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## HARDWARE

### Proview's Shenzhen subsidiary faces liquidation

Proview Technology (Shenzhen) is headed for liquidation, only a few months after taking a record USD60 million payout from Apple for the iPad's trademark on the mainland. In a filing with the Hong Kong stock exchange, parent Proview International Holdings said the Shenzhen Intermediate Court had appointed a liquidation administrator for its debt-mired subsidiary on October 24. The winding-up process for Proview Technology followed the final judgment made on September 10 by the Higher People's Court of Guangdong Province, which decided in favor of the appeal lodged by creditor Fubon Insurance. That ruling revoked the first instance judgment made on March 27 by the Shenzhen court, which had rejected Fubon's bankruptcy application against Proview Technology. The liquidation of the Shenzhen subsidiary may have slammed the door for Proview International's plan to resume trading of its shares, which have remained suspended since August 2010. The Listing (Review) Committee of the Hong Kong stock exchange decided in September to formally delist the company, which has asked for a further review. Founded in 1989 by Taiwanese businessman Rowell Yang, Proview International once was one of the world's largest manufacturers of cathode ray tube and liquid crystal display computer monitors. The company took on plenty of debt to fund its expansion in

the past decade, and the firm posted its first loss in 2008.

## Apple opens biggest Asian store in Beijing

Apple opened its biggest Asian store yet in Beijing on October 20. The shop, on the major shopping street of Wangfujing in the heart of the capital, covers an area of 2,300 square meters and has 300 employees. China is now the second-biggest market for Apple after the United States. The store is Apple's sixth official outlet in mainland China, and one of only three in the world with a three-story staircase. The company says its stores in China typically get four-times the traffic of their stores in the U.S. The opening of larger stores marks a shift in strategy for Apple in China, which had earlier announced plans to open 25 stores across the country by the end of last year. The company said its third-quarter revenue in Greater China (China, Hong Kong and Taiwan) rose 48% year-on-year to USD5.7 billion from a year earlier, but that figure marked a 28% decline from second-quarter revenue of USD7.9 billion. Apple opened its ninth retail store in China at the Yi Tian Holiday Plaza in Shenzhen at the end of October. Two stores in Chengdu and one in Dalian are already under renovation and will be the next locations, according to Forrester Research Analyst Zhao Wenyuan. Guangzhou and Chongqing were also on Apple's list but would not be ready in the next couple of months, he said. Apple is also expanding into lower-tier cities through large distributors known as "premium authorized resellers". Estimates put the number of Apple's authorized resellers in China at more than 2,000. Apple CEO Tim Cook said China represented about 15% – about USD23.8 billion – of the company's total revenue in its fiscal year to September 29.

Suning Appliance Co opened pre-orders for Apple's iPhone 5 at its Beijing stores starting from November 5. Consumers can pre-order the devices with their identity cards at Suning stores without paying a deposit, with the iPhone 5 set to go on sale on the Chinese mainland in early December.

## Microsoft unveils Surface tablet computer in China

Microsoft unveiled its new tablet computer Surface in Shanghai, aiming to compete against Apple's iPad. Surface will be sold at a price starting from CNY3,688 for a 32 gigabyte (GB) version. Microsoft also launched Windows 8 in China the same day. Another 32 GB version with a black touch cover – a thin cover that doubles as a keyboard and attaches to the tablet magnetically – will be offered at CNY4,488. The prices are nearly the same as those of the new iPad. Windows and Office software are pre-installed on Surface. Ralph Haupter, Microsoft's Chief Executive for China operations, said China offers the company a big business opportunity to develop and sell new devices. Microsoft has about 50 partners, including Lenovo, the world's largest supplier of personal computers, to develop devices using the Windows operating system. Haupter said the partnership with the manufacturers "is only the start". Unlike the iPad, the Surface tablet has a full-size USB port and a built-in stand.

