beijing-based company signed a strategic cooperation agreement last month to pre-install its "massively multiplayer online" (MMO) games in a new line of internet-linked set-top boxes from Chengdu Geeya Technology, a domestic manufacturer of digital television equipment. "As a result, game players would be able to play Perfect World's MMOs from television screens and enjoy a console game-like experience on current MMOs," Barclays said in a research note. Nasdaq-listed Perfect World and Geeya, which is listed on the Growth Enterprise Market (GEM) board of the Shenzhen stock exchange, will jointly market the products. Microsoft's Xbox, Sony's PlayStation and Nintendo's Wii game consoles have already been available to consumers in China through the grey market, where – according to Niko Partners – about one million game consoles are sold each year. Microsoft and BesTV New Media announced a deal to invest up to USD237 million in a joint venture in the Shanghai FTZ. It is expected to develop new games and services for Microsoft's Xbox games to be played on the internet protocol television network of BesTV, which has about 18 million subscribers. China's video gaming market grew 36.4% year-on-year to reach CNY33.9 billion in the first half this year.

- The popularity of mobile phone apps differs markedly from one city to another, according to the Horizon Research Consultancy Group of Beijing. In big metropolises such as Beijing and Shanghai, navigation software is popular, while users in smaller cities tend to use smartphones more as video game machines. Social networking apps top the popularity list in big and small cities alike. Among 1,973 respondents aged 18 to 32, 53.8% of those from big cities use social networking apps often, while in third- and fourth-tier cities, the figure is about 41%.

TELECOM MFG. CO.

Taiwan's HTC reports first loss

Taiwan's HTC slid into the red for the first time in the third quarter, with sales hit hard by fierce competition in the smartphone market, supply-chain constraints and internal turmoil. It posted an operating loss of NTD3.5 billion as sales for the quarter tumbled by a third from a year earlier. Microsoft was talking to HTC about adding its Windows operating system to the Taiwanese firm's Android-based smartphones at little or no cost. HTC is the first company to make both Windows and Android phones. HTC says the next two months will be its "biggest challenge" as it tries to win sales from Apple and Samsung. HTC's share of the global smartphone market shrank to 2.8% in the second quarter from 5.8% a year earlier. "We don't see a turnaround in the near future," said Richard Ko, Analyst at KGI Securities. "Its products aren't good enough to compete, and those in the pipeline aren't going to rescue the business either." HTC is pinning its hopes on new products, including models that build on the HTC One franchise, to halt declining sales. The company's HTC One mini, which went on sale in August, features a 4.3-inch display and a more slender design. The slump in its share price could make HTC a takeover target for rivals including Lenovo and Huawei Technologies. Sources said HTC had combined production from two lines at Taoyuan in Taiwan into one, which would reduce its potential capacity by about one million phones per month, out of a total capacity of around 2.5 million at the site and around 4.5 million including operations elsewhere. Most of the assembly lines in HTC's Shanghai factory, which can produce two million phones a month, were also out of production, one of the sources said, with only a small number of phones being produced for sale inside China. HTC was considering selling the out-of-use production lines in China and Taiwan, two of the sources said. HTC Chief Executive Peter Chou, the driving force behind its award-winning handsets, has temporarily handed some of his duties to the company's Chairwoman in order to focus on innovation and product development, the Financial Times reported. HTC, which positions itself as a premium brand, will contract out some manufacturing to FIH Mobile, a subsidiary of Taiwan's Hon Hai Precision Industry, because contract manufacturers have better component supply management and cost control. It is also in talks with Compal Communications and Wistron, according to four sources.

