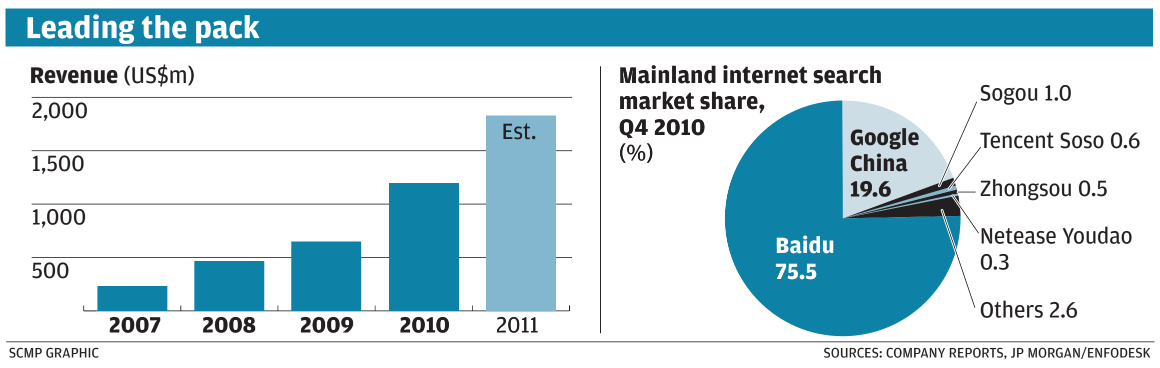
Baidu plans social-networking expansion

Bien Perez

Mainland internet search giant Baidu wants to expand its social networking-related services and may pursue a separate listing for online video company, Qiyi.com, to further grow its business in the world's largest internet market.

Chairman and chief executive Robin Li Yanhong revealed those plans yesterday after Baidu reported a nearly threefold growth in net income in the quarter to December.

Baidu, the country's leading internet search service provider, saw fourth-quarter net income reach 1.16 billion yuan (HK$1.37 billion), up 171 per cent from 427.86 million yuan a year ago, on strong advertising sales generated from large and small enterprise customers.



With rival Google continuing to lose domestic market share following its dispute with mainland authorities early last year, Nasdaq-listed Baidu's revenue last quarter rose 94.4 per cent to 2.45 billion yuan from the previous year's 1.26 billion yuan.

Baidu, which was established in Beijing in 2000 by co-founders Li and Eric Xu Yong, generates most of its revenue through pay-per-click advertising and customised search solutions.

Online marketing revenue last quarter grew 94.4 per cent year on year to 2.45 billion yuan and had about 276,000 active customers, which represented a 23.8 per cent year-on-year increase.

Mainland research firm Analysys International estimated that Baidu's share of the domestic online search market reached 75.5 per cent in the fourth quarter last year, from 73 per cent in the third quarter, 70 per cent in the second and 64.2 per cent in the first.

By comparison, United States-based Google's online search market share on the mainland has fallen steadily to 19.6 per cent in the fourth quarter from 21.6 per cent, 24.2 per cent and 31 per cent in the previous three quarters.

Baidu expects to generate total revenue ranging from 2.38 billion yuan to 2.45 billion yuan this quarter.

"Looking forward we will further integrate search with online activities such as e-commerce and social networking," Li said.

He noted that Baidu would continue to invest in developing social-networking products. Li said the current range of so-called "community" services – including Post Bar, Knows, Encyclopedia, File Sharing and Music Master – "are significant drivers of growth" and "collectively represent a quarter of Baidu's total traffic".

Baidu's majority-controlled Qiyi.com, which was established eight months ago and features high-quality licensed video content, "could list in the public market going forward", he said.

In February last year, Providence Equity Partners invested US$50 million in Qiyi.com.

The US private equity firm is part of the investor group that recently agreed to buy the 26 per cent stake held by Shaw Brothers (Hong Kong) in television station Television Broadcasts.

Andres Kiger of Coca-Cola in China praises the emerging market as important for its new brands such as Minute Maid Pulpy. Photos: Reuters

Coke's US$1b made-in-China brand

Reuters in Shanghai

Coca-Cola, the world's largest soft-drink company, has made its first "billion-dollar brand" from an emerging market, it said yesterday, highlighting a strategy for growth with sales flattening in developed markets.

Minute Maid Pulpy, a juice drink dense with pulp, joins Coke's line-up of 13 other brands that have achieved sales of at least US$1 billion, which include Coke Zero and Diet Coke.

It was the first time that a Coca-Cola brand, developed and launched in an emerging market reached the billion-dollar mark, said Andres Kiger, senior director of integrated marketing communications for Coca-Cola in China.