- In the first half of the year, China's integrated circuit market revenue totaled CNY85.2 billion, up 7.5% annually, the China Semiconductor Industry Association (CSIA) said. Chip design revenue surged 20% in the first six months, triple the industry's growth rate. Shanghai-based Huali and Taiwan Semiconductor Manufacturing Corp (TSMC) raised investment in Shanghai to boost output capacity for a possible recovery next year, said Xue Zi, Vice Secretary General of the Shanghai Integrated Circuit Industry Association.
- Apple's iPad mini, with its smaller screen and thinner design, doesn't seem to excite Chinese consumers due to a lack of innovation and a higher price than its rivals such as Kindle Fire and Google's Nexus 7. The iPad mini and a fourth generation iPad with a faster processor and smaller connector, were launched in Hong Kong on November 2.
- Taiwan's Hon Hai Precision Industry posted a sharp rise in quarterly net profit to NTD30.26 billion, up 57% from a year earlier. Hon Hai started assembling the iPhone 5 and mini iPad in late August. Profits in the third quarter were about 140% higher than the previous three months. Nine-month profit was NTD57.8 billion, 24% higher than the year-ago period. Barclays Capital Analyst Kirk Yang said he expected fourth-quarter consolidated sales to grow by 14% from a year ago due to strong Apple product shipments.

## OPERATORS

### Shanghai aims to become “smart city”

The “smart city” concept is the jewel in the crown of Shanghai’s economic transformation into a hub of high-tech and service industries, city Mayor Han Zheng said when delivering the municipal government’s annual work report. Key players in that strategy are the three telecommunications operators China Mobile, China Telecom and China Unicom, as well as telecom equipment maker Alcatel-Lucent Shanghai Bell. China Unicom aims to attract more than 10 million consumers by 2015, triple the current level. Broadband speed is expected to double for many households. By the end of this year, the faster fiber optic network will cover 6.5 million local families, a fourfold increase from last year, according to China Telecom, the city’s biggest fixed-line network provider. China Mobile plans to offer seamless video content on mobile phones, tablets, desktop computers and TVs. China Mobile’s video client, which is available on Apple’s iOS and Google’s Android, has about 60 million users nationwide already. Shanghai also has 1.6 million internet protocol TV (IPTV) family users, ranking No 1 nationwide. Shanghai will upgrade its Wi-Fi network with more hot spots and higher security levels as it seeks to establish itself as a “wireless city” under the municipal 12<sup>th</sup> Five Year Plan (2011-2015). By 2013, Shanghai will have more than 22,000 Wi-Fi hot spots, including free Wi-Fi services called i-Shanghai, which provides users two hours’ internet connection in public areas like airports, shopping centers and museums. More than 10 handset models supporting the homegrown 4G technology TD-LTE will debut next year, and by 2014 there will be more than 100 available on the domestic market, the Shanghai Daily reports.

### Operators’ net profits show mixed results

China Mobile’s net profit in the third quarter grew 1.4% annually to CNY31.1 billion. Revenue in the three months rose 6.2% from a year ago to CNY142.1 billion. The data business and, in particular, wireless data traffic, was effective in stabilizing the average revenue per user, China Mobile’s Chairman Xi Guohua said in a statement to the Hong Kong Stock Exchange. By the end of September, the telco boasted 698.5 million mobile users, of which 75.6 million users were on the 3G network. In the first nine months, its net profit rose 1.4% yearly to CNY93.3 billion. China Mobile raised its investment in handset subsidies for this year to CNY26 billion from the originally planned CNY20 billion in August, helping to maintain its lead in smartphone subscribers.

China Unicom reported a third-quarter profit that missed analysts’ estimates as a push to add users with low-cost phones boosted costs faster than sales. Net income rose 27% to CNY2.02 billion, from a restated CNY1.59 billion a year earlier. Unicom added 3.17 million 3G users last month, the highest number of monthly net additions this year, according to company data. “China Unicom has much better 3G services than China Mobile, which means they’ll have more migration from 2G to 3G and that will mean they have the opportunity to lift their average revenue per user,” said Tam Tsz-wang, Analyst with DBS Vickers Securities. About 30% of Unicom’s more than 200 million mobile subscribers are 3G subscribers. China has more than 1 billion mobile subscribers, but less than 20% are 3G users.

