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Fund-seeking online firms eye New Third Board listing
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Outbound M&As to continue leading global market > PAGE 14

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INTERNET

SAP to cash in on e-commerce boom

Executive board members of SAP SE pose before the company's annual general meeting in Mannheim, Germany, last year. REUTERS

Tie-up with Alibaba, impressive results help it defy economic trend

By **MA SI** and **YANG JUN** in Guiyang

German software company SAP SE is seeing big growth opportunities from China's e-commerce boom and its partnership with Alibaba Group Holding Ltd, said Mark Gibbs, president of the software giant's Greater China region, on Tuesday.

Gibbs' comments came after SAP Greater China delivered a strong financial performance in the first quarter of 2016, defying the country's economic slowdown.

As China beefs up efforts to upgrade its traditional industries with cutting-edge information technology and tech-savvy manufacturing, SAP will see more robust growth here, Gibbs said.

SAP partnered with Alibaba Cloud last month to help local businesses accelerate digital transformation. The two sides are working on HANA one, a lighter version of HANA, which is SAP's in-memory computing platform, and aims to create a one-stop-shop cloud-computing environment.

"Instead of coming out with fancy statements, the tie with Alibaba Cloud is a long-time partnership, and will be the next big growth engine for SAP," Gibbs said, adding the two companies will soon unveil a next-generation cloud-computing platform.

In the first quarter of 2016, SAP's China branch recorded double-digit growth in its software revenue and triple-digit growth in its cloud business.

First-quarter operating profit for the company, headquartered in Walldorf, Germany, jumped 5 percent from previous year to 1.104 million euros ($1.23 million) mostly due to a steady growth in sales of its enterprise software, which helps manage business operations and customer relations, and its cloud computing-related services.

In China, more than 75 percent of the company's customers are small and medium-sized enterprises, while more than 50 percent of China's leading State-owned firms are also using the company's service.

"A lot of mergers have occurred in China's SOEs which are going global and facing mounting competitions. They have to be competitive and deal with vast amounts of data. That's exactly where SAP can play," Gibbs said.

SAP also has a product for small and mid-sized businesses called SAP Anywhere, which was innovated in China. It allows firms to buy services at a cost-effective rate and the implementation time is hours, not days or months, which are often seen in rival products.

China's cloud-computing market is still in its infancy, but it is starting to get crowded, with players including international heavyweights Microsoft Corp, and homegrown internet companies like Alibaba and Tencent Holdings Ltd.

Vincent Fu, an analyst at Gartner Inc, said traditional software vendors such as Microsoft and SAP are eager to evolve into a service provider by boosting their cloud computing capabilities.

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AVIATION

In-flight Wi-Fi proves big hit in Asia-Pacific

By **ZHU WENQIAN**
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Demand for in-flight Wi-Fi has reached a new high among passengers in the Asia-Pacific region, with a new report showing that 90 percent of the surveyed in the region saying the availability of onboard connectivity would influence their choice of airlines.

The report, released by Inmarsat, a London-based leading provider of global satellite communication services, involved a survey of more than 9,000 passengers worldwide who took a flight last year, and carried at least one personal electronic devices onboard. Inmarsat said the Western market has a relatively lower demand, but the difference remains very small.

Chinese passengers are very likely to use in-flight Wi-Fi, as the country has the highest takeup of all the tested Asia-Pacific markets, this shows strong opportunities in the China market, the report revealed.

Bill Peltola, Asia-Pacific regional director of Inmarsat Aviation, said: "The high demand of Chinese fliers to use in-flight Wi-Fi is driven by their motivation of communication activities, and increased appetite to use mobile messaging apps like WeChat (China's major messaging app) and Weibo (China's major micro-blogging platform) on the ground."

"Most Chinese passengers would choose low- and medium-priced packages that consist of basic messaging apps options, as they think those chatting apps are enough. Chinese passengers have a higher-than-average takeup for cheaper options. They remain price sensitive, and are less motivated by high-priced activities like streaming," he said.

Du Ni, a 26-year-old office worker in Beijing, said: "I would bring books and an iPad with pre-downloaded TV dramas, or sleep, when I take a long-haul flight. If the Wi-Fi service is cheap enough, then I would choose it."

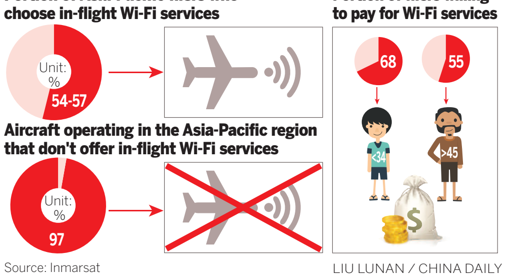
Currently, only 3 percent of aircraft operating in the Asia-Pacific region offer in-flight Wi-Fi services. The report said two-thirds of respondents are willing to pay for unlimited internet usage during a flight, indicating the tremendous potential for airlines to use it as a differentiation point to attract more customers.

$5
charges on low-cost package Wi-Fi services in the Asia-Pacific region

The survey also showed that 54 percent and 57 percent of Asia-Pacific fliers would choose in-flight Wi-Fi as their preferred service on short- and long-haul flights, respectively, and most think that in-flight Wi-Fi can deliver all of their onboard needs, compared with only 16 percent and 18 percent choosing traditional in-flight entertainment.

In-flight Wi-Fi services emerged in the United States a few years ago, and then spread to Europe, and only came to the Asia-Pacific region recently.

