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HARDWARE

Dell strengthens hold as China's No 2 computer brand

Dell strengthened its position as the second-biggest personal computer supplier in China in the quarter to September, despite slumping sales worldwide. “China is clearly the highlight for us, with the sequential growth [in the past quarter],” Amit Midha, President of Dell's Asia-Pacific and Japan operations, said. Dell's market share rose to 9% from 8% in the quarter to June. Bryan Ma, IDC's Associate Vice President for Asia-Pacific client devices research, said only Lenovo, with a 34% domestic share, performed better than Dell in the market in the past quarter. Kitty Fok, Vice President of IDC Asia-Pacific, said the release of new products, purchases made by students who went back to school in August and September, and improved inventory in distribution channels helped boost sales. Global sales for Texas-based Dell dropped 11% in the quarter to USD13.7 billion, which was less than analysts expected, from USD15.4 billion a year earlier. IDC estimated Dell's total shipments in the third quarter fell 14% year-on-year to 9.5 million units, for a 10.8% global market share behind industry leaders Lenovo and Hewlett-Packard. Midha said Dell's four-year-old strategy to build up its higher-margin enterprise and services business had “great success” in China. Dell is a leading supplier of server computers and storage systems used in the vast data centers of major Chinese internet companies, including Tencent, Baidu and Alibaba Group. China is Dell's second-largest market after the United States, accounting for about USD5 billion of its annual sales. The company also spends about USD25 billion a year in the market for manufacturing and sourcing of information-technology components and other related products.

Face-recognition system to be used at Hong Kong’s border control

Hong Kong’s Immigration Department plans to introduce a face-recognition system in addition to fingerprint-checking currently used for incoming travelers using e-channels, according to a document submitted to the Legislative Council's security panel. The Department also plans to consolidate and merge several control point systems – such as a system that provides self-service immigration clearance for vehicle drivers and a closed-circuit television system into an integrated control point system. “Face-recognition technology has reached high maturity and accuracy and is widely adopted in other advanced countries for automated border clearance purpose,” according to a feasibility study. These countries include Australia, Portugal, Germany and Britain. The Department estimates that over 60% of travelers will be holding electronic travel documents by 2016, and that this will gradually increase to over 90% in 2020. This underlines the possibility of further automation in immigration clearance procedures, the document says. It was not clear whether it only referred to Hong Kong residents, or also other categories of travelers entitled to use e-channels, such as enrolled frequent visitors from the mainland or residents of Macao.

Latest iPhone and iPad coming to China

Two Chinese telecom carriers – China Unicom (Hong Kong) and China Telecom Corp – started offering Apple iPhone 5 handsets in the Chinese mainland on December 14, almost three months after the iPhone 5’s debut in the United States. China Unicom will offer service contracts for the device starting at CNY5,899 and China Telecom will offer it at a contract-plan price starting at CNY5,288. The iPhone 5’s debut in the Chinese market marked the first time that the two telecom carriers competed with each other over customers starting from the release of an Apple mobile phone product. China Telecom signed an agreement with Apple and began selling iPhone 4S devices in the domestic market in March, making it the second Chinese operator, after China Unicom, to introduce an iPhone handset on contract in the mainland. China Telecom, a latecomer in becoming an authorized partner of Apple, is now moving more aggressively to capture market share. China Telecom started allowing customers to pre-order the iPhone 5 on December 2, a day before China Unicom. Even so, analysts said China Unicom holds several advantages in the race to sell iPhones, such as a longer relationship with Apple, a well-developed distribution channel and a long-standing management group, according to Huang Meng, Telecom Analyst with Beijing-based Analysys International. Apple's ranking in the Chinese smartphone market fell to No 6 in the third quarter, when the company commanded less than 10% of the Chinese market. “I don’t think the iPhone 5 will help Apple lift its rankings in the Chinese market, since Apple merely concentrates on high-end buyers,” said Sandy Shen, Analyst at technology researcher Gartner. Apple’s latest iPhone had received final clearance from Chinese regulators, shortly before its official release on the Chinese market. Two iPhone 5 models received approval: the A1429, a WCDMA model that runs on China Unicom’s network, and the A1442, a CDMA model that runs on China Telecom’s network. Apple also released the iPad mini and its larger sibling, the fourth-generation iPad, in China on December 7.