China Telecom, the world’s biggest fixed-line network operator, reported a fall in net profit of 7.3% for the third quarter from a year earlier, hit by increasing costs and subsidies on mobile phones to attract subscribers. Net profit dropped to CNY3.75 billion while revenue rose 16% to CNY72 billion from the year-earlier quarter. The latest quarter brought profit for the first nine months to CNY12.6 billion, down 8% from the year-earlier period, while revenue was up 15% to CNY210 billion. The company joined China Unicom in March in offering Apple’s iPhone in the hope of luring quality users in a market that is already saturated. The company said that while it expected to enhance its long-term sustainable growth, “short-term pressure on profitability” would result. The Beijing-based company has reported successive quarterly profit declines since it began offering iPhones in March. Macquarie Capital Securities’ analyst Lisa Soh said she expected profit margins “to continue to decline in the fourth quarter on new phone launches” because of increasing selling costs and other expenses. She said the iPhone 5 was expected to be available on the mainland in December. Yang Changlong, Industry Analyst at Beijing’s Bayes Consulting, said it was hard to forecast when China Telecom would resume profit growth. In the third quarter, China Telecom’s mobile unit added 8.44 million users, boosting its subscriber base to 152.6 million at the end of September, compared with China Mobile’s 698.5 million and China Unicom’s 229.5 million. Of China Telecom’s users, around 60 million, or 39%, were 3G subscribers, a higher ratio than its rivals. China Telecom will acquire the CDMA network from its parent company at the end of 2012, at a lower-than-expected acquisition cost of CNY84.6 billion. An increased number of iPhone user will be good

for China Telecom's average mobile service revenue per user (ARPU) per month in the long run, since the ARPU value of one iPhone user is about three to four times that of an ordinary mobile phone user, according to a report from Nomura Securities Co.

- Pacnet, the operator of Asia's largest privately-owned submarine cable network, is extending its operations into several provinces under a new license from the Ministry of Industry and Information Technology (MIIT). The Ministry granted the company's mainland subsidiary, Pacnet Business Solutions (PBS), an "enhanced value-added service license" that broadens its coverage for internet protocol virtual private network (IP VPN) services to businesses in 23 provinces from 20 cities previously. It is the first Sino-foreign telecommunications joint venture to receive the license, which also allows PBS to operate data centers in five cities and offer internet access services in 10 cities. PBS is a 50-50 joint venture formed in 2008 by Hong Kong-based Pacnet and Zhong Ren Telecom.

## **RADIO, FILM & TV**

### **Made-in-China films lose market share to U.S. movies**

The market share held by Chinese-made films has dropped by about 12% this year and now accounts for just 41.4% of all ticket sales in China – a development regulators attribute to the increased access granted to Hollywood films as a result of China's commitments to the WTO. Tian Jin, Vice Director of the State Administration of Radio, Film and Television (SARFT), said local film studios earned CNY13.27 billion from the 638 films they released in the first 10 months of the year – up 40% from the same period last year. Domestic studios lost market share they had held for years, after China and the U.S. signed a memorandum of understanding in February to give U.S. film studios significantly more access to the market. U.S. studios can now collect roughly 25% of box office proceeds after costs are deducted – an increase from about 13.5% to 17.5% before the agreement. China overtook Japan in the first quarter this year to become the second-largest film market, in terms of box office, after the United States, according to the Motion Picture Association of America. In the first 10 months, domestic box office receipts reached CNY13.27 billion, an increase of 40% from the same period last year.

- China Electronics said a territorial dispute between China and Japan had put on hold a plan to cooperate with Sharp Corporation to build an advanced LCD plant – a plan Sharp later denied. The cooperation on the production of 10<sup>th</sup> generation LCD panels has been approved by China's top economic planning agency but "has been delayed due to the widely known reason, including the purchase of the islands by the Japanese government," Rui Xiaowu, Chairman of state-owned China Electronics said.

