# Alibaba launches revamp of units

By CHEN LIMIN
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Alibaba Group Holding Ltd, China's largest e-commerce company, has unveiled a major reorganization, which analysts said paves the way for the company's stock market listing.

The shake-up, in which the company's six subsidiaries have been transformed into seven business groups, is the latest in a line of frequent structural changes at Alibaba over the past two years, and strengthens its control over its business arms.

Alibaba.com Ltd, which the group took private from the Hong Kong Stock Exchange in June, was separated into the China Business Unit, which enables Chinese small and medium- sized enterprises to trade with each other, and the International Core Business Unit, which targets international SMEs.

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>
> XIE WEN
> CHINESE IT EXPERT AND FORMER PRESIDENT OF YAHOO CHINA

The other business groups are online marketplaces Taobao.com, Tmall.com and Juhuasuan.com, e-commerce search engine Etao.com, and AliCloud, a cloud computing services developer. The presidents of the seven business groups will report directly to chairman and CEO Jack Ma.

"We must accelerate the implementation of the 'One Company' strategy and effectively integrate the China Business Unit with Taobao marketplace so as to truly create a mechanism for openness, synergy and sharing," Ma said in an e-mail to more than 23,000 employees on Monday.

Alibaba has promoted its "One Company" strategy this year, as it has found it difficult to have distinct business arms working together while maintaining the group's overall control.

In an interview with the Wall Street Journal in June, Ma said "we don't have any experience. We don't know how to organize".

"The move emphasizes the entirety of Alibaba, an act to fend off challenges from rivals as a single company rather than different business arms," said Xie Wen, a Chinese IT expert and former president of Yahoo China, part of Alibaba. "It is also likely that the company will seek a public listing as a group," he said.

Hong Bo, a Beijing-based IT analyst, agreed that the company's latest move is part of preparations for a listing.

In May, Alibaba regained boardroom control from Yahoo Inc, formerly its biggest shareholder, buying back as much as half of Yahoo's former stake, which was about 40 percent of the company. As part of that deal, incentives that have been offered to encourage Alibaba to seek a public listing will come to an end by December 2015.

"Alibaba has been restructuring its organizations in the past few years, trying to find a suitable way to grow its business, and the move this time is not likely to be the last one," Hong said.

In June 2011, Alibaba split its online shopping unit Taobao into three separate companies — Tmall.com, where businesses sell to customers, Taobao.com where individuals trade with each other, and shopping-related search engine Etao.com. This was followed by the separation of Juhuasuan.com, its group-buying arm in October.

The frequent changes came as Alibaba's business expanded rapidly, boosted by China's online shopping craze.

Alibaba's online shopping websites, Taobao.com and Tmall.com, which together account for more than 70 percent of China's online retail market, are expected to handle transaction volumes of more than 1 trillion yuan ($157 billion) this year, up 150 percent from 2010, said Zeng Ming, Alibaba's chief strategy officer.

In May, Tencent Holdings Ltd, China's biggest Internet company by sales, also reorganized its business operations into six groups as it tries to improve efficiency and grow beyond its core gaming business.

## what's news


LI GANG / FOR CHINA DAILY

**People wait outside a branch of the Industrial and Commercial Bank of China in Beijing, in the early hours of Friday morning, to buy the latest issue of government debt bonds, which went on sale later in the day.**

### China's LNG imports rise 29% in first half

China's imports of liquefied natural gas rose 29 percent in the first half from a year earlier, while purchases of coal climbed 61 percent, according to General Administration of Customs.

LNG supplies increased to 6.7 million metric tons through June this year with the delivered unit cost of the fuel was $549 a ton, according to the data. Coal imports, excluding lignite and including metallurgical coal, climbed to 113 million tons, delivered at an average of $118.55 a ton.

Crude futures, used to price contracted supplies of LNG, averaged $113.61 a barrel in London in the first half, which in calorie equivalent terms was about $19.59 per million Btu.

### Qatar Air vies with Hainan Airline for Saudi flights

Qatar Airways Ltd and China's Hainan Airlines Co are among carriers vying to offer domestic flights in Saudi Arabia after an initial 14 applicants were cut to a shortlist of seven, the kingdom's aviation regulator said.

Khalid al-Khaibary, a spokesman for the Saudi General Authority of Civil Aviation, said in an interview that other operators still in the running after an assessment of financial strength and experience include Gulf Air of Bahrain and rival Bahrain Air.