- Apple's personal computer sales in China advanced to a record high in the third quarter, making the company the country's eighth largest computer brand. Market research firm IDC said Apple shipped 400,000 personal computers in the quarter to September, compared with 250,000 units in the same period last year. That enabled Apple to take a 2% market share, up from 1% last year, when it was ranked 11th.

Notebooks comprised 85% of the computers sold by Apple in China last quarter, up from 75% in the same quarter last year. Still, Apple is far from challenging leader Lenovo, which had a 34% share last quarter. Apple Chief Executive Tim Cook said China represented 15% of the firm's total revenue in its last fiscal year.

- Pacnet, operator of Asia's largest privately-owned submarine cable network, signed a deal to build a CNY450 million data center in Tianjin. Hong Kong-based Pacnet is co-developing the project with the district government and will start construction next year. It expects the facility to become one of its largest data centers when it is completed in early 2014.
- Apple will open a new store in Chengdu in Sichuan province, the first one in west China, and the third store in Hong Kong on December 15. Apple will then have 11 stores in China, including three in Shanghai, three in Beijing and one in Shenzhen, Guangdong province. The new stores are set to boost iPhone sales in China.

OPERATORS

China Mobile aims to sell more than 100 mobile phones next year

China Mobile seeks to sell more than 100 million mobile phones next year, or a 25% growth year-on-year. More than 60% of the mobile phones are specially designed by phone makers like Motorola and Nokia, while 80% of the sold phones will be smartphones, Ma Jingxin, China Mobile's Mobile End Division Manager, said in Beijing. Ma didn't provide China Mobile's sales figure for 2012 but the telco previously predicted sales at 70 million to 80 million units. "Smartphone sales will be a major catalyst for our sales as demand of mobile phone replacement surges," Ma said. In the third quarter, mobile phone sales in China totaled 63.7 million units, down 7.5% from a year ago. However, smartphone sales soared 121% to 49.2 million units, according to Analysys International. Morgan Stanley said it is "possible" for China Mobile, the world's biggest mobile carrier, to cooperate with Apple to launch a new 4G iPhone that will be compatible with its TD-SCDMA network next year, which will boost its sales. China Mobile has confirmed it is working on setting up an internet company, ending months of speculation, but Chief Executive Li Yue did not elaborate. The traditional mobile-telephone market is reaching saturation with more than one billion subscribers. Internet companies are nibbling away at the market of telecommunications operators because some services China Mobile offers can be replaced by internet technology, such as online mobile messaging replacing SMS. You Tianyu, Senior Analyst at iResearch, said the company could transform subscribers into users of mobile internet services, especially in the fields of music-sharing, online games and mobile reading. "In fact, China Mobile has launched some mobile services in the past several years, for example Feixin, a mobile instant messaging service," You said. China Mobile also plans to develop its own self-branded mobile phones, but Li said he would not be looking to compete with other mobile vendors. He took U.S.-based Wal-Mart Stores as an example of how some companies sell other producers' merchandise, while also providing customers with products sold under their own brand. Other Chinese internet companies, including Baidu, Alibaba Group and Qihoo 360 Technology, have already launched self-branded smartphones. By launching their own mobiles, companies can embed their internet services into the devices, creating closer ties with customers.

China Mobile is investigating the feasibility to directly upgrade its 2G base stations to 4G. The number of China Mobile's GSM stations is more than double the carrier's TD-SCDMA 3G base stations. By making better use of its GSM 2G resources, China Mobile would be able to deploy its 4G network in a much shorter time because it takes only one hour to update a 2G station. The Chinese government is expected to issue 4G licenses next year. China Mobile also plans to develop the market for Near Field Communication (NFC) next year. The Chinese market may have a mobile payment user base of 387 million by 2014, with a transaction volume of CNY385 billion, said Beijing-based research firm Analysys International. China Mobile Chief Executive Li Yue said he would not add the iPhone to the company's TD-SCDMA network without a favorable deal. There are also some technical issues which still need to be resolved, he added. Apple's iPhone is available with the two smaller carriers – China Unicom and China Telecom, both of which sell it with a subsidy.