"What makes this one important for us is that this was started here, in an emerging market, China, and that's a testament to China," he said.

It is also testament to the company's commitment to a market with 1.3 billion consumers, after the Chinese government blocked its US$2.4 billion bid for Huiyuan in March 2009, citing competition concerns.

That deal would have been the largest foreign takeover of a Chinese company and its rejection in the depths of the global financial crisis spawned fears China was raising barriers to overseas companies.

Minute Maid Pulpy, developed in China and released in 2005, is now sold in 18 markets including Algeria,

Minute Maid Pulpy, launched in China, joins 13 other brands in the billion-dollar sales club.

Mexico, Malaysia and Vietnam. Analysts said this trend of developing products for China and later exporting them to other countries was likely to continue.

"China is going to be used as a test base for new food and beverage products, because of its huge and diverse population. If it can succeed in China, chances are it will overseas," said Marie Jiang, a retail analyst with Pacific Epoch.

China's soft drinks industry is growing at a compounded annual growth rate of 12.8 per cent, last year's data from Euromonitor International shows. Its juice drink segment is growing at 16.2 per cent annually, one of the fastest growing segments overall. China's juice market is expected to more than double to US$23.9 billion by 2015 from current figures, data from Euromonitor shows.

Coke sees huge potential for its beverages in China, where per capita consumption is only 32 bottles of Coke products a year, compared with 150 in Hong Kong and more than 500 in the United States.

Coke's sales in developed markets have been slowing for years. To reach its targeted 5 to 6 per cent annual earnings growth, it will need to focus increasing efforts in emerging markets that generate annual economic growth in that range, including China, India and Africa.

It is increasing investments in developing countries as part of its strategy to double by 2020 its US$100 billion of total global revenue in 2009.

Coke said it would commit US$2 billion in investment into China and last October opened three new plants in Inner Mongolia. Coca-Cola has three "billion-dollar" juice brands, including Minute Maid Pulpy, and says juice is its number-two priority behind sparkling beverages.

"There is now definitely a trend in China towards health. More and more consumers are willing to drink the juice beverages not the carbonated drinks," Jiang said.

Investors learn the downside of accumulator

• CONTINUED FROM B1

duration of the accumulator's contract has been shortened.

More than 100 investors who were in the same situation as Qi filed complaints to Chan Kam-lam, another Hong Kong legislator, after they lost money following the global financial crisis. But Chan said the investors would have a hard time proving their case in court.

"It is extremely difficult for the investors to prove misleading practices," said Chan, who has been arguing that the regulatory definition of a professional investor in Hong Kong be changed to those with a minimum portfolio of HK$12 million.

"But we think the banks involved should deal with the cases proactively, instead of leaving investors no other resolution but to sue."

Just how many lawsuits had been filed by investors was unclear, said Ian De Witt, a partner at Tanner De Witt Solicitors in Hong Kong, who said his firm currently had three accumulator cases against two banks pending in Hong Kong's High Court.

As for Qi, the mainland businessman said he was approached by a client manager at HSBC Hong Kong, through a friend, in early 2007. Qi opened a bank account that had investing services in March 2007.

Qi said the first time he sat down with the client manager and another investment manager at HSBC, he stated clearly that he had little experience in investing and that he did not understand documents in English. He said he stressed that he did not want products that had more than a moderate level of risk.

"That money was saved for my child, because we were worried if we died he couldn't support himself," said Qi, whose son is 10 years old.

Qi owns a chemical-products trading company. He said he hires three people to help his son study, while his wife and parents take care of the child full-time. But now he worries that lifestyle might be difficult to maintain because most of his savings were lost in the accumulator.

In an e-mail to Qi dated May 29, 2007, the HSBC investment manager started to introduce Qi to accumulators and referred to the product as a "one-year note".

The e-mail said "this [the multiplier effect] might sound very scary but it is not. First of all we can get rid of the risks by buying options."

People familiar with the way accumulators work said that while options could help hedge some of the risk, they could not eliminate it.

HSBC said it could not verify if the e-mail was authentic. The bank also would not confirm if the amount of money lost was accurate, citing its client confidentiality policy. HSBC spokesman Gareth Hewett said the client manager that Qi said he dealt with at the bank no longer worked there, but the spokesman declined to be more specific.

"We cannot comment on any individual case due to customer confidentiality and data privacy," Hewett said. "In the Private Bank, each client account goes through a comprehensive assessment to ensure individuals understand the risk and reward profile of their portfolio. We take seriously any issues which may arise regarding a customer complaint."

