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HARDWARE

Apple's sales soar in China

Apple said its sales in China surged 67% year-on-year during the quarter ending December 29, but analysts warned the company of more intensified competition in the Chinese smartphone market. Apple announced its quarterly revenue in China reached USD6.83 billion, up from USD4.08 billion a year earlier. It marked the first time that Apple formally broke out China data in its earnings release. The company posted overall revenue of USD54.5 billion, with a net profit of USD13.1 billion, in the quarter. China accounted for 13% of Apple's total

sales compared with 8.8% a year earlier. It is the third-largest market for Apple after the Americas and Europe, Apple CEO Tim Cook said. Outlets in China selling iPhone handsets rose to 17,000 from 7,000 a year earlier, Cook said. Apple expanded its own China retail stores to 11 from six over the past year, while the number of premium resellers doubled to more than 400 shops, he added. He said Apple's retail channels would expand further. Sales of the iPhone more than doubled last quarter in the Chinese market. Apple's market position in the smartphone segment slipped to sixth place in China in the third quarter of 2012, from fourth, according to market researcher IDC, as it faced strong challenges from domestic rivals such as Lenovo and Huawei.

Lenovo's PC sales continue on growth curve

For 15 consecutive quarters, Lenovo has managed to outpace the growth of the overall personal computer industry. Lenovo saw its personal computer shipments in the quarter to December rise 8.2% to a record 14.1 million units from 13 million a year earlier, according to preliminary estimates by market research firm Gartner. That compared favorably against the 4.9% drop in worldwide shipments to 90.4 million units in the same quarter. "We're continuing to gain share and steadily improve our overall profitability, while outgrowing the market," Lenovo Spokeswoman Angela Lee said. Bernstein Research Senior Analyst Alberto Moel estimated Lenovo's net profit reached USD184.7 million on revenue of USD9.4 billion in the quarter to December. The company earned USD153.5 million on sales of USD8.4 billion a year earlier. Lenovo may have remained the world's fastest-growing supplier of personal computers in the quarter to December with a 15.5% market share, but it was edged out by Hewlett-Packard as global market leader with its 16.2% share. Lenovo unseated HP as industry leader in the previous quarter.

Lenovo said profit in its fiscal third quarter jumped nearly 34% from a year earlier to USD204.9 million, as sales grew 12% to USD9.36 billion. Sales of consumer computers at Lenovo added 22%, and globally its share grew to 13.1% from 12.9% a year earlier. Chinese businesses made up 43% of the company's total income, up 17% from a year earlier. Lenovo's smartphone sales in China jumped 77% to USD998 million after the company launched a series of new models to woo consumers. Lenovo, which claims to have recorded its "best quarter ever", will this year step up the international expansion of its smartphone business and sales of premium-priced laptop computers. The company saw its share price climb to a new 13-year high a day after it was added as a constituent stock of the benchmark Hang Seng Index. The company will be included in the index from March 4. It is replacing loss-making Aluminum Corp of China to complete the select roster of 50 blue-chip companies on the Hong Kong stock exchange that make up the Hang Seng Index.

China considering lifting ban on game consoles

Chinese authorities are reviewing a decade-long ban on game consoles and considering the possibility of opening up the country's video game hardware market. Seven Chinese ministries collectively banned the manufacture, sale and import of game consoles in China in 2000. Major game console vendors such as Microsoft Corp, Nintendo Co and Sony Corp, made several attempts but failed to find a way to enter the Chinese mainland market officially. Game console makers are already preparing for the lifting of the ban. Sony Computer Entertainment (SCE), a subsidiary responsible for Sony's PlayStation business, set up a branch in Guangdong province in June last year to conduct training and research and development work for Sony. Microsoft introduced its Kinect, a controller-free game console, to the Chinese mainland in October last year. However, Zhang Yaqin, Chairman of Microsoft's Asia-Pacific Research and Development Group, said Kinect is not used for games in China but for other purposes, such as medical treatment and education. Zhang has frequently expressed Microsoft's eagerness to bring game console products to the mainland. "We hope to launch the Xbox (in the mainland market) as soon as possible," Zhang said at the China Digital Entertainment Expo and Conference (Chinajoy), an online gaming fair in Shanghai. Among participants who wish to grab a share of China's massive video gaming market, Beijing Eedoo Technology, a spin-off company from Lenovo Group, has been a frontrunner. Beijing Eedoo successfully launched a multimedia entertainment console in the mainland market in April last year but it has changed the product name several times and called it a "sports and entertainment machine", rather than a game console. The decade-long ban has led to a prosperous illegal game console market in China.