Hutchison and Fixmo offer mobile security service

Hutchison Telecommunications Hong Kong has joined forces with Canada's Fixmo to deliver "high-grade" personal data security to smartphone users in the city. The mobile unit of

Hutchison Telecom, 3 Hong Kong, said that it was the first carrier worldwide to partner with Fixmo, developer of mobile risk management technology in cooperation with the U.S. National Security Agency. The new “3 Super Safe” application combines anti-theft, anti-virus and data-protection features to help both corporate and consumer smartphone users secure their information. According to official data, theft of mobile phones has been on the rise in Hong Kong, growing by nearly 25% from 2009 to last year. About 20 mobile phones on average were lost or stolen in the city each day last year. A survey by the Office of the Privacy Commissioner for Personal Data found that nearly 90% of smartphone users had no security software on their devices. Market research firm Ovum said in a report that nearly 70% of all smartphone-owning professionals used their personal device to access corporate data. Almost 80% of all this “bring-your-own-device” activity remained inadequately managed by corporate IT departments, the report said. The 3 Super Safe application, which is managed by Fixmo, is available for download by 3 Hong Kong subscribers at HKD18 a month. Non-subscribers can also get the app from the Google Play Store, for Android smartphone users, and Apple's online App Store, for iPhone users, but at a rate of HKD28 a month. 3 Hong Kong had 3.64 million subscribers in Hong Kong and in Macao at the end of June. About 79% were either on 3G or 4G tariff plans.

- China Unicom (Hong Kong) has moved a step closer to acquiring its parent company's fixed-line infrastructure on the mainland, following the deal's endorsement by the carrier's Independent Board Committee and financial adviser Rothschild. The operator agreed to pay CNY12.2 billion in cash for Unicom New Horizon Telecommunications, which controls the fixed-line network assets that Unicom leases, from state-owned parent China United Network Communications Group. The operator's independent shareholders will vote on the proposal at an extraordinary general meeting on December 21. The deal is also subject to regulatory approvals, including that of the State-owned Assets Supervision and Administration Commission (SASAC).
- China Unicom (Hong Kong) expects to sell 140 million handsets running on its 3G mobile network next year. Ku Wei, Deputy General Manager of China Unicom’s Marketing Department, said the company has almost a 50% market share of China’s 3G market. As of October, China Unicom had sold 70.5 million 3G handsets for its WCDMA network, accounting for 49.3% of the total 3G devices sold in China, and about 190 million 3G mobile devices will be sold this year in China, up 73% year-on-year, Ku said.
- China Unicom (Hong Kong) and Microsoft launched an alliance based on Microsoft ’s Windows operating system. The partnership might boost the sales of products that run on Windows in China. Windows Phone devices now hold only a small share of the Chinese market, accounting for less than 3% of the total in the third quarter.

RADIO, FILM & TV

Film Committee to subsidize theaters showing domestic films

The Managing Committee of the National Film Development Fund released a new policy to return all or part of the Committee’s 5% cut of box office revenue to theaters that show more domestic films. Theaters will get the 5% back if more than half of their yearly revenue comes from domestic films. They will get 80% out of the 5% box office revenue back if domestic films rake in 45% to 50%. Theaters whose yearly box office has less than 45% coming from domestic films will not get the bonus, unless the domestic films’ revenue sees some growth over the previous year. Statistics from the State Administration of Radio, Film and Television (SARFT) show that by October, box office revenue so far this year is CNY12 billion, and only 40% of it is from domestic films. According to Liu Hui, Deputy General Manager of Beijing UME Cineplex, domestic films so far this year have grossed about 40% of their entire box office of 2012. UME’s two theaters are among the most frequently attended cinemas in Beijing. More fierce competition is imminent, as this year the quota of foreign films in Chinese theaters has increased to 34 from the original 20, and their box office share has jumped to 25% from 13%. A local 3-D/Imax or 3-D/Dmax film will be awarded CNY1 million if it grosses CNY50 million to CNY100 million; the bonus will be CNY2 million if the film grosses CNY100 to CNY300 million; and films that earn more than CNY500 million at the box office, such as Painted Skin 2, will be awarded CNY10 million. Liu, of UME, worries that the policy may cause an instant mania of special-format films, while not all stories need to be presented in 3-D or on big screens, the China Daily reports.