## **SOFTWARE**

### **Red Hat to invest more in China**

Red Hat, the No 1 Linux developer in the United States, is considering investing more in its research and development (R&D) and sales team in China, said the company's President and CEO Jim Whitehurst. He explained that China has a bigger market potential than other developed countries such as the U.S. for cloud computing development because the country isn't burdened by the old system, making it easier to build a new one. The market still has huge potential, which cannot be underestimated, the CEO said. In October, Red Hat opened its new Beijing office and new jobs will be added soon.

### **Android OS expanding market share**

Google's Android operating system expanded its smartphone market share to more than 90% on the Chinese mainland, gaining ground on both Apple's iOS and Nokia's Symbian, a Beijing-based research firm said. By the end of the third quarter, Android's market share was 90.1%, up from 82.8% quarter-on-quarter while iOS had 4.2% and Symbian 2.4%, according to Analysys International. "Low-cost and competitive Android products, many made by Chinese firms, have gained popularity in the domestic market and helped it expand market share," said Analysys Researcher Li Yanyan. The average Android phone price was CNY1,393 by the end

of the third quarter, about one-third of Apple's iPhone average price of CNY4,523. In the July-September period, Chinese firms including Lenovo Group, Huawei Technologies and Xiaomi launched quad-core smartphones at prices below CNY2,000, less than half the cost of overseas models from Samsung, Apple and HTC. Surging sales of handsets made by Samsung, the world's biggest phone maker, also boosted Android's market share in China. Since its debut several months ago, Samsung has sold 30 million units of its Galaxy S3 model. Apple's iPhone market share dropped from 6.0% to 4.2% in the quarter due to a lack of new models. Nokia's Symbian market share decreased from 6.0% to 2.4%, according to Analysys International.

## **TELECOM MFG. CO.**

### **Lenovo's new Nanjing R&D center interested in Motorola employees**

Lenovo Group has taken on 40 former employees of rival Motorola Mobility Holdings at its new Nanjing smartphone research and development (R&D) center, and expects to take on double that number of former Motorola workers in the next six months. The new Lenovo center will be the Chinese company's fourth R&D center after Beijing, Shanghai and Xiamen. The original plan was to build the fourth center in Wuhan, Hubei province. But when the company learned that Motorola was going to lay off employees, it switched the location to Nanjing. Motorola Mobility announced in August it planned to cut about 4,000 jobs, or 20% of its labor force, with two-thirds of the losses outside the United States. Lenovo already has around 1,000 employees working on smartphone research and development, and the company has said it will place greater emphasis on Google's Android system development. The Nanjing center will mainly focus on overseas business development and smartphone technology research, and employing former Motorola staff with wide overseas experience would help. Lenovo surpassed Apple in China's smartphone market in the second quarter of 2012, according to International Data Corp. Lenovo held an 11.74% market share, against Apple's 10.41% during the second quarter. "A year ago, Lenovo's market share was only 1.14% in the Chinese smartphone market, but now it has become the industry's second-largest player," said Wang Jiping, Senior Analyst with IDC. The company sold about 6 million smartphones last year, and the aim is to sell 20 million this year in the Chinese market, the China Daily reports.

Lenovo is already the second-largest smartphone maker in China and plans to seize the top spot from Samsung Electronics, Milko Van Duijl, Lenovo's President for the Asia-Pacific and Latin America regions, said in Hong Kong. "Our goal is definitely to get to number one and not only to take smartphones into the China market but also into emerging markets." Lenovo just began selling handsets in Indonesia and India will follow. In China, Lenovo has a smartphone market share of 11.5%, surpassing that of the iPhone, Van Duijl said. The company plans to build its own cloud-computing services and online store to create an ecosystem for the products, but won't make its own mobile operating system and will stick with Google's Android and Microsoft's Windows 8, Van Duijl said.