Huawei and Microsoft launch smartphone for Africa

Huawei Technologies and Microsoft have stepped up their expansion in Africa by jointly introducing a low-cost smartphone that runs on the new Windows Phone 8 operating system. The product's launch marked the start of the "Microsoft 4Africa Initiative". The "Huawei 4Africa" smartphone will be available later this month in seven countries: Angola, Egypt, Ivory Coast, Kenya, Morocco, Nigeria and South Africa. The internet-ready 3G mobile phone is a customized version of the Ascend W1, the first Windows smartphone from Huawei that debuted in mainland China and Russia last month. Initial reports said the device would cost USD150 and come pre-loaded with applications designed by African developers for domestic consumers. Ali Faramawy, Microsoft's Vice President for the Middle East and Africa, said Huawei's device represented the first in a series of "4Africa" smartphones to be sold to "tens of millions" of domestic consumers. The GSM Association, which has nearly 800 telecommunications network operators as members, forecast mobile-phone connections in Africa would increase 11% this year to 807 million from last year. It said the continent was the world's second-largest market for mobile phones after Asia. Shenzhen-based Huawei generated revenue of USD3.42 billion in 2011 in Africa, compared with USD2.98 billion in 2010. The company set up its first Africa office in 1999 in Cairo, Egypt.

- Xiamen-headquartered touch screen maker TPK Holdings Co filed a CNY26.9 million lawsuit against Nokia's Chinese division claiming that one type of Nokia phone violates its patent on-screen technology. It also sued competitor O-film Tech from Nanjing for CNY60.6 million in compensation. Both cases were accepted by the Xiamen Intermediate People's Court. TPK is a Taiwan-funded company and a major screen supplier for Apple's iPhone and iPad.
- California-based Beats Electronics, a manufacturer of premium headphones priced at more than USD100, plans to expand operations, including R&D, in Shenzhen. Taiwanese smartphone maker HTC retains a 25% stake in the company. Futuresource Consulting estimated that the global headphone market reached USD6 billion in value last year on total sales of more than 260 million units, up from USD5 billion and unit sales of 228 million in 2011. Sales are expected to top 330 million units in 2016. Headphones from Sony, Philips, Sennheiser and JVC led unit sales, according to Futuresource.
- GDS, the leading provider of data center services on the mainland, will expand its operation in Hong Kong this year with a new facility catering to Chinese financial institutions. Based in Beijing, privately-held GDS would become the latest Chinese data center services provider to build key infrastructure in both the mainland and Hong Kong markets. The Hong Kong government has aggressively promoted the city as a hub for enterprise data center operations in the Asia-Pacific region.
- China's first home-developed high-performance server computer was recently put on the market after four years of research and development. Shandong's Inspur Group, developer of the fault-tolerant Tiansuo K1 server, said the system required CNY750 million and more than 400 engineers to develop.

OPERATORS

HKBN to expand Wi-fi coverage in Hong Kong

Hong Kong Broadband Network (HKBN) plans to spend HKD200 million to expand its Wi-fi coverage across the city to 15,000 hot spots over the next 18 months. The company's aggressive deployment followed its acquisition of Y5Zone, a wholesale provider of wireless broadband network services that operates 6,500 hot spots in Hong Kong and more than 600 in selected cities on the mainland. The combined HKBN-Y5Zone Wi-fi network in Hong Kong has 7,000 hot spots. "Together, we have a common goal of building a world-class Wi-fi infrastructure for Hong Kong," HKBN Chief Executive William Yeung said. "We want to set the standard in this market, with better bandwidth, advanced technology, wider coverage and improved customer support." Yeung said HKBN, the city's second-largest fixed-line broadband services provider, was funding this initiative with the proceeds from its USD450 million five-year bond offering. Billy Yeung (who is not related to William Yeung), the Founder and Executive Director of Y5Zone, will be Managing Director of the company's new Wi-fi business. A Spokeswoman for PCCW, the parent firm of HKT, said the company "will continue to expand its own coverage to ensure it remains the city's leading Wi-fi provider". PCCW operates about 10,000 Wi-fi hot spots.