Two film companies plan IPOs

Two state-owned film conglomerates, China Film Co and Shanghai Film Group, have entered the final preparation period before launching planned initial public offerings (IPOs), according to the China Securities Regulatory Commission (CSRC). Both plan to be listed on the Shanghai Stock Exchange. China Film Co plans to use the money to build movie theaters. The company now has a controlling share or smaller stake in six cinema chains, including Shenzhen China Film South Cinema Circuit Co and China Film StellarTheater Chain Co, which account for about 40% of the country's total box-office receipts. Shanghai Film, in contrast, is likely to use the capital it raises in a more general way, putting it into film distribution, production, media and technology. China Film Stellar, one of the six cinema chains China Film Co has invested in, operated 197 cinemas and generated CNY1.38 billion from ticket sales in 2011. That amount constituted 10.5% of the box-office receipts collected that year in China, according to figures compiled by EntGroup Consulting, a Beijing-based entertainment industry consultancy. China Film was established by China Film Group Corp, the largest state-owned film conglomerate in the country, and seven other enterprises in 2010. Among the other founders were CNR Media Group and Hunan TV & Broadcast Intermediary Co. China Film Group has a 93% stake in the company, and the other seven companies each hold a 1% share. In 2011, China Film invested in 18 films and exclusively oversaw or participated in the distribution of 134 films, including imported productions. In the same year, Shanghai Film Group invested in seven films and was involved in the distribution of 12. The two conglomerates' planned IPOs will have a significant effect on the film industry, insiders and analysts said. EntGroup estimated China Film Co generated between CNY2.8 billion and CNY3.2 billion in revenue in 2011, while Huayi Brothers Media Group, the first private film company to be listed in China, reported CNY892.4 million in revenue for 2011. Shanghai Film had CNY2 billion in revenue last year and a net profit of CNY194 million. Huayi reported a higher net profit for the same year, saying its figure was CNY202.9 million, the China Daily reports.

China cinema chain Wanda looking to acquire U.S. hotels

China's privately-owned Dalian Wanda Group, the world's largest cinema owner, is in talks with "well-known" hotel chains for acquisitions in the United States, Chairman Wang Jianlin said. Wanda, which also has interests in real estate, tourism and department stores, bought U.S.-based cinema chain AMC Entertainment for USD2.6 billion in September. The company will invest USD10 billion in the U.S. over the next decade and is in talks with famous hotel brands for acquisitions in the Washington DC area, New York and Los Angeles, said Wang. The company is also in negotiations with the city governments of Washington DC, New York City and other American cities for the construction of hotels, department stores and commercial properties. Wang also said he will be working with three or four of the top six U.S. movie studios on deals to co-finance and co-produce movies. Wang Jianlin is China's third-richest man, according to Forbes.

Huayi Brothers acquires GDC Technology

Huayi Brothers Media Group, one of China's leading private film production companies, said it had acquired a 9% stake in digital cinema equipment and solution provider GDC Technology for USD20.92 million. "This deal will lay a sound foundation for Huayi's theater business in terms of technology, as GDC Technology is a leading provider of digital film screening solutions in the industry," said Cai Ling, a cultural industry consultant with the Shenzhen-based CIC Industry Research Center. Huayi Brothers entered the movie theater sector in 2010, with its first cinema opening in Chongqing, and it currently has 12 cinemas across the nation. In the first three quarters of 2012, Huayi Brothers reported total revenue of CNY707.8 million, up 47.06% year-on-year. Its cinema arm accounted for 11.86% of the revenue, and its production sector contributed 33.26%, according to the company's financial report. "In recent years, the number of cinemas has increased rapidly, intensifying competition in the sector. Huayi Brothers, as a latecomer to the movie theater business, has the potential to develop better than its cinema rivals with GDC's technological support," Cai said. The number of cinemas in China grew from 1,545 in 2008 to 3,293 this year, according to the State Administration of Radio, Film and Television (SARFT). "GDC Technology's core advantage lies in its technologies for digital screening, which are generally applied in 3D film screening," said Cai. According to SARFT, in the first nine months of 2012 China had 11,835 cinema screens, with digital screens accounting for 90% of the total, and more than 8,565 digital screens able to show 3D films. The number of 3D screens in China rose from 2,020 in 2010 to 5,355 last year, according to EntGroup Consulting, a Beijing-based entertainment consultancy. The deal will also boost Huayi's film production business, because technologies used in the screening of films will always require a corresponding improvement in filmmaking technologies, said Huang Qunfei, General Manager of Beijing New Film Association Co, one of China's largest theater chains. Huayi's latest move is seen as a further step in building its full film industry chain. More film production and distribution companies are branching into the cinema business, including Nasdaq-listed Bona Film Group, which started as a film distributor, and Beijing Galloping Horse Film & TV Production Co, which is known for its film and TV productions, the China Daily reports.

- Huayi Brothers Media Group's shares slumped after a rumor that first day box office revenues of its newly released movie, Back to 1942, were just CNY18 million, lower than expected.