Lenovo reported a surprising 13% annual jump in third-quarter net profit to USD162 million as it expanded its personal-computer market share globally. Revenue in the three months ended in September gained 11% year-on-year to USD8.7 billion. At the end of the third quarter, Lenovo bagged 15.7% of global PC sales to beat Hewlett-Packard's 15.5% to rank No 1, U.S. research firm Garner said in a report last month. In China, Lenovo's revenue in the quarter reached USD3.9 billion, up an annual 20%. During the July-September period, Lenovo's worldwide PC shipments grew 10.3% on an annual basis while global PC sales shed 8%. It also marked the 14<sup>th</sup> consecutive quarter that Lenovo has grown its shipments faster than the industry. Lenovo now leads five of the world's top seven PC markets, after adding Russia and Germany to its list, the company said. Yang Yuanqing, Lenovo Chairman and CEO, said the company will place a greater emphasis next year on making profits "rather than grabbing more market share", and aim to lift its pre-tax profit margin by at least one percentage point in three years' time. Lenovo was ranked a lowly 14<sup>th</sup> and held only a 0.7% market share in Russia, for instance, in 2008, but now its market share there has increased to 14.1%, making it the dominant player. In China, Lenovo had a 34% share of the PC market, up 2.4 percentage points year-on-year, and shipments increased 8% year-on-year during the quarter.

### **Huawei countering U.S. Congressional claims**

A White House-ordered review, which was completed early this year, "found no clear evidence" that Huawei had spied for China, according to Reuters, which cited two sources with knowledge of the 18-month probe. The largely classified investigation, which delved into the

security risks posed by suppliers to U.S. telecommunications network operators, found Huawei was risky for other reasons, such as having products that are vulnerable to hackers. Huawei Spokesman Scott Sykes declined to comment on the review. The U.S. House of Representatives Intelligence Committee said that Huawei and ZTE were uncooperative in providing information about their respective ties with the Chinese government and recommended that they be excluded from public telecommunications projects in the U.S. as well as from buying U.S. assets. Sprint Nextel has indicated it will not use network equipment made by Huawei. The company has offered unrestricted access to its software through the creation of a cyber security evaluation center in Australia, Huawei Australia Chairman John Lord said. "If Australia is to effectively mitigate risk in our communications networks, we must establish universal, transparent frameworks to provide security assurance for all vendors," Lord said. "In the interests of national security, we believe all other vendors should be subject to the same high standard of transparency." The company has done a poor job of communicating about itself and in trying to dispel myths, Lord admitted. Australia has blocked the company from tendering for contracts in its AUD38 billion high-speed broadband network. "We sincerely hope that in Australia we do not allow sober debate on cyber-security to become distorted the way it has in the U.S.," Lord said in a speech in Canberra. Sean Yang, President of Huawei Canada, also said that Huawei Technologies is committed to protecting cyber-security and working with governments in a transparent way.