TCL reports 50% rise in net profit

Mobile phone maker TCL Communication Technology reported a 50% growth in net profit to HKD14 million for the nine months to September. The result marked a major recovery from a loss in the third quarter of last year of HKD90.85 million to a profit of HKD223 million in the three months to September this year. The company adopted a "step-up strategy" to migrate its product lines from basic "feature phones" to smartphones. Chief Executive Guo Aiping said the transition had been successfully negotiated and the sales volume of its smartphones and smart devices had surged 136% year-on-year to 9.9 million units in the first nine months of this year. Sales volume of handsets and other products dropped 17% to 3.7 million units, pulling revenue down by 28% to HKD1 billion. In order to strengthen its competitiveness, Guo said the company needed to shift new products on to the market in the shortest time possible. "The process from ideas to product launch should take no more than four to five months," he said, adding that the company would continue to invest heavily in research and development (R&D). Television maker TCL Multimedia Technology, a sister company, reported a drop in gross profit of 4.4% year-on-year to HKD4.1 billion for the first nine months. Net profit rose 82.4% to HKD112 million.

- Huawei has hired Serge Abou, the EU's top representative to China between 2005 and 2011, as a consultant in Brussels to provide general strategic advice on matters relating to the global economy and political matters. The former Ambassador had to wait two years before taking up his new position, but is still not allowed to represent the Chinese telecommunications company when dealing with the European Commission. Huawei spent €3 million on lobbying the EU last year, according to the EU's Transparency Register, making the company the eighth-biggest spender on lobbyists in Brussels.
- Huawei Technologies will invest USD200 million to set up a new research center in Britain. The center will conduct studies on photo-electrons, mobile end design and software development. Huawei will also expand the existing UK research center team to 300 engineers by 2017 from 80 now.
- Huawei Technologies said in a report on cybersecurity that it never has been asked to

provide information about a citizen to any government, Huawei's Vice Chairman Ken Hu said in a report. Huawei is the world's second-largest supplier of telecoms network gear after Sweden's LM Ericsson. Its 2012 profit rose 33% over the previous year to CNY15.4 billion on sales of CNY220.2 billion.

- ZTE, the world's fifth-largest supplier of telecommunications equipment, posted a 112% jump in net profit to CNY241.6 million in the third quarter compared with the same period last year, while revenue reached CNY17.1 billion, representing a decrease of 5.6%. The company reported a net profit of CNY551.6 million for the first nine months of the year, up 132.4% year-on-year. Operating revenue was CNY54.7 billion, down 10%.
- Huawei Technologies and Dubai-based Drake and Scull International (DSI) said they agreed to work together on ICT development projects in the Middle East and North African region in building up data center technology.
- Australia's new government has decided to maintain a two year old ban on Huawei from working on the nation's high-speed broadband network. The previous center-left Labor Party government banned the Australian subsidiary of Huawei Technologies in late 2011 from tendering for work on the multi-billion dollar National Broadband Network (NBN) based on security concerns. Huawei Australia Chairman John Lord has maintained that his company poses no threat and complained that the reasons for the ban were never explained.

WEB

E-commerce site to offer lower prices in Shanghai FTZ

An e-commerce platform is to be launched in the Shanghai free trade zone (FTZ) to allow consumers to buy foreign brands at lower prices. The website, buyeasi.com, operated by payment service provider Easipay and supported by the National Development and Reform Commission (NDRC), is now running on a trial basis pending Customs approval. It is cooperating with usashopcn.com, a purchasing agent for foreign brands. The website will focus on middle and high-end products such as clothing, accessories, infant formula, consumer electronic products, cosmetics and bags. The platform is expected to encourage more foreign brands to open online outlets. Foreign brands will be able to set up bonded warehouses in the zone to reduce tax payments and facilitate transport. The China (Shanghai) Pilot Free Trade Zone was inaugurated on September 29. The zone covers almost 29 square kilometers in the city's Pudong New Area.

