



FLANDERS-CHINA CHAMBER OF COMMERCE
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HARDWARE

iPhone 5 makes strong debut in China

Apple said 2 million iPhone 5s were sold on the Chinese mainland in the first three days since sales began on December 14. Figures for initial sales of previous iPhone models in China were not available. In Shanghai, more than 20,000 iPhone 5 smartphones were sold in the first 24 hours through Chinese carriers, Apple Stores and retailers such as Bailian, Gome and Suning. China contributes 15% of Apple's revenue. Apple Chief Executive Tim Cook said demand for the iPhone 5 "has been incredible, setting a new record with the best first weekend sales ever" for an iPhone model in the Chinese market. There were no queues at Apple Stores however. China Unicom (Hong Kong) said it contributed the biggest share of iPhone 5 sales during the first three days after its debut. The company's iPhone 5 subsidy is less than that for the iPhone 4S.

China imposes fines on six flat panel manufacturers

China has imposed penalties totaling CNY353 million on six manufacturers of flat panel screens – Samsung, LG Display, Innolux, AU Optronics, Chunghwa Picture Tubes and HannStar Display – for fixing prices. It is the first time China has issued a penalty against a foreign firm for fixing prices. The penalty relates to infringements between 2001 and 2006. The National Development and Reform Commission's (NDRC) penalty includes CNY144 million in fines and the repayment of CNY172 million that Chinese customers overpaid. The NDRC said investigators found representatives of LG, Samsung and the four Taiwanese suppliers met 53 times in the six years before 2006 to agree on prices to charge for flat panel screens sold to Chinese manufacturers. The six suppliers sold 5.15 million flat panel screens under manipulated prices during the period. Samsung sold 826,500 units, LG 1.93 million and Taiwan's Innolux 1.57 million. Zhang Bing, Shenzhen-based Research Director of market research firm NDP DisplaySearch, said 80% of the LCDs for televisions made in China were imported. Zhang added it would be difficult for more Chinese companies to break into the industry. "A single production line will cost CNY20 billion." The penalties imposed by China are tiny compared with the USD3.8 billion U.S. and European regulators have imposed. U.S. courts have also handed down prison sentences to industry executives since investigations began in 2006. But legal experts say the case has great significance because it marks the first time Beijing has acted against an international cartel. "This is opening the floodgates in bringing global cartel cases to Chinese regulators along with those in the U.S. and elsewhere," the Financial Times quoted Sébastien Evrard, Partner at law firm Jones Day in Beijing. Even in deals between two companies from other countries, Chinese regulators now often have a say because of the impact on the country's economy. In the LCD cartel case, Beijing ruled on the basis of the domestic pricing law because the price-fixing behavior in question happened before the anti-monopoly law took effect. An NDRC official said that if handled under the anti-monopoly law, the fines would have been much higher. The anti-monopoly law calls for companies found guilty of price fixing to be fined 1% to 10% of turnover. Under the domestic pricing law, the fines are set at five times the illegal gains.

- Proview International hopes to stave off delisting from the Hong Kong stock exchange and jump-start its moribund operations by acquiring an undisclosed "profitable business", which is also in the electronics industry. The company is the parent of Proview Technology (Shenzhen), which received a record USD60 million payout from Apple in June last year to settle the long and acrimonious dispute over the iPad trademarks on the mainland.
- Struggling Japanese TV maker Sharp's plan to sell its Nanjing plant, which assembles large-size liquid crystal display TVs, to Taiwan's Hon Hai Precision Industry has been frozen and may not go ahead.
- The Ministry of Industry and Information Technology (MIIT) is drafting plans on the layout of data centers for cloud computing. China now has 430,000 data centers with more than 5 million servers. The market is valued at CNY2 trillion over the next five years, according to estimates from IT consultancy IDC. Soaring demand for cloud computing is pushing China to take serious steps in doubling the size of its data centers.
- Lenovo has closed its acquisition of Comércio de Componentes Eletrônicos (CCE), one of the largest manufacturers of personal computers and consumer electronics products in Brazil. The HKD1.113 billion corporate takeover, which was first announced in September, is part of a series of strategic investments planned by Lenovo over the past two years to expand the number of plants and manufacturing joint ventures in key locations. With seven manufacturing facilities in the Manaus Free Trade Zone, CCE mainly makes desktop and notebook personal computers, liquid-crystal display monitors and televisions, and mobile phones.
- Lenovo unveiled a coffee table-sized personal computer designed for multiple users at the International Consumer Electronics Show (CES) in Las Vegas. Lenovo said the new IdeaCenter Horizon, which features a 27-inch multitouch display and Microsoft's Windows 8 operating system, marked the company's entry into the nascent "table computer" market segment. The Horizon supports touch-screen game-play among several users when used flat on a surface to play digital board games. The device can also be adjusted upright at a 90-degree angle for use as an all-in-one desktop computer, with separate keyboard and mouse.
- All newly built residences, if they are in counties and cities where a public fiber optic

telecom network is available, have to be equipped with fiber network connections, according to the Ministry of Industry and Information Technology (MIIT). The standards will take effect on April 1, and will also require residences to offer equal connections to services from various telecom companies allowing customers to choose which service they want.