Growth in SMS slows down

The number of text messages sent by people in China in 2012 grew only 2.1% year-on-year, the lowest in four years, following the increasing popularity of mobile applications such as WeChat that enable users to send text, voice messages, and pictures free of charge. People sent 897.3 billion text messages via their mobile phones in China last year, according to figures from the Ministry of Industry and Information Technology (MIIT), while the total number of mobile phone users in China increased 12.8% year-on-year to 1.1 billion by December. From 2000 to 2008, the volume of text messages over the network of China Mobile rose to 607 billion from 500 million. However, the rapid growth has dramatically slowed in recent years. The number of text messages sent via the China Mobile network reached 736 billion in 2011, with only a small year-on-year increase. China Mobile's revenue from its text messaging service fell to CNY46.5 billion in 2011 from a peak of CNY53.6 billion in 2009. Gartner noted that text messages sent by individual consumers have declined, but messages from companies and organizations, are still on the rise. "Wireless data traffic replaced short message services to become the biggest revenue source for China Mobile's data business in the first half of 2012," Shen Hongqun, Deputy Manager of China Mobile's Data Business Department, said in an interview last year. Analysts said the text message business in China, if it remains in its current format, will face a steady decline.

- "China is actively promoting 4G network trials after making very good progress in 2012," Zhang Feng, Director of the Telecommunications Development Department of the Ministry of Industry and Information Technology (MIIT), said. Zhang did not give a time frame to issue 4G licenses, but specified that the ongoing trials in Shanghai, Xiamen, Nanjing, Guangzhou and Shenzhen will continue. As of the end of 2012, China had 230 million 3G users.
- Mobile phone subscribers in China reached 1.11 billion by the end of last year, one sixth of the global population. China Mobile, the world's largest wireless network operator, had a total of 710.3 million subscribers by December, of whom 87.9 million were high-speed 3G users. China Unicom had 239.3 million users and China Telecom 160.6 million.
- China Mobile expanded commercial trials of its fourth generation mobile network to Hangzhou and Wenzhou in Zhejiang province, but the trial will not include voice services. The operator is currently conducting large-scale 4G trials in 13 Chinese cities. Ji Chendong, Telecom Analyst at KPMG, expects the government to issue 4G licenses in the second half of this year.

RADIO, FILM & TV

Beijing takes in most box office earnings

Cinema box office earnings in Beijing totaled CNY1.61 billion last year, topping all mainland cities. The total was CNY262 million higher than the previous year, a sign of the industry's boom. The 2006 box office receipts totaled just CNY290 million. There are now 726 screens in the city, compared with only 53 in 2004.

- Sharp Corp may sell a TV factory to Lenovo Group and form a sales venture. Sharp is in final talks on selling the Chinese plant in Nanjing and possibly also additional plants in Malaysia to raise USD339 million. Lenovo's "PC Plus" strategy seeks to expand into the TV segment in the consumer electronics industry.

SOFTWARE

Software developers protest against blocking of GitHub

Chinese software developers have protested the blocking of their favorite code-sharing site, U.S.-based GitHub. Kai-Fu Lee, a former President of Google China, condemned the blocking of GitHub on his microblog. He said it made it harder for Chinese programmers to connect with overseas information technology communities and would end up damaging their competitiveness and limiting their vision. "The main reason for the blocking of GitHub was that some blogs that used the site's service contained sensitive content," Thomas Yao, founder of a popular Chinese site similar to GitHub, said.