By Qi's recollection, HSBC started buying accumulators for him in June 2007. The bank also bought another type of derivative, equity-linked notes, on his behalf. At its peak, Qi said his US$5 million account was leveraged almost 11 times. And his losses had escalated because he was forced by the terms of the contract to buy more stocks as they declined in price. By October 2008, most of the money in his account was gone; only US$59,248 worth of stocks remained.

Cleaned out

Qi Weibao had US$5 million when he bet on the HSBC accumulator

A year later, his investment account held, in thousands of US dollars,

60

Tianjin native Qi Weibao

Qi made nine trips to Hong Kong to speak to HSBC officials. Then he took the battle a step further by mounting a protest with about 10 of his relatives and friends, who flew in from the mainland in late November. They dotted the entrance of HSBC headquarters in Hong Kong with banners and flower baskets, the kind that are offered to the dead, as a means of expressing their anger.

The noise from the protest disturbed the bank's employees. So the bank filed for an injunction to restrict Qi from demonstrating within 90 metres of the bank and its branches, and his campaign was brought to a halt.

He is still negotiating with HSBC and said he would not be satisfied until the bank agreed to return at least 80 per cent of his original investment. He has hired a lawyer and filed reports with the police and the Monetary Authority. A police spokesperson confirmed they were looking into Qi's allegations that he was misled by HSBC about the risk associated with accumulators.

Macau gambling revenue leaps 33pc in January

Reuters

Casino revenue in Macau jumped 33 per cent in January from a year earlier to 18.57 billion patacas, the Macau government said yesterday, bolstered by masses of mainland gamblers that flock to play there.

Surging demand from the high-roller VIP segment and solid mass-market appetite has sustained double-digit growth in the world's largest gambling market, with Macau revenue streams continuing to dwarf those of rival Las Vegas.

Casino operators, including US-based Wynn Resorts and Las Vegas Sands Corp, have been key beneficiaries of China's buoyant economy, with unabated demand from affluent mainlanders lifting Macau gaming revenue 58 per cent last year.

In recent years, the city has been transformed into a pulsating hub of fluorescent lights and playboy bunnies. Analysts caution that growth may moderate this year from the record levels seen last year, but they remain bullish on the outlook for Macau – the only Chinese city where gambling is legal – citing the low penetration of the mainland market. January's figure was slightly lower than December's 18.88 billion patacas.

Credit Suisse analyst Gabriel Chan said: "It is within my expectations. Chinese New Year is always a low season ... 33 per cent growth is quite decent indeed, so that is why I am still confident with my full-year 29 per cent growth outlook."

Kenneth Fong, gaming analyst at JP Morgan in Hong Kong, also forecast 29 per cent gaming revenue growth this year. He said market concerns about the potential impact of credit tightening in China were overdone, and unlikely to significantly affect the growth outlook.

"Without an abrupt, broad-based credit tightening by the Chinese government, we see little risk of a substantial drop in Macau gaming revenue," he wrote. Instead, Fong predicted the opening of Galaxy Entertainment Group's monolithic resort-cum-casino, the newest glitzy edifice to hit the developing Cotai strip, would likely boost traffic into Macau when it opens later this year.

THE INFORMER

Events

Tuesday, February 8: British Chamber of Commerce lunch: "Communicating across barriers". British Consulate-General.

British Chamber of Commerce event: "Electric vehicles – Driving too fast? Long-term strategy and short-term actions". British Consulate-General.

Wednesday, February 9: British Chamber of Commerce breakfast: "Hong Kong office market". Hong Kong Club.

French Chamber of Commerce event: "Accounting systems and solutions for SMEs: Software, recommendations and good practices". Chez Patrick.

Thursday, February 10: American Chamber of Commerce lunch: "Marketing for small business". Bank of America Tower.

Friday, February 11: American Chamber of Commerce lunch: "Making a splash: Ocean Park's new expansion plans". Renaissance Harbour View Hotel.

British Chamber of Commerce lunch: "RMB – The emerging international currency". British Consulate-General.

Monday, February 14: French Chamber of Commerce event: "Preferential free-trade agreements, opportunities for European companies in China and in the Asean countries".

American Chamber of Commerce lunch: "The 112th Congress and US-China commercial engagement". Club Lusitano.

American Chamber of Commerce lunch: "Less is more: Getting value (not just reams of data) from your research". Bank of America Tower.