- Lenovo is lagging HP in PC shipments in the third quarter by less than half a percentage point, according to IDC, which placed HP at the No 1 spot with a 15.9% market share, marginally ahead of Lenovo's 15.7% share. But Gartner, a rival to IDC, said Lenovo held the lead, with a 15.7% market share in the third quarter of 2012 compared to HP's 15.5%. A year earlier, HP held a 17% market share while Lenovo held 13.1%, Gartner said. In the third quarter of 2010, Lenovo ranked fourth with 10.4%, trailing HP with 17.5%, Acer with 13.1%, and Dell with 12.2%.
- Haier showed off its smart TV with face recognition at the CES Show in Las Vegas. The TV recognizes who is watching, allowing it to suggest potential programs, while ZTE's Grand S smartphone was honored with the 2013 iF International Design Award at the show. The handset has the world's thinnest touch screen.
- Chinese shipments of smartphones totaled 224 million units in 2012, making the country the world's largest smartphone maker. In 2012, more than 730,000 Chinese applications were launched on the iPhone and iPad platforms, and the number of apps in China Mobile's online Mobile Market approached 150,000, according to a statement from the China Academy of Telecommunication Research under the Ministry of Industry and Information Technology (MIIT).
- Apple has begun letting users of its Chinese website pay in installments as the company looks for ways to make iPhones and MacBook laptops more affordable. Payments can be made over a two-year period for purchases of CNY300 or more, up to a limit of CNY30,000. The installment plans require a credit card from China Merchants Bank.

OPERATORS

Private firms to be allowed to offer mobile telecom services

Chinese private firms could soon be allowed to offer mobile communications services directly to consumers by purchasing bandwidth from telecommunications carriers, a first step in opening up the state-controlled telecom industry. The Ministry of Industry and Information Technology (MIIT) is proposing a two-year trial to allow companies to repackage and rebrand services to consumers. The new policy, which is expected to create "virtual carriers," is also a new opportunity for internet companies such as Tencent and media groups to penetrate the telecom sector, analysts said. China Mobile, China Telecom and China Unicom, have to provide bandwidth at "fair or favorable" prices, the Ministry said. Foreign investment is still limited to minority holdings in listed telecom firms, and foreign companies will not be allowed to apply to become "virtual carriers" at present. By the end of November, China Mobile had 707 million mobile users, China Unicom 236 million, and China Telecom 158 million.

- China Mobile plans to secure more radio spectrum in Hong Kong to expand its local and cross-border operation of high-speed mobile services. The Beijing-based company, which had 703.47 million mobile subscribers as of October 31, expects to take part in the Hong Kong government's auction in the first quarter of radio frequency licenses to operate 4G mobile services in the 2.5 gigahertz to 2.6 GHz bands. It also plans to submit a bid for available 3G radio spectrum. The government is considering several options on how radio spectrum in the 1.9 GHz to 2.2 GHz bands will be assigned when the existing 3G frequency assignments expire in October 2016.
- China Mobile Hong Kong Co has announced the launch of a fourth-generation, or 4G, dual-mode network in Hong Kong. The mobile network will use both TD-LTE, or time-division long-term evolution, and FDD-LTE, or frequency division duplex long-term evolution, technologies. In July, China Mobile Hong Kong selected ZTE and Ericsson to build a network that integrates FDD-LTE and TD-LTE technologies in Hong Kong. The network will bring together China Mobile Hong Kong's current FDD-LTE network with a new 2300 MHz TD-LTE band. It is the first commercial TD-LTE network that China Mobile has set up and operates.
- China will add an estimated 100 million new 3G subscribers in 2013, and the number

of broadband internet users will increase by 25 million, Miao Wei, Minister of Industry and Information Technology, said at the Ministry's annual meeting in December. By the end of November, the number of mobile phone users exceeded 1.1 billion, with 220 million 3G users and 174 million broadband internet users.