SOFTWARE

Microsoft to set up R&D center in Wuxi

Microsoft will invest CNY300 million in the next three years to set up a research and service center in Wuxi in Jiangsu province. Expected to create 600 jobs within three to five years, the new center will open next year. The facility will help Microsoft and the Wuxi government to cooperate on building an intelligent city, cloud computing, software and intellectual property protection. It will be Microsoft's second regional base in China, after its Shanghai headquarters. Microsoft said last month it will start public cloud computing services in Shanghai, the first overseas firm to be approved to do so.

TELECOM MFG. CO.

Huawei Technologies to build Finnish R&D center

Huawei, the world's second-largest telecom equipment vendor by sales, announced it will invest €70 million over a five-year period to establish a research and development center in Helsinki, Finland. Helsinki is also the headquarters of Nokia Corp, previously the world's top mobile phone manufacturer. The initial projects of Huawei's Finnish R&D center will focus on software development for smartphones, tablets and other devices. It will work on improving the user experience of existing operating systems such as Google's Android mobile platform and the Windows Phone 8 operating system. Huawei plans to recruit 30 employees for the center from the outset, with the goal of hiring more than 100 employees over five years, according to a statement by the company. "It is a good opportunity for Huawei to expand in Finland. The country, thanks to Nokia's contribution, is full of mobile phone R&D talent," said Ji Chendong, Telecom Analyst at KPMG China. Since Nokia is cutting jobs worldwide, Huawei can employ enough qualified staff at a good rate, Ji said. Kenneth Fredriksen, Vice President of Huawei Central, Eastern and Nordic Europe, said: "The open and innovative environment in Finland is an ideal place for Huawei to strengthen its global R&D capabilities for devices, creating opportunities for both Huawei and the Finnish telecommunications industry." Wan Biao, Chief Executive Officer of Huawei Device Co, said previously that the telecom company aimed to be among the top three mobile phone manufacturers by 2015. Huawei expected to ship 60 million smartphones across the globe in 2012, with its total mobile phone shipments reaching 100 million units during the period, according to Huawei. Europe has been a key market for both Huawei's telecom equipment and device businesses, said Beijing-based Telecom Industry Analyst Xiang Ligang. The Finnish center can help Huawei produce more localized products and strengthen Huawei's branding in Europe, he added. In September, the company announced a USD2 billion investment in R&D, local procurement and a center of excellence initiatives in the United Kingdom.

- Samsung Electronics said an internal audit of suppliers in China found "inadequate practices" that include employees working more overtime than allowed by law. Samsung found that some of the 105 suppliers checked in September were fining workers for being late or absent and were holding copies of labor contracts. But the review didn't identify any instance of child labor at the suppliers, Samsung said. China Labor Watch said in a report in September it discovered "severe labor abuses" at factories owned and operated by Samsung and its suppliers. Samsung said it examined 105 companies in China, with a total of more than 65,000 workers, during a four-week period, and will review another 144 suppliers by year's end.

- High profile smartphone maker Xiaomi has purchased a stake Kingsoft's cloud computing unit. The purchase price is quite modest, with Xiaomi paying just USD1.82 million for its 10% stake. Xiaomi's charismatic Co-founder Lei Jun is already a major stakeholder in Kingsoft. Cloud services could become a key element in both of Xiaomi's main product areas – its original smartphone business as well as its newer internet TV product launched in November. Xiaomi aims to not only offer hardware but also services like instant messaging that are specially designed for its products.
- ZTE has entered into a “strategic cooperation agreement” with the China Development Bank, a Beijing-based policy lender, giving it access to USD20 billion in financing to help its customers finance their purchases. Western governments and rivals have accused it of receiving unfair support from Beijing. The company's profits and margins have shrunk rapidly over the last year, as it made an aggressive push into low-cost smartphones in a bid to quickly gain global market share and diversify its product portfolio beyond its traditional networking equipment.

WEB

Baidu, Qualcomm enable new online service for Android users

Baidu, the country's biggest internet search services provider, and Qualcomm are offering a free online storage service for devices powered by Qualcomm's latest Snapdragon processors. The service covers smartphones and media tablets that run Google's Android operating system and are built with either the 8x25 or 8x25Q Snapdragon chip. Users will get up to 30 gigabytes of storage space from the “Baidu Cloud” service platform for the lifespan of the device. The service provides users an online hub where they can securely store and access their music, video, photos, contacts and other digital files. Wang Jing, Vice President of Engineering at Baidu, said the offering “demonstrates Baidu's ability to launch a service that covers developers across the value chain, spanning chipset to software”. The partnership with Baidu marks Qualcomm's sharpened focus on serving China, where a wide range of affordable Android-based devices are being manufactured. Qualcomm has more than 65 licensees in China using various versions of its Snapdragon chip. Its customers include Lenovo, Huawei Technologies, ZTE, TCL, Techfaith Wireless Technology, Ningbo Bird and Hisense.