Domestic flights in the largest Arab economy are currently limited to Saudi Arabian Airlines and discount carrier National Air Services. Al-Khaibary said that with travel demand increasing as the population of 28 million grows by 3 percent annually, more than one license may be awarded, with winners to be announced in October with flights starting by the fourth quarter of 2013.

### Oil imports from Iran surpass 2011 average

China bought more crude from Iran in June than it did on average last year before European Union-imposed sanctions against the Persian Gulf nation went into force.

Iranian oil shipments rose 17 percent from May to 2.6 million metric tons, or about 635,000 barrels a day, according to Bloomberg calculations from data e-mailed Monday by General Administration of Customs. China bought 2.3 million tons of crude from Iran on average each month, or about 557,000 barrels each day, last year.

China, the Islamic nation's biggest crude customer, calls its purchases "completely justified and legitimate". The US and EU set new rules on the trade meant to curb elements of Iran's atomic program they say could support nuclear weapons.

### Mobius raises prospect of rate cut in interest rates

China will do whatever it takes to reach its economic growth target of 7.5 percent this year, according to Mark Mobius, the executive chairman of Templeton Emerging Markets Group.

There is a good chance the Chinese government will cut interest rates again this year, Mobius said at a news conference in Kuala Lumpur. The current stock market decline in Shanghai is due to sentiment, he said.

Even 7 percent growth is very high growth for China, and the stock market will improve again once investors realize growth is high, he said.

### Nation's diesel imports drop 68% in June

China's diesel imports were at 103,189 metric tons in June, down 68 percent from a year earlier, the Beijing-based General Administration of Customs said in an e-mail on Monday.

Liquefied natural-gas purchases were at 1.21 million tons, up 16 percent, and coal imports, including lignite, totaled 27.19 million tons, it said.

### China buys less bauxite, nickel ore in May

China's imports of bauxite tumbled to the lowest level in more than three years, and those of nickel ore fell 12 percent from an all-time high in May after Indonesia, the main supplier, tightened exports.

Arrivals of bauxite, the ore used to produce aluminum, tumbled to 1.02 million metric tons, the lowest since April 2009, from 6.27 million tons in May, according to data from the General Administration of Customs on Monday. Indonesia supplied 187,355 tons, compared with 5.56 million tons in May, while Australia shipped 649,998 tons, the data showed.

"A small amount of the bauxite that shipped out in May arrived in June," said Guo Qiuying, an analyst at Beijing Antaike Information Development Co.

### China seen cutting US corn orders on higher prices

China, the world's second-biggest corn user, may import fewer shipments from the United States than forecast due to rising costs since the worst drought in decades hit the top grower, a State-owned researcher said.

Imports in the year beginning Oct 1 may total 3 million metric tons, compared with 5 million tons projected by the US Department of Agriculture, the China National Grain & Oils Information Center said in an e-mailed report on Monday. The center forecast shipments of 6 million tons on July 11.

Imports from the US, based on the Chicago Board of Trade benchmark, to be shipped early next year will cost about 3,000 yuan ($470) per ton on arriving at Chinese ports after all costs, according to the center.

### Tibet's foreign trade surges in first six month

Southwest China's Tibet autonomous region reported $1.02 billion in foreign trade in the first half of this year, up 170.3 percent year-on-year, customs authorities in Lhasa said on Monday.

The growth rate was 162 percentage points higher than the national average, Lhasa's customs office said.

In June alone, Tibet reported $290 million in imports and exports, up 221.6 percent year-on-year, it said. The region's border trade in the January-June period totaled $520 million, up 80 percent from the same period last year.

### New loans in July may hit 600b yuan, reports say

The credit growth will be relatively stable in the second half of the year. New loans of this year will reach between 8 trillion yuan ($125.6 billion) to 8.5 trillion yuan and new credit will be probably seen at 600 billion yuan in July, reported Xinhuanet.com on Monday, citing the industry analysis reports.

Reports from most institutions indicate that, with the support of the macro-control policies, the economic growth rate is expected to see a slight rebound in the future.

The consultation report from Anbound Consulting Group said that, in the context of the economic downturn pressure mounting, a modest easing of credit is necessary.

The Financial Research Center of Bank of Communications predicts that the incremental credit will be relatively stable in the second half of the year and the average monthly new loans will be 500 billion yuan to 600 billion yuan.