- A U.S.-based software engineer shocked his bosses and inspired some of his industry peers by outsourcing his job to a company in China for less than one-fifth of his six-figure American salary. The 40-year-old, whose identity was reported only as “Bob”, was at one stage awarded the company's “best developer in the building award”. Bob's fraud was discovered after his employer turned to U.S. telecom services provider Verizon for “help in understanding some anomalous activity that they were witnessing in their VPN [virtual private network] logs”.

TELECOM MFG. CO.

One-third of smartphones expected to be sold in China

China will cement its lead as the world's largest smartphone market in 2013 as the nation is expected to sell 240 million smartphones, nearly one-third of global shipments, industry analysis firm Canalys said. Chinese manufacturers will dominate the domestic market and are well positioned to enter overseas markets. China will register up to 29% of the 837 million smartphones projected to be sold this year. Total shipments hit 224 million in 2012 in China, making the country the world's No 1 smartphone manufacturer, Xinhua News Agency reported. Domestic vendors are rapidly moving their businesses toward smartphones and winning consumers with their competitively priced devices, putting “significant pressure” on international vendors, according to Nicole Peng, Research Director at Canalys' China office in Shanghai. Chinese makers, such as Lenovo Group, ZTE Corp and Huawei Technologies Co, have released a series of low-end handsets priced at around CNY1,000, targeting buyers with lower incomes.

ZTE primed to bounce back after CNY2.9 billion loss

ZTE, China's second-largest telecommunications equipment maker, said it might return to profit this quarter after warning of a net loss of up to CNY2.9 billion for last year. “It is anticipated that the company will make a profit in the first quarter of 2013,” ZTE said in a filing to the Hong Kong stock exchange. It added that the disposal of shares in Shenzhen ZNV Technology could generate an investment income of up to CNY880 million. In its preliminary results for last year, ZTE said it could lose between CNY2.5 billion and CNY2.9 billion for 2012, highlighting the tough conditions for China's export-driven telecommunications equipment industry. Revenue growth dropped slightly while gross profit margin fell 7 percentage points from a year earlier due to the global economic slowdown. ZTE's stock did poorly last year, losing nearly 40%, but it has risen this year compared to the Hang Seng Index's 4% gain. Despite a poor run last year, Cynthia Meng, Analyst at Jefferies, said an increase in capital expenditure among Chinese telecommunications firms helped dominant vendors such as ZTE. ZTE has also acquired sufficient financial muscle for overseas expansion after signing a cooperation agreement with China Development Bank, which offers it USD20 billion financing for Africa and developed markets. ZTE said the company's overall gross margin dropped 11 percentage points in the fourth quarter from a year earlier. Operating revenue fell 18% for the same period as the result of a large number of low-margin contracts in Africa, South America, China and elsewhere in Asia, the South China Morning Post reports.

Huawei's profit up by a third, sales may surpass Ericsson's

Net profit at Huawei Technologies Co jumped 33% last year to CNY15.4 billion, up from CNY11.6 billion in 2011. Its revenue rose 8% to CNY220.2 billion last year, according to Cathy Meng, Huawei's Chief Financial Officer. She expected Huawei's revenue to grow 10% to 20% this year. Huawei's overseas income accounted for 66% of the total last year. Huawei's sales may have surpassed those of industry leader Ericsson. According to Bernstein Research, Huawei had a leading 28% share of China's wireless network equipment market last year. Meng, 40, the daughter of Huawei Founder Ren Zhengfei, said Huawei's three business groups – the carrier network business, consumer business and enterprise business – achieved performance in line with expectations. The carrier network unit recorded sales of CNY160.3 billion last year. Sales for the consumer business unit reached CNY48.4 billion, and sales for the enterprise business unit were CNY11.5 billion, Meng said. About 70% of Huawei's revenue was generated from businesses with leading telecom operators, including 45 of the world's top 50 companies in that field, Meng added. Meng also said that Huawei has an “open mind” about a stock market listing. “We will refer to the standards of listed companies to improve ourselves,” she said. Analysts said that Huawei is still a long way from a public listing. Huawei is employee-owned, with about 65,000 staff members holding shares, Meng said. Her father

Ren Zhengfei controls about 1.4% of the company, she said.