Chinese online sellers more active on eBay

Online sellers from the mainland, Hong Kong and Taiwan are reporting brisk sales outside their home markets through eBay's international e-commerce platform. According to eBay’s Greater China Exporters' Index, about 7,500 eBay merchants from the mainland achieved revenue of more than USD100,000 and posted 68% sales growth on average in the 12 months to June. John Lin, Vice President at eBay Greater China, said the market's eBay sellers were forecast to ship about 200 million parcels worldwide by next year, equalling the estimated number to be shipped by eBay merchants from the whole of Asia this year. An eBay internal survey found that most of the 7,500 large eBay sellers in China, which included 263 with annual sales of more than USD1 million, plan to hire more staff to meet growing demand overseas. About 90% of mainland eBay sellers intend to employ more staff, while 76% of Taiwan merchants and 67% of Hong Kong vendors also aim to do the same. Chinese companies’ e-commerce exports to Argentina increased by 96%, to Israel by 72%, and to Ukraine by 71% from July 2011 to June this year, according to figures of eBay’s online payment arm, PayPal. “While consumer electronics, clothing and jewelry remained the strongest category that companies export via e-commerce, household products, auto parts and sporting goods are increasingly popular,” Lin said. Despite the growth, the surveyed sellers cited intensifying global competition, high logistics expenses, and large retailers turning to online sales as their main concerns. China has become one of the top five countries on eBay in terms of revenue, Lin said.

Savvis to offer virtual hosting services in Hong Kong

International data center operator Savvis aims to support the online marketing activities of global brands in China through its new “virtual hosting” service in Hong Kong. According to a recent study by Canadian firm Strangeloop Networks, the websites of major luxury brands took more than 16 seconds on average to download by mainland internet users. About 80% of consumers leave a site that took more than three seconds. “Many brands tried to bypass these latency issues in the international network connection by hosting their content within the market, only to find the process of securing a local-hosting license onerous," said Mark Smith, Managing Director for Asia at Savvis. Virtual hosting service enables foreign brands to host their web content at Savvis' Tsuen Wan data center, which uses so-called caching and dynamic delivery technologies to distribute content on the mainland via the company's network of domestic data-communications facilities. "This makes it easy to get companies' web content in mainland China and satisfies domestic consumers' interest in foreign brands' websites," Smith said. He cited a recent survey by research company Ipsos China which found the purchasing decisions of nearly half of 1,050 local respondents were influenced by the websites of major brands. Savvis, a subsidiary of CenturyLink, the third-largest telecommunications services provider in the U.S., has targeted financial services, media and e-commerce brands as initial users of its virtual hosting service. "In Hong Kong, we will have a combined 200,000 square feet of data center space – our largest footprint in Asia – once that facility is opened in September next year," Smith said, as reported by the South China Morning Post.

Alibaba reports CNY1 trillion worth of transactions

Alibaba Group reported record transactions of CNY1 trillion in the first 11 months of this year, or equivalent to 5.4% of the country's total retail sales last year. Its consumer-to-consumer site Taobao.com achieved CNY800 billion of sales and the business-to-consumer arm Tmall generated around CNY200 billion. The total figure nearly doubled that of the whole of 2011. Zeng Ming, Alibaba's Chief Strategy Officer, credited the record sales to "standing on the shoulders of 6 million vendors, tens of thousands of online services staff and countless courier deliverers." Shanghai buyers contributed 7% of the CNY1 trillion sales, less than what residents in Zhejiang, Jiangsu and Guangdong provinces spent. A younger generation of shoppers aged between 25 and 35 contributed 59% of this year's record sales but the company predicted that future growth is set to come from a wider consumer group. Hangzhou-based Alibaba said it hopes to have more than 1 million vendors with annual sales topping CNY1 million by the end of 2014. It is expecting a more diversified portfolio of sellers to drive spending from consumer groups that are still not accustomed to online shopping. Alibaba also targets annual sales of CNY3 trillion in as early as five years as more vendors flock to the platform. China is expected to overtake the U.S. to become the world's biggest e-commerce market in 2015, according to the Boston Consulting Group. The number of Alibaba's users has grown to more than 600 million since its founding in 2003, when it achieved a transaction volume of only CNY20 million, the Shanghai Daily reports.

