

Apple sees 28% revenue drop in China market

Decline reflects worsening situation in nation's IT sector in second quarter

By TUO YANNAN and SHEN JINGTING

Apple Inc's sales growth in China slowed in the past quarter along with the country's economic growth as customers' interest in electronic devices waned. In a conference call on Tuesday, Apple CEO Tim Cook said its sales revenue in China from April to June rose 48 percent year-on-year to \$5.7 billion, a 28 percent quarter-to-quarter decrease from \$7.9 billion in the first quarter.

Cook added China is the company's largest market outside the United States in terms of sales. China has the largest Internet population globally and is a significant market for mobile Internet devices such as tablet PCs and smartphones. The company's tablet PC, the iPad,

has a market share of around 75 percent in China, while its handset iPhones are also popular among the country's growing middle class.

However, facing the downward pressure of China's economy, the IT sector encountered grim conditions last quarter, said Wang Jiping, a senior analyst at US-based IT research company IDC.

"Sales of desktops and laptops declined in the second quarter, only tablet PCs and smartphones saw very dramatic growth, especially smartphones, with more than 100 percent growth," Wang said.

Apple's worsening sales performance is due to the economic situation, Wang said.

The Chinese government adjusted its GDP growth target to 7.5 percent this year, and the Ministry of Industry and Information Technology reported

on Wednesday that China's industrial added value grew 9.5 percent year-on-year in the second quarter of this year, the slowest growth since July 2009.

However, Wang predicted that the downward trend in the IT industry will end in the second half of this year, because the country's rural areas still have huge potential for growth.

Sabrina Ren, an analyst with German research firm GfK Group, expected the rapid growth of China's smartphone market to continue through 2015.

"Mobile devices, including smartphones and tablets, will maintain strong development momentum because they are playing a gradually more important role in people's everyday lives," Ren said.

Cook also said during the conference call that the decline in revenue in China was due in part to "normal seasonality" after the iPhone 4S was launched on the Chinese market in January and stirred the previous quarter's revenue.

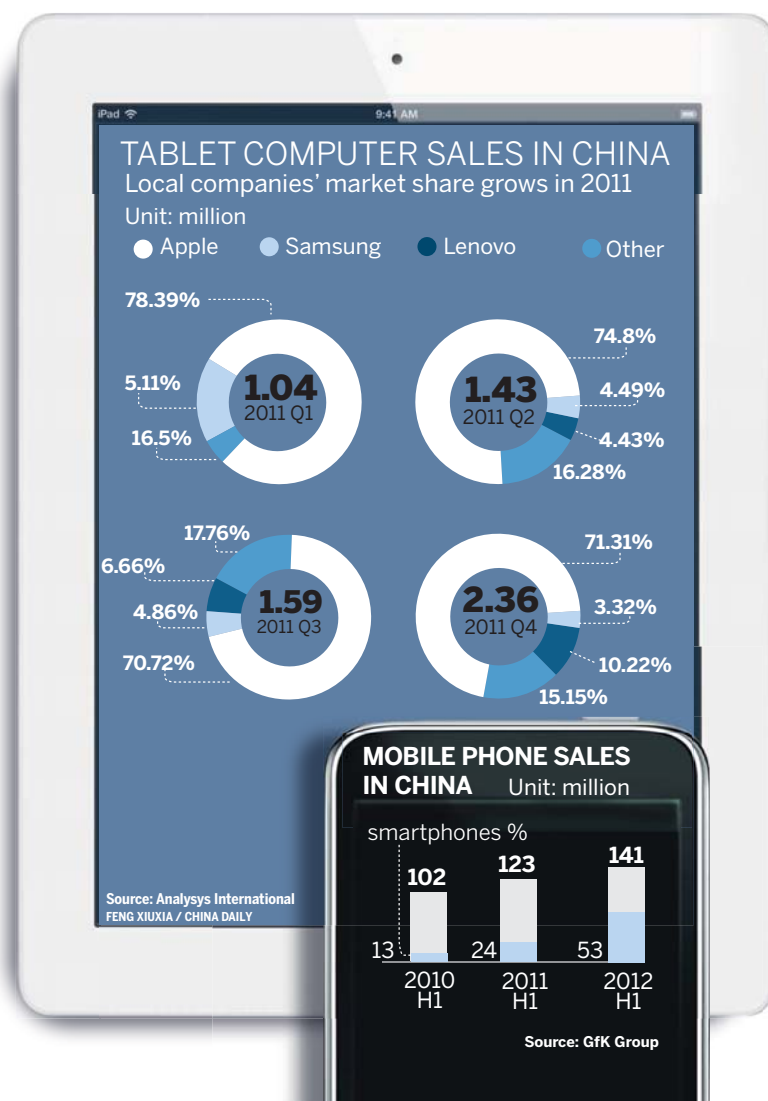
For the newly launched New iPad, he said its sales were not included in the last quarter's revenue.