Huawei and ZTE in world Top 5 of smartphone vendors

Huawei Technologies emerged as the world's third-largest smartphone vendor in the fourth quarter of 2012, according to International Data Corp (IDC). Huawei shipped 10.8 million smartphones, which represents a 4.9% market share, in the fourth quarter, only behind Samsung Electronics and Apple. Samsung grabbed a dominant 29% share of the world's smartphone market during the period, while Apple had a 21.8% market share with 47.8 million smartphones shipped. Taiwan-based smartphone vendor HTC dropped from the top five. ZTE was the fifth-biggest smartphone manufacturer globally in the fourth quarter, with a 4.3% market share. "The fact that Huawei and ZTE now find themselves among the top five smartphone vendors marks a significant shift for the global market," said Ramon Llamas, Research Manager with IDC's mobile phone team. "Both companies have grown volumes by focusing on the mass market, but in recent quarters they have turned their attention toward higher-end devices," Llamas said. In addition, both companies have pushed the envelope in terms of industrial design with larger displays and smaller form factors, as well as innovative applications and experiences, he added. In the global smartphone market, vendors shipped 219.4 million units in the fourth quarter of last year, which represented 45.5% of all mobile phone shipments, the highest percentage ever, IDC said.

ZTE to increase smartphone sales by 50%

ZTE plans to sell 50% more smartphones this year, with a focus on high-end handsets to improve profit margins. Last year, the company shipped 65 million handsets, among which smartphones had more than doubled to 35 million units from 15.8 million in 2011. It expects to ship more than 50 million smartphones this year, or 70% of total sales, according to Lü Qianhao, Director of Handset Strategy. The Shenzhen company reported a net loss of CNY1.95 billion in the third quarter, citing delays in overseas projects and low-margin contracts. It was the first quarterly loss since the firm listed in Hong Kong in 2004. ZTE said it might return to profit this quarter, partly because the disposal of shares in Shenzhen ZNV Technology could generate investment income of up to CNY880 million. ZTE hopes the growth in smartphone sales in developed markets, including the United States and Europe, will help it return to profitability this year. Spokesman David Dai Shu said the company showed momentum in the U.S. last year by gaining a share of nearly 5% of the smartphone market. "The revenue of terminal sales in the U.S. topped USD1 billion last year, compared with USD400 million in 2011," Dai said. ZTE has said it intends to grab as much as 10% of the U.S. handset market by 2015.

- EU Trade Commissioner Karel De Gucht has asked Huawei to hike the prices of its telecoms equipment exported to Europe from China to negate the effects of unfair government support the company receives from Beijing. He also asked China to guarantee that European firms get at least 30% of the telecoms equipment market in China. In exchange for those concessions, the EU would end a probe directed against Huawei and ZTE, accusing the them of getting unfair subsidies from Beijing.
- The United States International Trade Commission (ITC) launched a patent probe into Huawei Technologies and ZTE Corp, focussed on certain wireless devices with 3G and 4G capabilities and components. Four companies – Samsung Electronics, Nokia, Huawei and ZTE – are involved in the investigation. The products being investigated include smartphones, tablets and laptops. In August, the two Chinese telecom companies faced a similar investigation launched by the commission, but the case has yet to reach its final conclusion.

WEB

WeChat users expected to number 400 million

The number of people using WeChat, a voice-messaging service developed by Tencent Holdings, has hit 300 million in the less than two years since the service was released. Analysts said WeChat is "very likely" to gain another 100 million users over the next 12 months. "If the number of mobile internet users continues to expand at the current speed – if it hits 550 million by the end of this year – the number of subscribers will certainly rise to 400

million,” said You Tianyu, Senior Analyst at the market research company iResearch Consulting Group. WeChat was launched on January 12, 2011, and took more than a year to draw 100 million users. By September, it had reached the 200 million mark, Tencent said. Tencent QQ, the most popular online-chatting service in China, is vigorously encouraging its users to try WeChat, You said. He noted that QQ has more than 700 million users, a fact that has made it easier to promote WeChat. WeChat is also posing challenges to text messages and phone calls. From 2008 to 2012, the number of minutes China Mobile voice service customers used dropped by more than 380 billion, even as the company added 226 million subscribers, according to the company’s financial report. “We hope the service will be ready to perform on the global stage in 2013,” Pony Ma, Tencent Chairman and CEO said.