- Apple Chief Executive Tim Cook, who last week was on his second visit to China in less than 10 months, and Miao Wei, the Minister of Industry and Information Technology (MIIT), discussed China's information technology industry, global mobile communications and Apple's business in China, the Ministry said. The iPhone is currently sold through seven Apple Stores on the Chinese mainland, resellers and partners China Unicom and China Telecom – which together have fewer than half the mobile subscribers of bigger rival China Mobile. A deal with China's biggest carrier is seen as crucial to improving Apple's distribution in China.
- Beijing residents will soon need to provide identification when they register a new cellphone number or transfer an old one. China Mobile has more than 25 million users in Beijing, among whom 40% presented an ID when purchasing products, while China Telecom said more than 60% of its clients in the capital have registered with their real names.
- China Telecom expects to boost the number of its mobile users to 200 million this year, with half of those on its 3G network. That compares with 158 million mobile users and 65.85 million 3G users in November, said Chairman Wang Xiaochu. He expected the company to sell 80 million terminals, including handsets, wireless network cards and others, this year, 80% of which will be smartphones. By November, China Mobile had 82.43 million 3G users, followed by China Unicom's 73.32 million and China Telecom's 65.85 million.

RADIO, FILM & TV

Hollywood movies dominate China's box office for the first time

China's box office was dominated by foreign films for the first time in four years last year, after a deal allowed more Hollywood films to be screened, squeezing out domestic competition. Receipts for 2012 were expected to reach CNY16.8 billion, with about CNY8 billion from domestic films, People's Daily reported. It was the first time in four years that domestic film receipts have accounted for less than 50% of the total. Under an agreement reached last year, China allows the import of an additional 14 foreign movies a year as long as they are shown in 3D or IMAX format, exempting them from the annual 20 foreign film quota. Moreover, U.S. film studios can also take 25% of the box-office receipts for their films on the mainland, up from 13.5% to 17.5% previously. Only three of last year's top 10 bestsellers were domestically produced, including the low-budget comedy "Lost in Thailand" at No 2. James Cameron's "Titanic" 3D, which made CNY970 million, took first place. The two other domestically produced films in the top 10 were "Painted Skin: The Resurrection", which ranked third with CNY720 million, and Feng Xiaogang's "Back to 1942", about a deadly famine in Henan in 1942, which came in 10th with earnings of CNY360 million. Co-production increasingly looks promising for U.S. film companies, keen to tap the huge China market. One already announced is Oriental DreamWorks, a joint venture studio in Shanghai to be built and run by DreamWorks Animation and state-owned Chinese media companies, to produce original films and television programs for the Chinese market. In 2011, domestic films accounted for 54% of box-office receipts, down from 56% in 2010. China's box office revenue last year reached CNY16.8 billion, up almost 30% year-on-year. In 2012, the number of films shown on the Chinese mainland reached 303, comprising 227 Chinese productions and 76 imported films. Liu Hanwen, Deputy Director of the Film Institute Development Research Center at the State Administration of Radio, Film and Television (SARFT) said that about 150 more domestic films were made in 2012 compared with the previous year, indicating that investors are optimistic. The number of movie theaters climbed from 1,545 in 2008 to 3,293 as of September 2012, while the number of screens increased from 4,097 in 2008 to more than 12,000.

CyWee and Coship sign deal on set-top boxes

CyWee, a Taiwanese firm specializing in wireless streaming, signed an agreement with mainland-based Coship Electronics to design set-top boxes that let television viewers send on-air content to mobile devices. CyWee will sell two million encoder chipsets to Coship within a year. The Taiwanese firm, spun off in 2007 by a government research institute, said the deal was its biggest ever. CyWee's Sales and Marketing Vice President Paul Liu said that using the

technology you could be watching your favorite TV program on a TV, and use another device to watch something else. CyWee's chipsets allowed streaming of audio and video at up to 60 frames per second in real time, the firm said in a statement. Liu did not reveal how much the deal was worth. Coship, headquartered and listed in Shenzhen, says it has been the No 1 set-top box exporter on the mainland for the past six years. The 19-year-old firm has 4,000 employees and serves 90 million mainland internet service platform customers. Both sides call the deal the first major break for CyWee, which says it trusts Coship to use its technology legally but will take legal action if needed. CyWee's deal is not the first cross-strait technology partnership. In one of the best known cases, Taiwanese-based Acer agreed in 2010 to operate most of Founder Technology's personal computer business while Founder's factory in Suzhou would keep providing support, the South China Morning Post reports.

- Beijing State-owned Assets Management Co (BSAM) acquired a 60% stake in private filmmaker Beijing Shengshi Huarui Films Investment Co in a deal worth CNY100 million. The new company will produce, publish and run movie theaters starting next year.
- TCL Multimedia, one of China's biggest makers of televisions, reported a 43% year-on-year rise in LCD television sales last year to 15.5 million sets. Last month, it sold 1.84 million screens, up 18.4% year-on-year.
- China's box office sales hit CNY17.07 billion in 2012, surging 30.18% year-on-year and making the country the world's second-largest film market. Chinese filmmakers produced 893 films last year, including 745 feature films and 33 animated films, according to the State Administration of Radio, Film and Television (SARFT).