- Nokia accused Shanghai Huaqin Telecom Technology Co of infringing its patent for inventing a data transfer method and demanded CNY20 million in compensation. It also asked the Shanghai company to stop producing and selling the offending products. Nokia said Huaqin produced and sold phones adapted from its patented method of automatically distinguishing text messages from multimedia messages and then choosing a data transfer channel to send the messages. Huaqin denied the claims.
- Net profit for mobile-phone maker TCL Communication Technology was almost wiped out in the first nine months, even as its revenue rose 9%. TCL said net profit plunged 99% to HKD9 million in the period, down from HKD606 million a year ago. The company blamed the steep drop on lower margins from its main range of "feature phones", or basic mobile phones. TCL is migrating its product lines from these basic phones to smartphones. TCL total handset sales volume fell 4% year-on-year in the first nine months to 29.2 million units. China sales rose 48% to 4.4 million units. Television maker TCL Multimedia Technology, a sister company, reported net profit rose 62.4% to HKD635 million in the first nine months as revenue increased 21% to HKD27.2 billion.
- ZTE Corp posted a third-quarter loss of CNY1.95 billion, compared with a profit of CNY299.3 million a year earlier. The third-quarter loss was a result of delays in overseas projects, a change in the procurement system for domestic operators and a larger number of low-margin contracts, ZTE said on October 14.
- Shenzhen-based ZTE and Taiwan-based HTC ranked No 4 and No 5 on the global list of smartphone vendors, while Samsung and Apple expanded market share to stay in the top positions, according to International Data Corp (IDC). Nokia dropped out of the top five for the first time. By the end of the third quarter, Samsung still dominated the market with a 31.3% share, up from 22.7% a year ago. Second-placed Apple had a 15% share thanks to booming iPhone sales, followed by RIM's 4.3%, ZTE's 4.2% and HTC's 4%, IDC said. In the third quarter, Samsung's sales jumped 100.4% annually to 56.3 million units.
- ZTE has released a new smartphone brand called "Nubia", targeted at high-end users. It will be marketed separately from the company's current mobile phone brand, under which a large number of inexpensive mobile phones are produced. ZTE announced that its net loss in the third quarter was CNY1.95 billion, compared with a profit of CNY299.3 million a year earlier. Executive Vice President He Shiyong expects its mobile phone arm to take up half of ZTE's revenues by 2015. In 2011, it registered revenue of CNY26.9 billion, accounting for 31% of ZTE's total. The first Nubia smartphones, with a five-inch screen and a quad-core central processing unit, will appear in December.
- Huawei Technologies, China's largest phone-equipment maker, said revenue in southern and eastern Africa may climb as much as 30% in the next three years as growth on the continent outpaces most regions. The company plans to capitalize on low mobile-broadband penetration rates and increasing demand for smartphones in

Africa, Li Dafeng, President for eastern and southern Africa, said in the capital Nairobi. Africa has less than five mobile-broadband subscriptions per 100 inhabitants, compared with more than 10% in the rest of the world, according to the International Telecommunications Union (ITU).

## WEB

### 360buy.com to expand overseas, compete with Amazon.com

China's second-biggest business-to-consumer (B2C) website by revenue, 360buy.com, is poised to enter overseas markets after introducing an English-version e-commerce website en.360buy.com. Vice President Shi Tao said that Amazon.com has long been regarded as a role model for 360buy.com. By cooperating with international courier companies such as DHL and UPS, 360buy.com will increase its business presence to 36 countries, especially in North America and Europe. It will offer nearly 400,000 products, from consumer electronics to clothing and books, to customers overseas. "In the initial stage, we want to buy made-in-China products domestically and deliver them to overseas clients," Shi said. Gradually, 360buy.com plans to set up warehouses in specific countries, allowing it to buy and store Chinese products in large quantities in these countries to greatly shorten delivery periods. Established in 2004, Beijing-based 360buy.com grew rapidly by drawing 60 million registered users by June, almost all of them Chinese. "Where we are now, is probably at the stage where Amazon was five or six years ago," Shi said. Richard Liu, founder and Chairman of 360buy.com, once said he dreamed of placing 360buy.com among the top five e-commerce companies in the world. It plans to offer free shipment of books and some other goods. 360buy.com had nearly CNY30 billion in sales last year. Other Chinese e-commerce companies are also venturing abroad. In September Vancl.com, a Beijing-based clothing retail website, said it would start operating in Vietnam, the China Daily reports.

### E-commerce growing in China, aiming to overtake U.S.

About 194 million people had made an online purchase by the end of last year in China, out of a total of 513 million internet users, according to the China Internet Network Information Center. Online shoppers spent CNY782.6 billion last year, representing 4.32% of total retail sales in the country, up from 1.16% in 2008. Last year, transactions worth CNY3.36 billion were made on Tmall.com (then called Taobao Mall). China's online retail market registered total sales of CNY278.8 billion in the second quarter, an increase of 45% year-on-year, according to domestic research company Analysys International. Taobao.com and Tmall.com, both owned by Alibaba Group, jointly occupied 76% of the market. Jingdong Mall ranked second with sales of CNY15 billion, taking up 5.5% of the market. Tencent ranked third with 4.5%. China is expected to overtake the United States to become the largest online shopping market next year, Li Jinqi, Director of the Department of Electronic Commerce and Information at the Ministry of Commerce (MOFCOM) said.