Online retail developing at a fast pace

Turnover of China’s online retail sector hit CNY760.9 billion during the first three quarters of last year, a 34.5% year-on-year increase, according to the Ministry of Industry and Information Technology (MIIT). Online shopping accounted for about 10% of the total sales of household electrical appliances in 2012, according to Sinolink Securities Co. On Tmall.com, China’s biggest business-to-customer website, 3C sales reached CNY50.2 billion in 2012, an increase of 150% from a year earlier, said Alibaba Group Holding, which operates the website. There are more than 1,000 3C brands on Tmall.com, including Lenovo, HP, and Apple, and about 10,000 online vendors trade in this category on the website. In 2012, China’s top online retailers, including Gome Electrical Appliances, Suning Appliances and Jingdong Mall, initiated cut-throat price wars to lure customers. Chen Tao, Partner of Roland Berger Strategy Consultants, estimated that about 25% of the books in China were sold online in 2012, making it the most popular online category. A fifth of electronic devices were sold online in 2012, compared with a tenth of sportswear, and 6% of mother and baby care products, Chen estimated. Everyday goods, furniture and food however, are bought far less online, he added.

Shanghai has fastest broadband speed in China

Shanghai currently has the Chinese mainland’s fastest internet speed and it is expected to be among the fastest broadband speeds in Asia by 2015, China Telecom said. The operator plans to double broadband bandwidth to 32 megabytes per second (Mbps) by the end of this year with a new wave of network upgrading operations that is due to start in March. Bandwidth in Shanghai will hit 50 Mbps by 2015, it said. By the end of last year, Shanghai’s average broadband bandwidth reached 16 Mbps, the fastest in China. Since 2009, Shanghai’s average broadband bandwidth has jumped 6.9 times, Shanghai Telecom said. Shanghai will be among the cities with the fastest internet in the world by the end of this year, said Wu Dongli, Shanghai Telecom’s Vice General Manager. Hong Kong currently ranks No 1 in the Asia-Pacific with a broadband bandwidth of 44.4 Mbps, followed by Singapore’s 39.3 Mbps and Japan’s 38 Mbps, according to Net Index. Chinese surfers have complained about slow speeds. In December 2011, Beijing-based Data Center of China Internet said 91% of users experienced broadband speeds less than 400 kilobits per second by the third quarter of 2011. The average cost of 1 megabyte per second bandwidth in China was four times the cost in the U.S. and over 400 times that of Hong Kong.

Ctrip reports fall in income

Ctrip.com International’s income continued to fall in 2012 to CNY655 million, down 39% from 2011, while its net revenue was CNY4.2 billion, up 19% year-on-year, according to the company’s annual results. CEO Fan Min described 2012 as a “year of investment”. The company spent CNY984 million on sales and marketing last year, a year-on-year rise of 58%, as China’s online travel agencies started a price war in the summer. Cui Guangfu, CEO of eLong, an online travel service provider, said the price war will not stop until the market achieves new balance. Wang Tingting, Analyst from iResearch Consulting Group, said agencies are also trying to increase market share through investing in coupons and rebates, as the online travel market in China is still very robust. The market is seeing annual growth of 30% on average, according to iResearch. Ctrip.com is also concentrating its resources on its online business, laying off some employees in its off-line sales department since the end of 2012.

Baidu's profit growth declines

Baidu, China's largest search engine, saw the growth rate of its net profits decline for the eighth consecutive quarter since the first quarter of 2011. Analysts remain conservative on the company's progress in translating traffic into revenue in the mobile sector, which Baidu said is the focus of its future strategy. The company generated most of its revenue from search advertising. Robin Li, Chairman and CEO, said that desktop search would continue to be an important way for people to find information, but the real growth is in mobile. He added that it will take two years to properly generate income from mobile services. In 2012, Baidu reported total revenue of CNY22.3 billion, a 53.8% increase from 2011. Its net income was CNY10.46 billion, up 57.5% from 2011, according to its financial report. Baidu claimed a dominant share of China's search market, with 78.6% in the fourth quarter last year, while Google had 15.2%, measured by revenue, according to domestic research company Analysys International.