Tencent, Alibaba open mobile payments via vending machines

Tencent and Alibaba have recently been waging a battle for consumers using vending machines at Beijing Subway stations. Both internet firms have rolled out "smart" vending machines that support their respective mobile e-commerce applications, which subscribers can download on their smartphones and use to buy drinks, snacks and other goods from the machines. Shenzhen-based Tencent teamed with Ubox, a vending-machine manufacturer, to install about 300 drinks machines across the Beijing Subway network and support transactions by subscribers to the WeChat social mobile-messaging app. Mobile payments via WeChat, which has more than 300 million active monthly users, are based on the app's capability to scan the QR codes on the vending machine, and the transaction is then charged to the bank account integrated with the WeChat account. Alibaba, however, was the first to adopt apps-friendly vending machines and intends to cover more than 90% of China's vending-machine market. The group's affiliate, Alipay, agreed in April to cooperate with 11 vending-machine makers, including Ubox, to integrate its mobile payment solution on an initial batch of about 100 machines this year in Beijing Subway stations and various school campuses.

Alipay buys fund manager to boost online services

The online payment affiliate of e-commerce company Alibaba is taking control of Tianhong Asset Management to accelerate its push into online financial services. Tianhong shareholder Inner Mongolia Junzheng Energy & Chemical Industry said the investment of CNY1.18 billion gives Zhejiang Alibaba E-Commerce, the parent company of online payment company Alipay, 51% of Tianhong. Alipay and Tianhong launched a new fund and payment platform – Yu E Bao – in June to help Alipay customers convert spare cash into a money market fund holding. In its

first 18 days, the fund attracted more than 2.5 million customers and raised CNY6.6 billion, according to Tianhong, and is expected to be one of the most successful mutual funds in the country this year. Alibaba, which is expected to file for an initial public offering (IPO) in New York next year that could value the company at more than USD100 billion, has been leading the drive by domestic internet companies into highly regulated financial services. "Tianhong and Alibaba are mutually complementary," said Ding Xuemei, Spokeswoman for Tianhong. "Alibaba is very experienced in the internet and we are very experienced in investment management. We partner up for a better prospect in internet finance." Alibaba bought its Tianhong stake through a fund-raising exercise that saw Tianhong's registered capital more than double to CNY514.3 million from CNY180 million. Alipay is China's biggest third-party payment platform, providing payment solutions to 460,000 merchants and with 800 million registered accounts. Customers can invest as little as CNY1 in the Yu E Bao service and can withdraw their money and return it to their Alipay accounts at any time, the South China Morning Post reports.

Alibaba Group buys USD200 million stake in ShopRunner

Alibaba Group has bought a USD200 million stake in fledgling U.S. retail website ShopRunner in one of the largest U.S. investments made by the Chinese e-commerce firm. ShopRunner is a three-year-old retail startup backed by eBay and run by former Yahoo Chief Executive Scott Thompson. The Wall Street Journal reported that eBay sold its 30% stake to Alibaba and other unspecified investors, which valued ShopRunner at about USD600 million. "The U.S. market in the long run is very interesting to us. Coming into this market is about learning about American consumers and how the market operates," said Joe Tsai, Alibaba's Executive Vice Chairman in an interview. Alibaba has decided to forego listing in Hong Kong, and is not aiming to launch an initial public offering (IPO) in the U.S. ShopRunner was founded in 2010 and offers free two-day shipping of goods by major brands from Calvin Klein to health products retailer GNC. It hopes to make inroads into the business of much larger rival Amazon.com with features such as free shipping on returns and unlimited two-day shipping.