### CNPC in talks with Ecuador over $12.5b refinery

China National Petroleum Corp, the country's biggest oil producer, is in talks with Ecuador's government over a potential investment in the OPEC member's $12.5 billion Pacifico refinery project, an Ecuadorian minister said.

Chinese oil companies have been buying overseas oil and gas assets to secure supply to the world's second-largest oil consumer and maximize returns on oil produced overseas.

The Pacifico refinery complex is a joint venture between state-run Petroecuador and Venezuela's state oil company PDVSA.

### WTO to investigate export restrictions on rare earths

World Trade Organization judges will probe China's export quotas and tariffs on rare earths, tungsten and molybdenum following complaints by the United States, the European Union and Japan that the curbs break global commerce rules.

China says the limits are designed to protect dwindling natural resources and the environment. China produces more than 90 percent of the world's rare earths, 17 chemically similar metallic elements used in the defense, renewable-energy and electronics industries by companies such as Ford Motor Co.

China cut domestic output and reduced export quotas in July 2010 by 40 percent, affecting ties with major users including the US and Japan, where buyers reduced usage after prices rose in the first half of 2011.

AGENCIES

# Nation seeks strategic industries' development

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China will step up its efforts to develop seven strategic emerging industries to fight downward pressure on the economy and upgrade innovation capacity, but experts warned of overinvestment and overcapacity in these areas.

**POLICY** The government wants the seven strategic industries to generate 8 percent of China's GDP in 2015 and 15 percent by 2020, said Zhang Xiaoqiang, vice-minister of the National Development and Reform Commission, in an online interview on Monday.

China unveiled a national development plan for strategic emerging industries during the 12th Five-Year Plan (2011-15) on Friday, which detailed 20 major projects that it wants to focus on during the period, such as the Broadband China program, new flat-panel displays and cloud computing.

To speed up economic restructuring, the country unveiled plans to develop seven strategic emerging industries in 2010—energy saving and environmental protection, new-generation information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, and new-energy vehicles.

The seven strategic sectors accounted for less than 4 percent of GDP at the end of 2010.

Saving energy and protecting the environment are listed as chief concerns.

"The fast industrialization and urbanization in previous years have consumed a large amount of energy and had an adverse effect on China's environment, so we have made this a top priority, " Zhang said.

Developing strategic industries will play an important role in helping relieve downward pressure on the economy during a negative economic outlook, said Zhang.

China's economy grew at 7.6 percent in the second quarter, its slowest pace in three years. Some analysts expect the government to launch stimulus policies.

Wan Jun, a researcher of the Institute of World Economics and Politics, at the Chinese Academy of Social Sciences, said a slower economy needs fresh driving forces, but massive investment in emerging industries might be unwise.

"Growth rates in traditional industries such as steel, automobile, real estate and chemical all plummeted, and the nation hopes emerging industries can play a leading role in economic development," Wan said.

However, unlike traditional industries, emerging industries face huge uncertainties in their development. Technologies like those used in electric vehicles could become outdated quickly, and it will take time to commercialize technologies and nurture the market, he said.

Policymakers must transform ways of thinking, as the successful development of emerging industries won't rely solely on new building, as was the case during the development of the chemical industry in the past decade, he said.

Also, overcapacity has emerged in emerging sectors such as wind power.

At the same time, the government must position itself well in the development of emerging industries, he added.

Public investment should mainly focus on key common technologies that could be shared among companies. The government could also play a positive role in creating a favorable investment environment and launch pilot programs to help shorten the time it takes new products to be accepted in the market.

"The government should play only a limited role in the development of emerging industries. To make these industries really competitive and mature, market mechanism should play a decisive role," Wan said.

Strategic emerging industries are targeted to maintain an average annual growth rate of more than 20 percent, and the government will provide favorable fiscal and financial policies to boost their development.

Lin Boqiang, director of the China Center for Energy Economics Research at Xiamen University, said the planning showed the central government's preference for future investment, and local governments will follow suit to get their projects' approval.

Some provinces have announced a series of subsidy measures to support strategic emerging industries.

Companies in strategic industries can expect significant subsidies from the central government and local governments, experts said.

The central government has set up a 7.5 billion yuan ($1.17 billion) investment fund this year for strategic emerging industries, said Lin.

Reuters reported at the end of 2010 that China was considering investing up to $1.5 trillion in the seven strategic industries by 2015.