NetEase to focus on mobile web services

NetEase plans to invest heavily in mobile web services, said William Ding, NetEase's CEO and Director. Last year, the company spent CNY718.3 million on research and development (R&D), an increase of 54.3% year-on-year. "Although NetEase hasn't come up with a product as popular as Sina Weibo or Tencent's WeChat for mobile internet, the prospects for the company are good in general, considering its advantages on the desktop," said Chen Zhengyu, Stock Analyst with China Merchants Securities (HK) Co. NetEase is the operator of 163.com, a popular Chinese web portal. It is also China's second-largest online games operator, generating nearly 90% of its revenue from web games. In 2012, the company reported revenue of CNY8.4 billion, up 12% year-on-year. Its net income grew 12.5% to CNY3.6 billion.

China to lead the world in digital marketing

The widespread use of mobile devices in China will enable it to overtake the United States as the world's biggest spender in digital marketing in seven to 10 years, according to Laura Desmond, Chief Executive of Starcom MediaVest Group, the world's biggest media buyer and planner. Digital marketing covers promotions through electronic devices like mobile phones, tablets, laptop computers, and digital billboards, as well as through the internet and microblogs. At current rates of growth, China will leapfrog Britain and Japan next year to become the world's second-biggest spender on digital advertising, with total spending of USD11.78 billion, according to New York research firm eMarketer. "What you see in the U.S., Britain and France is highly developed digital markets, where the first screen is still the TV at home. What you see in China is the first screen is the mobile phone. Chinese consumers are more willing to spend time with their mobile devices than other markets," Desmond said. A survey by Starcom, a subsidiary of French advertising and public relations giant Publicis Groupe, found digital marketing ranked a close third behind outdoor advertising and television in reaching Chinese consumers. Starcom's study found Chinese consumers spent on average 1.76 hours per day watching video clips on computers. "What we are witnessing is the biggest digital evolution on earth taking place in China. There is a growing population of netizens who do not even have a TV and instead are choosing to watch most of their TV content online," said Jeffrey Tan, National Research and Insights Director at Starcom China. Desmond said that as the world's biggest market for mobile devices, China was going to teach the rest of the globe how to integrate different media marketing channels. Starcom has 15.8 % of China's media market, according to a company Spokesman. "We doubled our staff in China in the last five years. We'll continue to see that kind of staff growth," she said. Starcom has 700 staff in China.

- Revenue in Shanghai's online game industry soared 35.8% in 2012, surpassing the national growth rate of less than 10%, the Shanghai Press and Publication Administration said. Local online game revenue hit CNY19 billion last year, and accounted for 31.6% of the national revenue. The city has leading firms such as Shanda and The9 developing mobile games, which even distributed their mobile games to overseas markets. Comparatively, China's online game industry grew less than 10% in 2012 because of a lack of blockbuster game titles, according to Analysys International.
- Alibaba Group has teamed up with domestic retail firms and private companies to build a nationwide logistics network to tap the online spending boom and to plug the

gap in offline ancillary infrastructure. Alibaba and its partners plan to invest up to CNY100 billion initially into the 10-year project, China Smart Logistics Network, the firm said. Other participants in the project include Fosun International, Yintai Holdings Co and logistics firms. In the long run, Alibaba hopes to build a logistics network that can support the delivery and courier needs of up to CNY30 billion worth of online sales per day.