### November 11 breaks online sales record

China's Singles Day on November 11 has evolved into what is probably the world's biggest online shopping event. The 50,000-plus merchants on Alibaba's consumer-oriented Tmall.com took in CNY13.2 billion after discounts of at least 50% were promised on a massive range of goods. Sales on Alibaba's Taobao marketplace took the 24-hour total to CNY19.1 billion. The Tmall total was more than three times the amount raised on the same day last year and more than double the amount Shanghai retailers took during last month's week-long National Day holiday. It also surpassed the USD1.26 billion online retailers in the U.S. earned on last year's Cyber Monday. This year was the third year of a Singles Day "shopping festival" initiated by Tmall and followed by other online retailers, including 360 buy.com and Amazon. Tmall.com said that this November 11 might be the "biggest e-shopping orgy ever". Still, many people failed to secure a bargain because of technical glitches and exaggerated price cuts. Some consumers said there were few genuine discounts as retailers had merely raised price tags so they could boast of huge price cuts, while some goods sold out in a few minutes, before consumers could get to the payment page. China's delivery companies had 800,000 employees working on Singles Day, including 65,000 temporarily hired workers, the Shanghai Daily reports. More than 213 million netizens purchased products on Alibaba's websites. In the third quarter, China's B2C trade totaled CNY129.6 billion, up 80% annually, Analysys said.

## eBay returns to China

Global internet shopping and auctions giant eBay is making a comeback in China through a new partnership with Xiu.com, a leading online apparel merchant. The two companies said their new eBay Style online platform offered up to 5,000 brands of clothing, handbags, shoes, accessories, health and beauty products, and other lifestyle-category goods. Shenzhen-based Xiu.com is handling all sales, logistics and customer service in China, while eBay connects China's online shoppers to so-called trusted sellers in the United States and its other large markets. eBay Vice President Melanie Tan said the selection on offer "will be unmatched" in China, where more and more consumers are making purchases from its international online marketplace. "We have seen a 40% year-on-year increase of goods bought by Chinese consumers navigating eBay in English," Tan said. It is a tactical return to the mainland for eBay, which closed its domestic eBay EachNet website in 2006 after losing ground to Alibaba Group's Taobao online shopping platform. Since then, eBay has focused on helping Chinese companies, such as clothing retailer Vancl (Beijing), sell goods overseas. In 2010, eBay Chief Executive John Donahoe said the company had exited the domestic online retail market, but he added it would target opportunities to partner with Chinese companies. The Xiu.com partnership pits eBay against Tmall.com, China's largest business-to-consumer e-commerce service provider, in the apparel segment of the online shopping market.

- Tencent introduced its WeChat mobile messaging application in Taiwan, raising concern by opposition legislators who said they were worried the application might threaten individuals' privacy and the island's security if messages sent by users were spied upon. WeChat is a platform that allows users to connect with each other via features including hold-to-talk voice messaging, video chat, photo sharing and shake to find friends. Its hold-to-talk function is similar to a traditional walkie-talkie, but without distance limitations. WeChat now has more than 200 million users on the mainland and in Hong Kong, Malaysia and Indonesia.
- Tencent Holdings expects its online video business to begin making profits in a year or two, Alex Liu, General Manager of the Online Video Department said. He added that the costs of the online video business have declined and 2012 revenues are expected to increase by 450% year-on-year, up from the 300% rise seen from 2010 to 2011. Tencent's advertising revenues reached CNY879.7 million in the second quarter, up 71.7% from the same period last year. Most online video companies in China remain in the red, largely because they pay more than they earn for copyrights, bandwidth and their daily operation. About 10 companies now compete in the Chinese online video market.
- Baidu expects to record slower growth this quarter amid a sluggish economy. The company forecast revenue in the quarter to December to be between CNY6.15 billion and CNY6.34 billion, representing a 37.6% to 41.8% year-on-year rise. Nasdaq-listed Baidu reported a 60% rise in third-quarter net income to CNY3 billion from a year earlier. Revenue rose 50% to CNY6.25 billion. Earnings growth was due to a 28% rise in active online advertising customers in the past quarter to 390,000. The average monthly revenue per customer rose 17% to CNY16,000.
- China's major music websites are expected to form an alliance to start charging for music downloads at the beginning of next year. Subscriptions that will allow users to download an unlimited number of songs are expected to cost between CNY10 and CNY15 a month. Almost all music websites are in the red due to rising license fees paid to record companies.
- Microsoft has chosen Shanghai as the first city in China for commercial and public cloud computing services, Microsoft and the Shanghai government said. The cloud agreement enables customers in China to access Microsoft's Office 365 and Windows Azure services operated by 21Vianet in China. Cloud computing will create 4 million new jobs for China by 2015, IDC predicted.
- Hangzhou started offering free Wi-fi in all of its central areas. Authorities said 2,000 Wi-fi stations had been set up across the 220-square-kilometer area, and the signal would be stronger in densely populated areas.
- Chinese company AutoNavi led the domestic mobile map market while Google fell from being one of the top three firms to No 6 by the end of the third quarter, Beijing-based research firm Analysys International said. Google hasn't got the necessary license to operate mobile map services which means that Android-run phones officially sold in China have maps provided by other firms. AutoNavi is also the map service