Alipay upgrades mobile application

Alipay has upgraded its mobile application for smartphones to a version that allows users to pay for purchases even when they are not connected to the internet. The latest version of Alipay Wallet is based on a sound-wave technology that connects users' phones with vending machines. Sound wave payment technology uses the white noise generated by smartphones to transfer digital information to other Alipay Wallet-equipped devices in the vicinity. Users can also electronically manage their credit cards, discount coupons and air tickets. Alipay has also partnered with more than 100 banks and financial institutions to allow inter-bank transactions free of charge. Cross-bank transfers often incur hefty service fees, sparking concern among bank customers. Currently, some 200 banks and 400,000 e-commerce vendors or online units of brick-and-mortar stores accept Alipay as an online payment channel. Alipay's mobile use is also becoming more popular. 82% of all Alipay users inject money into their virtual accounts via portable devices. An average of 25,000 customers use Alipay's wireless payment services every minute. Installations of the mobile app are 2.5 times higher than those on desktop computers, with the amount of transfers 1.5 times higher. The platform accounts for three-quarters of the country's wireless payment market – according to consultancy iResearch. But rival Tencent has now also included payment integration functions into its popular WeChat app. Alipay has more than 650 million registered users, support for transactions in 14 major currencies and partnerships with up to 100 financial institutions, including Visa and MasterCard. The company plans to enter Taiwan in the first half of next year, Alipay Vice President Fan Zhiming said in a report. Internet consultancy iResearch said Alipay cornered 49.2% of the CNY3.7 trillion Chinese third-party online payments market last year. Hong Kong-listed Tencent's Tenpay was the second-largest player with a 20% market share.

NQ Mobile sells bonds, faces fall in share price

NQ Mobile has joined an elite club of top Chinese web firms with a new USD172 million major bond issue. The company, formerly known as NetQin, sells security software and competes with Kingsoft and with Qihoo 360, whose free security software is becoming the subject of growing controversy. NQ Mobile is now one of the U.S.-listed Chinese tech firms with market values of over USD1 billion, which number less than 20. In the announcement of its new bond offer, NQ said it will use the money partly to fund acquisitions. Purchases could come in a number of areas, including its core security software, its expanding mobile game portfolio and

also its growing international business. Short seller Muddy Waters' called to sell shares of NQ Mobile, saying the company inflated sales. NQ Mobile's shares plunged, slashing its market value by USD561 million, after its American depository receipts (ADRs) had gained 279% this year. "At least 72% of NQ's purported 2012 China security revenue is fictitious", according to Muddy Waters and NQ Mobile's market share in China was about 1.5%, against the about 55% it reported. Its China paying user base was less than 250,000, against the 6 million claimed, still according to Muddy Waters. NQ Mobile rejected the allegations, saying the company would respond with more details.

- Alibaba Group plans to revolutionize China's retail industry, investing USD16 billion in logistics and support by 2020, and open up China's vast interior. CEO Jonathan Lu says Alibaba expects to nearly triple the volume of transactions on its marketplaces Taobao and Tmall to about CNY3 trillion by 2016, overtaking Walmart Stores as the world's biggest retail network. Analysts predict e-commerce will account for a fifth of total retail sales in China within five years, up from just 6% last year.
- Alibaba Group has forged an anti-counterfeiting pact with French fashion house Louis Vuitton Malletier, agreeing to take down listings of suspected counterfeit goods and implementing preventive measures against the sale of fake merchandise. It marked the first time that a brand under LVMH Moët Hennessy Louis Vuitton, the Paris-based luxury goods conglomerate, has collaborated with a leading e-commerce platform in China to combat counterfeiting. U.S. luxury brand Coach, a New York-based maker of bags and accessories, had signed a deal similar to Louis Vuitton's with Taobao Marketplace in December 2011.
- Tmall, the B2C unit under Alibaba Group, said it will offer CNY300 million worth of cash vouchers and encourage consumers to share gift coupons with friends to allow more participants at its annual shopping spree on November 11. The number of merchants involved will double to 20,000. Last year, transactions on the so-called Single's Day recorded by both Tmall and Taobao reached CNY19.1 billion after discounts of at least 50% were promised on a massive range of goods. The company also said it aims to double the capacity of its internet servers to prepare for the large influx of visitors.
- Alibaba Group more than doubled its profit in the second quarter to USD707 million, as revenue soared 1% from a year ago to USD1.74 billion.
- Alipay, China's largest third party payment service provider, said it will keep the partnerships with domestic commercial banks. China UnionPay, the country's sole bank card transaction firm, last year asked all non-financial institutions to connect their payment service through UnionPay instead of directly linking to banks. Last month, the Alibaba Group formed a strategic alliance with China Minsheng Banking Corp in a bid to offer financial services to online shoppers.
- Yahoo said it would keep a larger stake in Alibaba Group than originally planned after the it goes public, hoping to profit from the company's future growth. Alibaba is expected to file for an estimated USD15 billion IPO next year, valuing it at more than USD100 billion. Alibaba has decided not to list its shares in Hong Kong but has not yet committed to listing on any other exchange.
- Alibaba Group Chairman Jack Ma has asked each employee to collect at least 100 external contacts by the end of November on Laiwang, the company's little-known smartphone messaging application. Ma called on the company's employees to raise the profile of Laiwang to compete against Tencent's extremely popular WeChat, implying that those who did not hit the target would lose their bonus. Laiwang allows users to log in using their Taobao account. However reactions to Laiwang have been disappointing since its launch, drawing only one million users, while WeChat claims to have more than 400 million users.
- Baidu Wallet's website crashed as it was unable to process the massive number of users who tried to access the system after the company launched the sale of an asset-management product in collaboration with China Asset Management Co. Baidu said the total CNY1 billion quota was sold out in two hours after the system resumed operations. Baidu Wallet found an initial 120,000 buyers, company Spokesman Kaiser Kuo said. On average, these initial investors put CNY8,333.33 into the new financial service, which plans to achieve 8% returns on investment annually.
- Dianping, a restaurant review website, reported to police that it was deceived by an