The number of smartphones sold in China had for the first time surpassed that of feature phones since March, according to a report issued on Thursday by GfK Group.

About 75 million smartphones were sold in China in the first six months of this year, up 187 percent year-on-year. The total number of mobile phones sold in China's retail market reached 140 million in the first half, indicating that more than half of the mobile phones sold in the period were smartphones.

GfK predicted that the annual growth rate of smartphone sales in China will be 103 percent this year, far outstripping the global average of 68 percent.

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Automakers report bumpy first half as profits decrease

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Domestic automakers reported sharp profit declines in the first half of the year as vehicle sales slowed. Analysts said manufacturers now will have a hard time meeting this year's sales targets.

FAW Car Co led the downward trend as it predicted a loss of between 45 million yuan (\$7.05 million) and 75 million yuan in the first half. Its sales dropped more than 35 percent to 91,700 units.

The Shenzhen-listed company

blamed the sales decline on fierce competition in the shrinking market. FAW Car also noted decreasing vehicle prices and growing operating expenses.

Meanwhile, Warren Buffett-backed Chinese battery and car maker BYD Co said in a statement that its net profit from January to June will fall 75 percent to 90 percent from a year ago. Its sales declined 11 percent year-on-year to 206,900 units during the period.

Chang'an Automobile (Group) Co Ltd also reported that it faces a net profit decline of between 44.23 percent to 49.04 percent, because of poor sales of its local-branded

vehicles. However, its sales in the Chinese market, including those from joint ventures, dipped only 4.15 percent year-on-year from January to June.

JAC Motors estimated its net profit would reach 313 million yuan, a decline of 37.3 percent over last year, while FAW Haima Automobile Co Ltd predicted its net profit will dive 50 percent to 80 percent to about 40 million yuan to 90 million yuan from a year ago in the first half.

According to the China Association of Automobile Manufacturers, China's domestic vehicle sales growth experienced a 14-year low of only 2.9

percent year-on-year, with 9.6 million vehicles sold in the first half.

The association said that home-grown passenger vehicle brands' market share dropped 3 percentage points in the first half to 41.39 percent, compared with more than 50 percent in 2010, a year that China's automobile market surged 32 percent year-on-year. Total sales in the first six months dipped 0.16 percent from a year ago to 3.15 million units.

The association's statistics also showed that most of the automakers failed to reach their sales target in the first half, excluding Shanghai GM, FAW Volkswagen, Shanghai Volk-

swagen and Chang'an Ford, the well-established joint ventures of foreign automobile giants.

Chery Automobile Co, China's biggest homegrown automaker by sales, reported a sales decline of 9 percent from the previous year to 265,500 units in the first six months.

FAW Mazda Motor Sales Co Ltd only accomplished 39.6 percent of its 2012 sales target in the first six months, delivering 59,400 vehicles to Chinese consumers, with year-on-year sales growth declined by 10 percent.

"The manufacturers should think over their previous sales target for the

whole year, and consider seriously how to adjust their production and sales plan for the second half," said Dong Yang, the association's secretary-general.

Jia Xinguang, an independent auto analyst, agreed with Dong. Automakers which were challenged by poor sales in the first half should face the challenges and change their sales plans, Jia said.

"They should put more efforts to change marketing strategies," Jia said. However, he asked automakers not to wage a price war, which would adversely affect their brands in the long run.



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River Garden Villa - 裕京花园 ID: 7852 300sqm, 4bedrooms ¥35,000 type C, phase I, detached, big garden	Yosemite - 优山美地 ID: 8820 447sqm, 4bedrooms ¥45,000 type C5, semi-detached, big garden, open kitchen	Beijing Riviera - 香江花园 ID: 7365 450sqm, 5bedrooms ¥33,000 type A, phase I, detached, big garden, big balcony	Orchid Garden - 卓锦万代 ID: 1082 310sqm, 4bedrooms ¥38,000 townhouse, 60sqm garden, floor heating

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