- Hong Kong has fastest recorded peak internet speed in the world at 54.1 megabits per second, according to the State of the Internet report issued by Akamai Technologies. South Korea recorded the second-fastest speed of 48.8 Mbps, while Japan at third had a peak download speed of 42.2 Mbps. China in comparison has a peak average of 7.1 Mbps. While Hong Kong might have the highest peak speed, South Korea leads the table for fastest average speed at 14.7 Mbps. Japan came in second at 10.5 Mbps, while Hong Kong is at 9.0 Mbps. China averages about 1.6 Mbps.
- According to the “State of the Internet” report for the third quarter of 2012 by Akamai, a third of all computer attacks came from China. This was a dramatic increase over the previous quarter when only 16% of cyber attacks originated from China. The figures prove that China has become one of the most popular bases for global hackers to hide, say Chinese programmers.
- Beijing’s free Wi-Fi service was extended to cover several bus routes, but some people complained that the service is unreliable and slow. China Mobile subscribers get 20 hours of free Wi-Fi a month. The pilot project will continue through the end of June. In the next five years, 90,000 WLAN access points will be built in Beijing.
- Sohu reported net income of USD78 million last year, a 49% drop from 2012, as slower growth in advertising revenue and increasing costs ate into profits. Charles Zhang, Sohu Chairman and CEO, said he expects the company’s online video and search business to increase its contribution to total revenue. Sohu’s total revenue grew by 25% to USD1.07 billion in 2011 from a year earlier. Search engine Sogou’s revenue reached USD131 million, a year-on-year growth of 108%. Sohu’s online video business was ranked third in the third quarter with a 10% market share.
- Lenovo is leading a mission to replace the passwords that people and businesses use to access many online accounts and services. It helped launch a new industry initiative, supporting technical specifications under the so-called Fast Identity Online (FIDO) system, which brings together a range of online authentication technologies as an alternative to multiple user names and passwords. It supports strong authentication techniques like USB security tokens used in online banking, near field communication technology developed for smartphones, and biometrics, which include fingerprint scanners and facial recognition.
- Last month, Sina joined hands with German premium carmaker Mercedes-Benz (China) to sell 666 smart cars on Weibo. All of the cars were sold in about eight hours, said Mercedes-Benz on its micro blog. This was the second effort Sina took to try its luck with e-commerce. In December, it worked with Chinese smartphone maker Xiaomi Corp to sell the Mi-2 smartphone through Weibo. A total of 50,000 smartphones were sold in less than six minutes. The company is in talks with a number of companies regarding cooperation of this kind.

ONE-LINE NEWS

- Proview International has avoided delisting from the Hong Kong stock exchange, following a review of the company’s proposed initiative to jump-start its operations. Chairman Sun Min said the market’s Listing Review Committee has decided “to set aside the cancellation of the company’s listing status” based on its new proposal to resume business. The stock exchange had put Proview International in the third and final stage of delisting procedures since December 30, 2011. Early last month, Proview International submitted a proposal to acquire an undisclosed “profitable business” that is also in the electronics industry.
- China Media Capital (CMC) is forming a strategic partnership with U.S.-based Raine Group to expand into the global media industry. Established in April 2009 with initial capital of CNY5 billion, CMC is backed by Shanghai Media Group, China Development Bank and China Broadband Capital. New York-based Raine Group is a global merchant bank focused exclusively on entertainment, digital media and sports,

whose co-founders are former employees of Goldman Sachs and UBS.

- Lenovo's Chief Financial Officer said the company is assessing potential acquisition targets and strategic alliances, including a deal with BlackBerry maker Research In Motion (RIM). "We are looking at all opportunities – RIM and many others," CFO Wong Wai Ming said. Lenovo has spoken to RIM and its bankers about various combinations or strategic ventures, he said. Acquiring RIM would require approval from Canadian and U.S. regulators because of the size of the transaction and its operation of secure mobile networks for government agencies.
- Hewlett-Packard, the world's largest computer maker, has tightened hiring rules for Chinese suppliers. Working hours for students must be lower than the legal limit and the total number of student workers must also be limited. Suppliers must comply with the guidelines immediately. Foxconn, which supplies both Apple and HP, said the new guidelines don't impose any requirements beyond what it already does. The rules also require that student work "must complement the primary area of study" – a restriction that could rule out huge numbers of students whose studies have nothing to do with electronics or manufacturing.

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