unnamed party into selling non-existing McDonald's promotional meal deals, causing a loss of CNY2.2 million to the website. Dianping said the purchases will be refunded to consumers and they will also receive additional compensation.

- Baidu's quarterly profit rose 1.3% to CNY3 billion as it invested to expand its fledgling mobile business. Revenue surged 42.3% to CNY8.9 billion but sales and administrative costs more than doubled, due mostly to mobile-related expenses. Development costs soared 77.5%. Baidu's latest profit growth was below the double-digit rates of previous years but represented a rebound from the previous quarter's rare 4.5% contraction in net earnings.

ONE-LINE NEWS

- State-owned engineering firm Beijing Changfeng Microelectronics Technology has successfully used China's home-grown Beidou navigation satellites to help collect upper-atmosphere weather data, another step towards ending the country's dependence on U.S.-controlled GPS technology. The company says its radiosonde system – which collects atmospheric data – provided more accurate data than equipment using GPS alone. Beijing Changfeng is developing civilian applications for the Beidou system.
- Haier, Sina Weibo, and ZTE all announced new foreign tie-ups. U.S. private equity firm KKR plans to take a 10% stake in Shanghai-listed Qingdao Haier; Sina concluded a deal with U.S. data mining firm Socialgist to tap the huge volume of data generated on the Sina Weibo social networking site, which has 500 million users but is still losing money; and ZTE has signed its first major product endorsement tie-up in the U.S. with the Houston Rockets of the National Basketball Association (NBA) to become their official smartphone brand.
- China's Beidou navigation system industry is expected to be producing revenue of CNY400 billion by 2020 with global satellite coverage, wide civilian use and convergence of mobile devices. China's Ministry of Industry and Information Technology (MIIT) expects that by 2020 the Beidou Navigation Satellite System will be adopted by more than 60% of navigation systems in the domestic market.
- Taiwan-based Foxconn has admitted some of its student interns worked night shifts and overtime in violation of company policy in its facilities on the Chinese mainland. A university in Xian forced students to join the Foxconn internship program in Yantai, Shandong province, in order to graduate. They were assigned to assembly lines to make Sony's PlayStation game consoles instead of doing any work relating to their major and were sometimes forced to work 11 hours a day.
- IBM reported a 4% drop in third-quarter revenue to USD23.7 billion. Hardware sales declined in China, which accounted for about 5% of IBM's business.

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