SOFTWARE

Chinese businessman admits stealing U.S. software

In a case U.S. officials say is the first of its kind, a Chinese businessman – Li Xiang of Chengdu – pled guilty to selling stolen American software used in defense, space technology and engineering – programs prosecutors said had a retail value of more than USD100 million. The software was stolen from about 200 American manufacturers and sold to 325 black market buyers in about 60 countries between 2008 and 2011, prosecutors said. Corporate victims in the case included Microsoft, Oracle, Rockwell Automation, Agilent Technologies, Siemens, Delcam, Altera Corp and SAP. The businessman was lured from China by U.S. agents promising a business deal and arrested on Saipan, a U.S. island territory close to Guam, in June 2011. Li disputed the value of the industrial business software involved in the case and said he would present his own estimate at sentencing, which is set for May 3. At one point, Crack99.com and Li's other sites offered more than 2,000 pirated software titles, prosecutors said, as reported by the Shanghai Daily.

- China promised the United States that it would crack down on pirated software during the annual U.S.-China Joint Commission on Commerce and Trade in December, the nations' first high-level meeting since U.S. President Barack Obama's re-election and China's once-in-a-decade leadership transition. "We have confidence that the work will be completed at a faster pace," said Yan Xiaohong, Vice Chairman of China's National Copyright Administration, after the two-day talks in Washington.

TELECOM MFG. CO.

Lenovo hopes to become No 1 mobile phone vendor

Lenovo hopes to become the top mobile phone seller in China this year. "Lenovo has the confidence to outperform Samsung and Apple, at least in the Chinese market, CEO Yang Yuanqing said. It was the first company to offer smartphones and tablet computers in the Chinese market, launching Le-Phone, a smartphone model, five years ago. Lenovo introduced 46 smartphone models, covering all price ranges, to the Chinese market in 2012. It also invested CNY5 billion in Wuhan to build a manufacturing base with a production capacity of 30 million to 40 million smartphones a year. Wang Ying, Analyst at Analysys International, said that Lenovo had an obvious advantage over rivals in terms of sales channels. While Samsung, the world's biggest smartphone manufacturer, relies heavily on electronics chain stores to sell products in China, Lenovo owns tens of thousands of outlets in the domestic market, reaching

counties and villages. IDC reported that China's smartphone shipments reached a record high, passing 60 million in the third quarter of 2012, more than three times the country's PC shipments.

ZTE plans to double its market share in the U.S.

ZTE plans to double its share in the U.S. by adding devices specifically tailored for individual U.S. mobile operators. The company intended to grab as much as 10% of the U.S. handset market by 2015, Cheng Lixin, head of ZTE's operations in the country, said at the annual International Consumer Electronics Show (CES) in Las Vegas. That would also boost the Shenzhen-based company's U.S. sales ranking to fourth from fifth, he said. ZTE planned to win backing from U.S. carriers by drawing on its experience making communications equipment to design phones that use operators' networks more efficiently, Cheng said. The Chinese phone-maker would also work with carriers to study consumer behavior and needs to improve and customize designs, he said. ZTE surpassed Apple's shipments in China in the second quarter of last year. In 2011, it more than quadrupled smartphone shipments in the country to 15 million. Apple's share of the smartphone market in China declined two spots to sixth in the third quarter, with less than 10%, according to IDC. ZTE ranked fourth. The company won sales in China by focusing on low-end smartphones, such as the Blade, which cost CNY1,000 or less. The cheapest iPhone on Apple's China website, costs CNY3,088. ZTE is developing more advanced and expensive models as it tries to lure consumers from Apple and Samsung Electronics in the U.S. At the Las Vegas show, it unveiled its new flagship handset, the Grand S, which is for fourth-generation (4G) Long-Term Evolution (LTE) networks. Some analysts say ZTE's expectations are unrealistic. Pierre Ferragu, a London-based Analyst at Sanford C. Bernstein, said that "high-end smartphone users, especially in the U.S., are highly brand-conscious and I don't believe ZTE has made any progress on that front."