Most airlines decide their own prices for Wi-Fi services, and passengers would be able to pay beforehand when buying the tickets, or pay onboard. Some basic connectivity options are free, and the low-cost package carries a price tag of $5, in addition to a high-end package for about $20, which covers unlimited usage of long-haul flight.



Source: Inmarsat
LIU LUNAN / CHINA DAILY

DEALS

Shanda leads purchase in Lending Club

By **SHI JING** in Shanghai
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Renaud Laplanche (center), founder and CEO of Lending Club Corp, celebrates with company executives their IPO at the New York Stock Exchange on Dec 11, 2014. Lending Club's share price has tumbled more than 80 percent in the past 12 months. REUTERS

Chen Tianqiao, the founder of Shanda Group who a decade ago was China's youngest billionaire, has led the purchase of an 11.7 percent stake in online lender Lending Club Corp, according to a filing with the US Securities and Exchange Commission.

In a move that spells a continued move away from the online games industry in which Chen made his early fortune, the Singapore-based investment company said it is teaming up with three other investors in acquiring the stake.

The four companies paid a combined $148.7 million for 29 million shares in Lending Club and another $11.2 million for 15.7 million options. Once the options are exercised, Shanda will be Lending Club's largest shareholder.

Lending Club stunned the market on May 9 after its founder and Chief Executive Officer Renaud Laplanche resigned following an investigation by the US Justice Department revealed the company had knowingly sold $22 million of near-prime loans to one single investor, which violated the criteria set by the buyer.

The company's shares have plummeted more than 40 percent since the irregularities were reported.

But the Shanda-led investment appears to have restored stability, with Lending Club's shares rising 8.27 percent on Monday.

One of the forerunners of the online lending sector, founded in 2006, Lending Club's share price has tumbled more than 80 percent in the past 12 months, with its market value crumbling from $5 billion to $1 billion.

Shanda said in a statement it was a "strong believer" in the business model that Lending Club had created, and was "positive on its long-term" prospects as it continues to evolve and refines its business.

Shanda first dipped its toes into the P2P lending sector in 2013, when it invested in the Chinese online lending platform, P2P Eye, which proved the start of its move away from online gaming.

Its interests are spread across animation, film, cloud computing, private equity investment, public market investment, real estate and mutual funds.

It said recently it is poised to increase its stake in Sotheby's to as much as 10 percent, at a time when the auction house's market value has shrunk by more than one-third. Its current 2-percent stake was valued at $31 million as of Mar 31.

Chen launched Shanda in 1999, becoming one of China first online gaming companies.

Within five years he managed to list it on the Nasdaq, making him a billionaire by the time he was 31.

The company first revealed its transformation strategy in November 2014, after selling all its shares in Shanda Games Ltd.

At the start of this year, it issued a statement saying it had divested all its games-related holdings, and that it would continue its transformation into a global investment holding company.

Even though the company and its founder have remained low-profile, public information showed Shanda Group has invested in more than 140 companies over the past decade, including China's first online ticket booking platform Gewara.

In last year's Hurun Midas Rich List of China, Chen ranked second with a personal wealth of $2.7 billion. To qualify for the list, 30 percent of the nominee's wealth must have derived from investment.

INDUSTRY

Report says Tencent in talks to bid for Supercell

By **MENG JING**
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China's internet giant Tencent Holdings Ltd is said to be in talks to buy control of one of the top-earning game developers in the world from SoftBank Group Corp, in a deal worth $5 billion.

The Wall Street Journal reported that Tencent is in discussions to buy a majority stake in Finnish game maker Supercell. The discussions are at an early stage and it isn't clear if SoftBank, which owns 73 percent of Supercell, is talking to other potential bidders, said the newspaper citing unidentified sources.

Supercell, founded in 2010, is valued at $5.25 billion. According to Chinese media reports, citing people who are familiar with the matter, Tencent has already applied for a $4 billion loan from banks to prepare for the possible deal.

The Shenzhen-based Tencent declined to comment on whether it is in talks to buy the stake, when contacted by China Daily. SoftBank also declined to comment.

$5.25 billion
value of Finnish game maker Supercell

It is not the first time that Chinese companies have circled around Supercell. In 2015, market speculation was that Giant Interactive Group Inc teamed up with Alibaba Group Holding Ltd in pursuing a major stake in the group.

Supercell, developer of the hit title *Clash of Clans*, has topped the list of App Annie's Top 52 publishers for 2014 and 2015.

The Helsinki-based game developer said in March that posted a profit of $930 million on revenues of $2.3 billion in 2015. It also claimed active daily users totaling 100 million around the world.

Industry observers said that getting control would not only help Tencent by getting access to Supercell's high profits, but also reinforce the company's strength in China's mobile game sector.

Xue Yongfeng, an analyst at internet consultancy Analysys International, said that with Supercell's popular games and Tencent's strong distribution channel, an alliance would bring a win-win scenario for both firms.

Games is one of Tencent's biggest business areas. About half the 32 billion yuan ($4.88 billion) revenue Tencent generated in the first quarter came from online games.

Tencent's financial report showed that its online games revenue in the quarter grew by 28 percent year-on-year to 17.1 billion yuan, with contributions mainly from new smartphone games such as *Cross Fire Mobile*, *Honor of Kings*, *The Legend of MIR 2* and *Naruto Mobile*.

Pony Ma Huateng, chairman and CEO of Tencent, said in a statement that the company's smartphone games achieved healthy user and revenue growth, thanks to the company's expanding portfolio of popular titles, operational expertise, and extensive user reach.