Results

February 8 1st Quarter: Frasers Property (China)
3rd Quarter: Ming Kei Holdings
AGM: Water Oasis Group

February 9 Interim: China Natural Investment, ePRO
3rd Quarter: China Communication Telecom Services, Eternite International, Finet Group, FlexSystem Holdings, Mobile Telecom Network (Holdings), Oriental City Group Holdings, Soluteck Holdings

February 10 Interim: China 3D Digital Entertainment, China AU Group Holdings, Esprit Holdings, Neo Telemedia
3rd Quarter: iMerchants, Sage International Group
Final: Manulife Financial Corporation

February 11 Interim: TeleEye Holdings, Sunevision Holdings
3rd Quarter: Bingo Group Holdings, China Ground Source Energy, Global Link Communications Holdings, Great World Company Holdings, Palmpay China (Holdings), Rojam Entertainment Holdings, Sun International Group, Unlimited Creativity Holdings, Wealth Glory Holdings
Final: China Infrastructure Investment

Markets

Markets	Close/ Change %
▼ **Bangkok** SET	**956.69** -0.46
▲ **Hong Kong** Hang Seng	**23,482.95** +0.15
▲ **Jakarta** Composite	**3,442.501** +0.98
◀▶ **Kuala Lumpur** FBM KLCI	**1,519.94** Closed
▼ **Manila** Composite	**3,830.49** -1.31
▼ **Mumbai** Sensex	**18,022.22** -1.67
▲ **Seoul** Korea Composite	**2,072.03** +0.11
▲ **Shanghai** Composite	**2,798.96** +0.3
▲ **Singapore** Straits Times	**3,184.74** +0.16
▼ **Sydney** S&P/ASX 200	**4,752.1** -0.04
◀▶ **Taipei** Weighted	**9,145.35** Closed
▲ **Tokyo** Nikkei-225	**10,274.5** +0.36
▲ **Wellington** NZX 50	**3,348.46** +0.29

Announcements

HSBC China Dragon Fund **B4**

More announcements in Classified Notices
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Digest

Economy

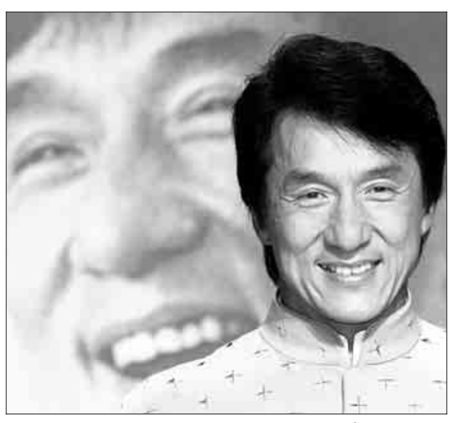
Fastest rate of growth in Taiwan for years
Taiwan's economy grew 10.5 per cent last year, its fastest rate in 23 years, but it will slow to half that figure in 2011, it said in a preliminary estimate. The growth rate last year was the highest since 1987, the Directorate General of Budget, Accounting and Statistics said on its website. "China was a major contributing factor to Taiwan's trade growth last year, and the two economies are closely linked," said Cheng Cheng-mount at Citibank Taiwan. Taiwan's exports jumped 34.8 per cent to US$274.64 billion last year, the finance ministry said earlier. AFP

Property

Shimao sales soar 22pc in January
Developer Shimao Property Holdings' contracted sales reached 3.11 billion yuan in the first month of this year, up 22 per cent from 2.56 billion yuan in the same period of last year. Average prices also rose from 9,508 yuan per square metre in January last year to 12,882 per sq m last month, it said. But the total area of contracted sales fell one-tenth to 241,885 sq m last month from 269,250 sq m from January of last year. Shimao has on sale flats at 30 projects on the mainland including in Shanghai, Beijing and cities in the Yangtze River Delta region. Paggie Leung

Bonds

300m yuan 'dim sum' bond sale
Orange Sky Golden Harvest Entertainment (Holdings) Ltd, famous for making Bruce Lee and Jackie Chan movies, has hired BNP Paribas to help it sell about 300 million yuan (HK$353.56 million) worth of bonds in Hong Kong, according to five people familiar with the matter. The company is marketing three-year so-called dim sum notes priced to yield between 6.25 per cent and 6.75 per cent, said two of the people who asked not to be identified. Golden Harvest spokeswoman Emily Tsang didn't reply to e-mail and phone inquiries yesterday. Bloomberg



Orange Sky Golden Harvest Entertainment made Jackie Chan films. Photo: Simon Kwong

Environment

Zijin to pay 20m yuan fine for toxic leak
Zijin Mining will fork out 20 million yuan (HK$23.6 million), the latest penalty for its key role in hazardous waste water leaks last year, a court judgment revealed on Monday. Zijin, in a Hong Kong stock exchange filing, cited a summary of the gold miner's first trial, stating it had to pay 30 million yuan, less the 9.56 million yuan it paid last October in administration costs. Its Zijinshan copper and gold mine dumped toxic waste into Fujian's Ting river, killing a large number of fish and polluting drinking water for tens of thousands of people. Reuters