- Two-thirds of the cell phones sold in China in 2012 run on Google's Android operating system, making the country the largest market for the system in the world, according to a recent study by London-based Informa Telecoms & Media, a unit of the research firm Informa UK. About 5% of the smartphones sold in China now run on Apple's iOS, and 1% run on Microsoft's Windows Phone operating system. The top five cell phone producers in China – Samsung Group, Lenovo Group, Huawei Technologies, ZTE Corp and Coolpad – all use the Android system. They now hold 60% of the Chinese market, said Li Yanyan, an Analyst from Analysys International.
- Local brands have grabbed the lion's share of China's cellphone market but are struggling to make money, market insiders warned. As of November, 70% of handsets sold in China were manufactured by domestic companies, according to a study by Beijing-based Sino Market Research. Following South Korea's Samsung Group, the next four most popular brands are domestic: Lenovo, Coolpad, Huawei, and ZTE. But Chinese firms are struggling to translate their sales success into profits. Most domestic phone makers are running on zero margin or barely make a profit.
- Xiaomi Technology expects to double its smartphone sales this year from about 7 million smartphones in 2012. The company has built a loyal customer base through creating a sense of exclusivity around its products, much like Apple does. The Xiaomi phone 2, which debuted in October, has specifications similar to those of Apple's iPhone 5 but sells for just USD320, about half the price of its rival. Most of Xiaomi's users are young people, who are sensitive to price, and the company needs to expand its appeal to other types of customers if it wants to continue its fast growth, Analyst Sandy Shen at Gartner said.
- ZTE Corp plans to sell an 81% stake in its surveillance equipment subsidiary Shenzhen ZNV Technology for CNY1.3 billion. The stake sale will result in a net gain of up to CNY880 million for the company, which reported a net loss of CNY1.95 billion in the third quarter. The proceeds from the disposal will be used as working capital.
- Foxconn Technology Group is investing CNY5 billion in Nanning, capital of the Guangxi Zhuang autonomous region, as part of its "moving inland" strategy. It will build a tablet and smartphone plant in the city. However, Shenzhen, Zhengzhou and Chengdu will remain the key hubs for Foxconn.
- Skycom Tech, a major Iranian partner of Huawei Technologies, offered to sell at least €1.3 million worth of embargoed Hewlett-Packard computer equipment to Iran's

largest mobile-phone operator Mobile Telecommunication of Iran (MCI) in late 2010, documents show. At least 13 pages of the proposal to MCI, which involved expanding its subscriber billing system, were marked “Huawei confidential” and carried the company’s logo, according to Reuters. Huawei said its business in Iran is in full compliance with all applicable laws and regulations including those of the UN, U.S. and EU.

- Huawei Technologies and ZTE have been accused of patent infringement in a case filed by InterDigital with the United States International Trade Commission (ITC). InterDigital alleged that the respondents “engaged in unfair trade practices” by selling or importing into the U.S. certain 3G and 4G wireless devices that infringed on as many as seven of the company’s U.S. patents. The offending products included smartphones, media tablets, USB modems, laptop computers and components of such devices.
- Mobile-phone manufacturer TCL Communication Technology warned investors it expected to report a loss for the fourth quarter and for all of last year. The struggling Shenzhen-based firm blamed the loss on the sharp fall in prices for its basic handsets and entry-level smartphones, poor sales and high research and marketing costs.
- Foxconn Technology said Chinese authorities were investigating allegations that “a number of employees” took bribes on a long-term basis from more than 30 suppliers, including agents of Samsung, Panasonic and Sony. The sums involved could be substantial, since a company such as Foxconn would spend several billion yuan a year on purchases. The firm also said it was evaluating internal controls and adjusting purchasing rules.
- Lenovo is seeking to extend its push into the smartphone market by becoming the first to sell a handset based on Intel’s latest chip design. The K900 will work on a dual-core version of Intel’s Atom processor.

WEB

Online video companies expected to return profits by 2014

Iqiyi.com, the online video company largely owned by the Chinese search engine Baidu, expects major players in the video industry to return to the black in 2014 as copyright costs drop significantly while they earn more from advertising. CEO Gong Yu said the industry was likely to see considerable increases in its profits in 2015. “The market will be further concentrated in the hands of the top players in the coming years,” he added, referring to Youku Tudou, Sohu.com, Tencent Holdings, and Iqiyi. Gong declined to reveal whether Iqiyi is seeking any acquisitions. Market leader Youku Tudou registered a net loss of USD14.6 million in the third quarter, as Youku.com remained the biggest online video player in China, taking a 21.2% market share, according to Analysys International. Iqiyi followed with 10.3% and Sohu ranked third with 10%. Tencent Holdings, China’s biggest internet company by sales, also expects its online video business to return to the black in a year or two, Alex Liu, General Manager of Tencent’s Online Video Department, said in October. Both Tencent and Iqiyi said they would intensify their efforts to attract users who watch videos on their mobile devices. Gong said traffic from mobile devices has increased from 3% in December 2011 to 28% currently, and he expected the figure to rise to 35%.