Shanghai police warn users about fake wi-fi services

Police in Shanghai are warning residents to be cautious when using free public Wi-Fi service i-Shanghai as fake ones such as "I-Shanghai" are being used by hackers to steal users' private information. Hackers can easily build Wi-Fi hot spots in public venues and give them names similar to the official one to confuse and entrap users and steal usernames and passwords. Although i-Shanghai is a free service, it still requires users to obtain a password before getting online. To obtain the password, users should provide their cell phone numbers and the password would then be sent to their phones. The fake Wi-Fi services, however, would not require any password, police said. As part of a program to turn Shanghai into an "intelligent city," i-Shanghai began providing free wireless hot spots in July covering 30 public venues including railway stations, ports, hospitals, exhibition centers and a number of popular scenic spots such as Xintiandi and Yuyuan Garden. Shanghai residents can log onto i-Shanghai for two hours of free internet access every day. By the end of this year, the city is expected to have service at 300 major public places.

Shanghai to become smart city

Shanghai is on course to become a smart city by boasting the country's highest number of 3G network cellphone users and the most concentrated wireless signal coverage, among other key indicators that define a digital hub. Those are the key findings of the Smart City Shanghai Development Report. The city is now home to 6.3 million 3G users under three different networks, 2.2 times the number in 2010. The city's has about 15,600 Wi-Fi hotspots, more than double the number of 2010. Shanghai has pledged to accelerate the deployment of the wireless local area network (WLAN) with the highest density nationwide of 115,000 access points. Cellphone users can enjoy two hours' free internet surfing at 140 public places. China Mobile Group Shanghai expects to invest CNY13 billion over three years to deploy seamless mobile connections. It has so far set up more than 40,000 WLAN access points in the densely dotted city hubs, and the number is set to triple in two years.

One-day shopping sprees boost e-commerce

After enjoying a one-day online shopping bonanza on November 11, Chinese e-commerce players organized a second one dubbed the “double 12” shopping spree on December 12. The promotion, initiated by Alibaba Group Holding, aimed to attract users by offering distinctive products and services rather than emphasizing low prices. The November 11 promotion generated sales worth CNY19.1 billion, about 50% more than Cyber Monday in the United States on November 26. By the end of June, China had 210 million regular online shoppers, and the country is expected to become the world’s largest online retail market next year. Online sales made up about 4.32% of all retail sales last year. Roland Berger Consultants estimates that about a quarter of books were sold online in China this year, making it the most popular online category. Online shopping is also expected to account for a fifth of all electronic devices sold, a tenth of sportswear, and 6% of mother and baby care products. Everyday goods, furniture and food, on the other hand, are bought far less online. Lu Bowang, President of China IntelliConsulting Corp, a market research company, added that categories such as building materials and some types of furniture are likely to see substantial growth in the next two to three years.

- Alibaba Group more than doubled its April-June net profit and grew sales by 71%, proving it has shrugged off intensifying competition in the sector. According to a Yahoo filing to the U.S. Securities and Exchange Commission (SEC), Alibaba Group's net attributable income for the quarter was USD273 million, up 129% from a year ago. Revenue rose 71% to USD1.1 billion.
- 360buy.com, China’s second-biggest business-to-consumer website by revenue, has confirmed it has completed a new round of funding from investors, including the Ontario Teacher Pension Fund and Tiger Global Management. According to a report from caijing.com.cn, 360buy’s new funding was for a total USD400 million, of which the Ontario Teacher Pension Fund invested USD250 million.
- Tencent Holdings saw its profits increase 32% in the third quarter after attracting more advertisers to its social networking websites and adding more online-game players. Net income climbed to CNY3.22 billion from CNY2.45 billion a year earlier. Pony Ma, Tencent CEO, said users of social-networking sites, including Qzone and Pengyou, boosted web advertising sales.
- NetEase, the second-largest online game operator in China, said its net profit decreased by 1.7% in the third quarter to CNY812 million. The drop mainly resulted from a decrease in revenue from Blizzard Entertainment’s online game World of Warcraft, which NetEase operates in China, and increased sales and marketing and research and development (R&D) expenses. The company said the higher revenue from NetEase’s self-developed games was partially offset by a decrease in revenues from World of Warcraft.
- Chinese internet company Sina Corp eked out a profit in the third quarter that beat expectations as strong advertising sales on its microblogging platform offset weaker website advertising. It is forecasting that the current-quarter revenue will be below expectations. Sina expects adjusted net revenue to range between USUSD132 million and USD136 million in the fourth quarter, with advertising revenues forecast to increase between 6% and 8% from a year earlier. Sina, which makes most of its revenue from online advertising both on its website and through its microblogging platform, Weibo, is facing stiff headwinds as firms cut advertising budgets in a worsening economy.
- China’s largest e-commerce company Alibaba Group is planning to buy a stake in Sina’s Weibo, the nation’s most popular microblogging service. Negotiations between the two have entered the final phase. Alibaba has valued Sina Weibo at around USD3 billion. According to media reports, Alibaba plans to buy a 15-20% stake in Sina Weibo. “We see the potential deal is synergetic to both parties,” Credit Suisse said a research note. Alibaba’s investment in Weibo will help drive web traffic to Taobao, while providing incremental advertising revenue to Sina Weibo, the note said.
- China’s three dominant dot-com names – Baidu, Alibaba and Tencent Holdings – have successfully tapped global funding this year, stockpiling a combined USD6 billion in debt despite investor skepticism about Chinese companies. They plan to consolidate