provider for Apple's iPhone and iPad in China, with a 25.9% market share by the end of September, followed by Baidu's 19.1% and Tuba's 9.5%. Google was No 6 with a 9% share, according to Analysys.

- Sohu's net income plunged in the third quarter although it posted surprisingly better revenue. Net profit in the three months ended September tumbled 47% annually to USD24 million. Sohu posted a USD285 million revenue on rising online gaming income while operating expenses soared 36% in the third quarter. Its online gaming unit Changyou reported a 30% annual rise in income to USD151 million. Sohu expects revenue in the fourth quarter to rise 23.8% to 25.8% annually to USD288 million to USD293 million. Revenue at its search unit Sogou more than doubled to USD37 million in the quarter.
- The subway operator in Shenzhen in Guangdong province is investigating whether passengers' portable Wi-Fi devices were the cause of several suspensions of metro services earlier this month. Because of interfering signals, the trains on the Shekou line stalled a number of times under the automatic protection mode or failed to operate at full speed. Subway operators in other Chinese cities said they never had experienced such problems. Chinese media have blamed the problem on the transport company's cost-saving move to operate its trains using the publicly-available 2.4-gigahertz wireless band – which is also used by consumer electronics. Telecom authorities said the metro should have bought a license for a wireless band less vulnerable to interference.
- YY, a Chinese online social platform, plans to raise up to USD97.5 million through an initial public offering (IPO) on Nasdaq. The company's business covers gaming, social and online advertising. YY, which is touted as the “voiced Facebook of China” in IT circles, has 400 million users and was profitable for three consecutive quarters. In the first three months of this year, YY recovered from a loss of CNY87.1 million in the same period a year ago to a net profit of CNY55.95 million.
- Google says its search engine and other internet services had been cut off from much of China just after the Communist Party's 18<sup>th</sup> Congress started. Traffic to its services in China dropped sharply on November 9. Google's search engine and its Gmail web email were among the services affected. Google's YouTube video service has been inaccessible in China since 2009, while access to other services in China are blocked sporadically. In 2010 Google relocated its Chinese search engine to Hong Kong after a spat with authorities over censorship and cyber-attacks that Google said originated in China. According to Alexa, Google is the fifth most used website in China. Never before have so many people been affected by a decision to block a website.
- Youku Tudou, China's largest online video services provider, signed a five-year deal with Sony Pictures Television to bring over 300 film titles to its premium paid-viewing platform by year-end.

## **ONE-LINE NEWS**

- China successfully launched another satellite for its global navigation and positioning network. It was the 16<sup>th</sup> satellite for the Beidou, or Compass system. Since it started to provide services on a trial basis on December 27, 2011, the Beidou system has been stable, said a Spokesperson of the China Satellite Navigation Office.

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