China puts more restrictions on the internet

China launched another crackdown on its social networks after two newspapers – the People’s Daily and Global Times – carried editorials in December defending restrictions on the internet. Global Times said freedom was not at odds with online regulation. The Great Firewall (GFW) had also been upgraded and was now able to automatically detect and block virtual private networks, or VPNs. “This GFW update is one of the worst so far”, said VPN provider Astrill. The GFW now has the “ability to learn, discover and block VPN protocols automatically”, Astrill added. The Great Firewall – the country’s huge system of internet limits and censorship – now appears to be stepping up targeting of VPNs, commonly used to circumvent controls on websites the government considers threatening. While VPNs let users gain access to sites blocked by the Firewall due to their content or sensitivity – which in China include Facebook and Twitter – they are also vital to firms, enabling secure and encrypted communications. “For us it’s catastrophic,” said one Western businessman in China, on condition of anonymity. “We are used to working between different offices and subsidiaries using Google Drive, which lets

us save, share and work simultaneously on common documents. Well, we can't do that here." Many companies use VPN protocols to connect different branches of their network. Another expatriate complained about the extreme slowness and frequent inaccessibility of Gmail and Google Agenda. Chinese Ambassador to the UK Liu Xiaoming told the BBC that there was a "misperception" about the internet in China and the way the Communist Party dealt with it. He also denied that it was difficult for Chinese bloggers to publish their opinions because of crackdowns on free speech. "In fact, the Chinese are very much open in terms of the internet. In fact, we have the most number of internet users in China today." He added that in China "every day there are hundreds of thousands of comments made by bloggers" but said it was the government's job to "regulate the users for the protection of the safety of the internet to ensure that healthy content is available and unhealthy content should be removed".

China's B2C trade to boom

Sales in China's online business-to-customer (B2C) retail sector could hit CNY785 billion in 2013, nearly double last year's amount, researchers estimated on. They added that large B2C platforms such as Tmall and Jingdong Mall are set to strengthen their lead. Turnover in the country's B2C e-commerce sector is projected to reach CNY470 billion in 2012, a jump of 95.8% year-on-year, according to an Analysys International report. Over the past six months, the sector witnessed the most furious competition it has ever seen, with price wars in mid-August and a series of year-end promotions. The report did not say how much market share the nation's top B2C players are going to take in 2013. In November, Tmall and Jingdong Mall accounted for more than 70% of visits to web pages in the B2C sector, according to data from Huihui.cn, an e-commerce data analysis website under NetEase. Traditional retailers such as Suning Appliance and Gome Electrical Appliances Holdings also set up online platforms. Jingdong Mall pledged to explore new services based on mobile internet and cloud computing technologies in a bid to attract shoppers. Alibaba Group, the parent company of Tmall, pledged to expand in the nation's third and fourth-tier cities where the potential purchasing capacity is huge. In December, Alibaba announced that the cumulative turnover of the group's retail subsidiaries, Taobao.com and Tmall.com, exceeded CNY1 trillion in the first 11 months of this year, fueled by increasing demand from small and mid-sized cities. Tmall.com has contributed around CNY200 billion in sales this year, according to Polo Shao, Chief Risk Officer of Alibaba.

Alibaba Group to restructure its business

E-commerce company Alibaba Group said it will restructure its business into 25 groups as part of efforts to improve efficiency and better share resources within the company. Chairman Jack Ma said it would allow Alibaba to have better flexibility and help reshape employees' creativeness. The restructuring doesn't include Alibaba's finance unit and its payment arm Alipay, and industry watchers said the two units would probably seek a listing in the future. Each of the 25 units will be led by a General Manager. Alibaba is trying to avoid the bureaucracy that large companies tend to develop, and to be more nimble. Ma said: "This is the most difficult reorganization in Alibaba's 13 years. It's a culture shift!" He added that he wanted the units, though they would have their own responsibilities, to focus beyond their key performance indicators and treat the firm's overall performance as the barometer of success. Alibaba's last restructuring came in July, when it split its flagship, just-privatized business-to-business (B2B) company Alibaba.com into two entities to improve operating efficiency. With that reorganization, Alibaba has since been running seven core business groups. In June 2011, the Hangzhou-based company divided its online retail services unit Taobao into three wholly-owned subsidiaries, each focused on specific e-commerce market segments. The Alibaba Group has more than 25,000 employees worldwide.

Separately, Jack Ma announced that he will step down as CEO of Alibaba Group, passing the reins to "a younger, better equipped" generation. Ma, 48, said he would name a successor by May 10, when he will become Executive Chairman. May 10 is also Alibaba Day, when the company's employees will celebrate the 10th anniversary of Taobao, the group's customer-to-customer (C2C) business arm. Ma, reckoned to be worth USD3.4 billion by Forbes late last year, built his e-commerce empire from scratch and has steered it through numerous difficulties.