their dominance in China and expand abroad, possibly including acquisitions.

- SMS has celebrated its 20th anniversary on December 3, 1992, but the format is becoming less popular also in China, where other forms of internet communication are gaining ground. In China, users sent out 736.1 billion text messages last year, up from 502.74 billion four years ago, but China Mobile's SMS revenue had declined by 11.7% to CNY46.46 billion last year. The SMS text message overtook the phone call to become the most popular way of sending Lunar New Year greetings in 2005, with more than 10 billion text messages sent during the seven-day holiday that year. It was popular mainly because it was cheaper than making a phone call.
- Autonavi, China’s largest mobile map service provider, and Sina Weibo plan to integrate their location and social services as both firms aim to tap their total user base of about half a billion users. With 400 million users, Sina is likely to yield income from the location service through its popular twitter-like Weibo services in the long run. AutoNavi has 100 million users in the domestic market. “The cooperation represents the trend of SoLoMo, or the convergence of social, location and mobile services,” said Qie Jianjun, Vice President of Nasdaq-listed AutoNavi. Both firms will debut the service in the first half of 2013. By the end of the third quarter, AutoNavi led the domestic mobile map services market with 29.5% share, Analysys International said.
- Google is closing its Chinese online shopping search service, while at the same time, domestic players Jingdong Mall and Suning are continuing their aggressive expansion, with the former pouring funds into cloud-based services as the latter launches a major initiative based in its brick-and-mortar superstores. Three months ago, Google already closed its China-based music search service. Instead, the company is developing more mobile-based products centered around its Android operating system.

ONE-LINE NEWS

- Shenzhen Metro shut off 3G services for a day in November after radio-frequency interference brought subway trains to a stop between stations. The metro’s management shut down the 3G service to help determine what had been causing trains to unexpectedly stop between stations on the Huangzhong and Shekou lines. Almost every subway in China uses the 2.4-gigahertz frequency for its wireless train operating system, the same frequency used by consumer electronic devices. Portable Wi-Fi routers are suspected to be part of the problem.
- Gome Electrical Appliances, China's second-largest seller of home appliances, is betting on e-commerce to reverse declining sales after reporting a loss of CNY687 million in the first nine months, compared with a profit of CNY1.79 billion for the same period a year earlier. Gome had budgeted CNY400 million to advertise its e-commerce business on CCTV, making it one of the biggest spenders on television advertising for the next year.
- Shanghai opened four new industrial parks in Xuhui, Huangpu and Baoshan districts and the Pudong New Area, unveiling favorable policies alongside, to give the local mobile internet industry a shot in the arm. The city is hoping to lead China in the new sector by 2015, officials said at the Shanghai Mobile Internet Industry Summit. Shanghai’s mobile internet industry revenue will hit CNY80 billion by 2015, creating a total of 60,000 jobs, compared with CNY13 billion now.
- Sri Lanka launched its first communications satellite in cooperation with the China Great Wall Industry Corp. Vijith Peiris, Chief Executive of SupremeSAT, said in Colombo that the launch from the Xichang Satellite Launch Center in western China was successful.

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