Online advertising market expected to grow

China's online advertising market is expected to have more than CNY100 billion in sales this year, boosted by increasingly large sums spent by e-commerce businesses in a booming online shopping market, the Data Center of China Internet said in a report. In 2012, Baidu was expected to register advertising sales of CNY22.9 billion, while Alibaba collected an estimated CNY21.5 billion through advertising on its online shopping websites Taobao.com and Tmall.com. Baidu is expected to surpass China Central Television (CCTV) in advertising sales in 2012, said the report. Advertising on e-commerce websites is expected to contribute 17.5% of internet advertising sales, and advertising on search engines will be the source of 39.3%, said the report. Taobao.com and Tmall.com, which together control more than 70% of China's online retail market, generate revenues from advertising and commission. Online vendors have been spending more on advertising on e-commerce websites. On November 11, Alibaba initiated a promotion through Taobao.com and Tmall.com that registered total sales of CNY19.1 billion in a single day.

Baidu and France Telecom in mobile browser deal

Baidu is delivering a new mobile browser this year for fast-growing smartphone-user markets in Africa and the Middle East. It has signed an exclusive partnership agreement with France Telecom to develop a co-branded mobile browser for the smartphone subscribers of its Orange mobile network in the region. It is Baidu's first international network operator deal and is designed to make its mobile internet search services widely available to emerging markets. Commercial terms of the alliance were not given. "Baidu's success has been built on developing technologies, products and services appropriate for China, the world's largest emerging market," said Hu Yong, General Manager of Baidu's international business unit. "We're now bringing that experience to bear in other markets now enjoying rapid growth." The Arabic and English-language versions of the new Baidu-Orange browser are available for download by subscribers of Mobinil, the France Telecom-owned mobile service in Egypt. A French version of the browser is under development. Designed with a simple interface and improved data-compression capabilities, the browser offers one-click access to online applications and internet services unique to Baidu and Orange. It also gives easy access to Facebook, Twitter and Wikipedia. Within this year, the browser will come pre-installed on all smartphones running Google's Android operating system that are sold by Orange to subscribers across Africa. Orange has nearly 80 million mobile subscribers in Africa, the Middle East and Asia. France Telecom operates in 33 countries, with 227 million fixed-line and mobile customers at the end of September last year. Baidu, which is listed on the Nasdaq Stock Market in the United States, has forecast its revenue in the quarter to December to be between CNY6.15 billion and CNY6.34 billion, which represents a 37.6% to 41.8% year-on-year rise, the South China Morning Post reports.

Number of web users in China reaches 564 million

The total number of web users in China rose 10% to 564 million at the end of December from a year earlier to become the world's largest due to the growing popularity of smartphones and mobile devices, according the China Internet Network Information Center. China added 50.9 million new users last year, with the number of web visitors using mobile devices contributing most of the increase. The overall number of internet users accounted for 42.1% of the country's total population, trailing the more than 70% in the United States. The number of users of mobile internet increased by 18.1% from a year ago to 420 million. The proportion of mobile internet users to the total internet population jumped to 74.5% at the end of last year from 69.3% a year earlier, while the number of those accessing the web from desktop computers and laptops fell. Online shoppers who placed orders through mobile devices amounted to 55 million, 2.36 times that of 2011. Web users spent an average of 20.5 hours on the internet each week last year, up from 18.8 hours a year earlier. An overwhelmingly 82.9% of web surfers used online chatting. Microblogging was also a fast growing segment, with an annual 47.9% rise in users to 202 million, the Shanghai Daily reports. Research company Roland Berger estimates that around 25% of books were sold online in China in 2011, making it the most popular online category. Online shopping is also expected to account for around 20% of all electronic devices sold, 10% of sportswear, and 6% of mother and infant-care products.

- The Ministry of Industry and Information Technology (MIIT) is considering plans to tighten regulations of the online application market, requiring mobile app developers

and online app stores to apply before putting their apps on the web. The move is aimed at tackling mounting safety problems. China overtook the United States as the world's largest smartphone market last year.

- The United States has dropped Taobao Marketplace from its annual list of the world's most "notorious markets" for sales of pirated and counterfeit goods, because "it has undertaken notable efforts over the past year to work with right holders directly or through their industry associations to clean up its site," the U.S. Trade Representative's Office (USTR) said. Taobao Marketplace is China's largest consumer-oriented e-commerce platform, with an estimated market share of more than 70%. The website has nearly 500 million registered users, with more than 800 million product listings. Alibaba had hired former USTR General Counsel James Mendenhall to help persuade USTR to remove Taobao from its list. Sogou was also removed.
- Amazon.com has started selling e-books through its China site and users can download Kindle software for free for their iPhone, iPad or Android devices, which allows them to read Kindle e-books. Kindle devices are still not officially sold in China. For Amazon, China is "a long-term opportunity, something that we've been investing in for several years", Thomas Szkutak, Amazon's Chief Financial Officer, said in October.
- Shanghai will encourage the use of a highly accurate indoor mapping and positioning service based on Wi-Fi in big public buildings to help people find emergency exits and help firefighters find people in need of rescue during fires. Consumers will also be able to quickly find shops, according to officials from the Shanghai Technology Innovation Strategic Alliance of Satellite Navigation and Positioning Industries. The system is accurate to within 3 to 5 meters. Shanghai Telecom is working on indoor maps of business buildings, stores and malls.
- Sina Weibo started selling smartphones made by Xiaomi Corp. Sina and Xiaomi are preparing to sell 50,000 units of the Mi-Two smartphones to Weibo account owners. Buyers will be asked to pay through a third party application developed by Sina. Sina Weibo is under increasing pressure from WeChat, an application developed by rival Tencent. On December 11, Sina Weibo signed a cooperation deal with AutoNavi Holdings, China's No 1 navigation provider by market share, to enhance Weibo's strength in the location-based sector.
- The National People's Congress Standing Committee has approved rules requiring internet users to register their real names with service providers. However, users will still be allowed to use pseudonyms online. By November, almost all fixed-line phone users and 70% of mobile phone users had already registered with their real names. Unregistered users are mainly owners of prepaid mobile phone cards. The rules also ban service providers, as well as government agencies and their personnel, from leaking users' information, or selling or illegally providing it to others. "Providers of internet services must step up the management of information published by their users," the document also says.
- Vendors on e-commerce site Taobao have been selling fake iPhone "signatures" to users of Tencent QQ, a popular instant messaging program used by nearly 780 million users in China. For just CNY5 a month, non-iPhone QQ users can now buy a fake "QQ has logged in via iPhone" status which appears every time the user logs in – instantly giving them the appearance of owning an iPhone and the prestige that comes with it in China.
- Xinhuanet, the online portal of Xinhua News Agency, has applied for an initial public offering (IPO) in Shanghai, according to the China Securities Regulatory Commission (CSRC).
- Sina Weibo, which offers one of the most popular microblog services in China, has released its list of the most influential microbloggers for last year – and three of the top five were businessmen. Former Google China chief Kai-Fu Lee was Sina Weibo's most influential microblogger, followed by the hosts of Hunan Satellite TV's entertainment show Happy Camp, He Jiong, and Xie Na. Outspoken property tycoon Ren Zhiqiang and angel investor Charles Xue rounded out the top five spots.

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- Display-advertising provider Focus Media Holding has agreed to be acquired by a

consortium led by Carlyle Group for about USD3.7 billion in what would be the largest ever private equity deal in China. The consortium also includes FountainVest Partners, CITIC Capital Partners and China Everbright. Focus Media operates advertising screens in offices, elevators and supermarkets across China. It has faced persistent allegations from short-seller Muddy Waters that it overstated its assets and overpaid for acquisitions.

- The Beidou satellite navigation network began offering positioning data for the Asia-Pacific region in a challenge to the U.S.-controlled Global Positioning System (GPS). Beidou is expected to claim 15% to 20% of the GPS-dominated domestic market by 2015, said Ran Chengqi, BDS Spokesman and Director of the China Satellite Navigation Office. Beijing aims to have BDS serve 70% to 80% of the domestic market by 2020, when it is expected to become China's first global navigation system with 35 satellites in service.
- The Beijing No 2 Intermediate People's Court ruled against Apple in a copyright dispute, saying the firm must pay CNY1.03 million in compensation for selling unlicensed electronic versions of books online. The court concluded that Apple violated the plaintiffs' "right of communication through information networks" by providing apps that contained unlicensed electronic versions of their books.
- Ministry of Commerce Spokesman Shen Danyang urged the U.S. to lift barriers on the export of satellites and related items to China after President Barack Obama signed the National Defense Authorization Act for the 2013 fiscal year. The act continues to ban the export, re-export or transfer of satellites to China, as well as the launching of U.S. satellites in Chinese territory. Shen said that China is "deeply disappointed and dissatisfied" with the U.S. action. China is on the blacklist together with North Korea, Iran, Cuba, Syria and Sudan. Satellite cooperation for civilian purposes is a "commercial activity", and barring it is not in line with countries' interests, Zhou Shijian, Professor at Tsinghua University, said. "Cooperation is needed, not the opposite. The U.S. should drop its Cold War mindset on this matter," he said.
- A submarine fiber-optic cable directly linking the Chinese mainland with Taiwan has been put in service. With a length of 270 kilometers, the cable connects Fuzhou in Fujian province to Taiwan's Tamsui.

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