Mega-IPO to rekindle the 'bromance' behind Alibaba's rise

REUTERS, *Beijing*

Masayoshi Son's nose for an investment has turned a $20 million start-up punt on Alibaba into a stake worth maybe $50 billion or more as the Chinese e-commerce giant co-founded and led by Jack Ma heads to what could be the biggest US tech IPO of all time.

Son, CEO of Japanese telecoms firm SoftBank Corp, also put money into a young Yahoo Inc, co-founded by Jerry Yang, in 1995, and Yahoo's subsequent investment in Alibaba saw Ma, Son and Yang build Alibaba Group Holding Ltd into one of world's biggest internet companies as China's e-commerce market took off.

"It was the look in his eye, it was an 'animal smell'," said Son of his decision to back Ma when they first met in 2000. "It was the same when we invested in Yahoo ... when they were still only 5-6 people. I invested based on my sense of smell," he quipped in a group media interview in May.

Under pressure from investors, Yang quit Yahoo in early 2012 and gave up his seat on Alibaba's board. He is now a founding partner of AME Cloud Ventures, a San Francisco venture fund.

But next month, the three poster boys for Asian technology entrepreneurship, bound by a shared ambition and a taste for sushi and golf, are set to be reunited on Alibaba's board following the firm's long-awaited New York IPO.

For potential IPO investors, the reunion - Yang will be an independent director, while Son will be a director and Ma the executive chairman - is likely to further tighten Ma's control over the company as Son and Yang tend to follow his direction, former Alibaba, SoftBank and Yahoo insiders said.

SoftBank has a 34 percent stake in Alibaba, and Yahoo owns 23 percent. Son has said SoftBank doesn't plan to sell down its Alibaba stake in the IPO, while Yahoo may sell up to about 16.5 percent of Alibaba.

Alibaba, SoftBank and a spokesman for

REUTERS/FILE

Left, **Masayoshi Son, SoftBank CEO, hugs Jack Ma, founder and executive chair of Alibaba Group Holding, during the SoftBank World 2014 event in Tokyo on July 15.**

Yang declined to make Ma, Son and Yang available for interview for this article.

The son of a pachinko parlour operator, Son has risen to the top of Forbes' Japan rich-list, forging SoftBank into a tech titan worth $84 billion, making it Japan's second-most valuable listed company behind Toyota Motor Corp.

SoftBank increased its stake in Yahoo in 1996, buying into the US firm's IPO to become its primary shareholder. The stake has since been whittled down to almost nothing, but the two remain Yahoo Japan Corp's biggest investors, each holding more than a third of the Japanese firm.

In 2000, Son met Ma, an elfin and outspoken former English teacher from China's eastern city of Hangzhou. The two, who often joke about being both short and smart, according to a person close to Son, saw each other as kindred spirits. Their shared drive helped Alibaba grow from just 18 people working out of an apartment to a company with more than 22,000 employees and global ambitions.

David Wei, a former CEO of Alibaba.com and co-founder of Vision Knight Capital, recalled how he nicknamed Son " Ten Times". "Every time I explained any business plan or model, Masa's first reaction was to say, 'David, can this be ten times bigger?'" said Wei. "In the cases I managed to answer, he would ask again, 'What about ten times more?'"

When Ma first heard that Son was in China sniffing out potential investments, he emailed him and snagged some brief 'face time'. After just five minutes of listening to Ma riffing on his vision from a scrap of paper, Son extended the meeting and ended up investing 2 billion yen (about $20 million at the time) in Ma's company.

"Ma is a 'never-say-die' kind of person, but really there was only one person who understood him, and look how much money it's earned Masayoshi Son," said Shou Yuan, a former Alibaba employee acquainted with Ma and Son. "Son has a lot of self-confidence, he's even conceited, but his appearance is always one of modesty. He's crazy, but Ma's also crazy. It's very common for crazy people to like each other."

When Alibaba launched its Taobao consumer-to-consumer marketplace in 2003, Son donated his wristwatch to be sold on the new site and, as the pair met more frequently, Ma developed a love for Japanese food. "Jack always loved the best Japanese food ... and the best Japanese food in Japan can always be generated by Masa," said Wei, the former Alibaba.com chief.

Yang, who like Son has a Japanese wife, shares the taste for good Japanese cuisine, and is a frequent diner at a small sushi bar in Los Altos, California, a popular hangout for Silicon Valley heavyweights including Google's Sergey Brin.

Ma first met Yang in the late 1990s, when he was working for the government and acted as Yang's official guide to the Great Wall. By 2005, their friendship had developed and the idea of Yahoo investing in Alibaba came up.

Yang contacted Ma at the prompting of senior Yahoo executives who were trying to figure out how best to get a foothold in the China market, said a former Yahoo executive familiar with the Alibaba transaction.

"Jerry was reluctant at first because it was very difficult to do business with Chinese entrepreneurs," he said. "(Yang and Ma) spent a lot of time together, they had to get to know each other, build a relationship ... Almost all were quiet, deep discussions, philosophical, full of Chinese proverbs – particularly from Jack."

Ma kept Son in the loop in the months running up to Yahoo's investment, and even took up golf so he could bond with Yang. "Jack committed a lot of effort to learning golf, I think because Jerry invited him, and he couldn't play," Wei said.

India Inc happy with Modi, but holding back on investment: poll

REUTERS, *New Delhi*

CEOs in India are optimistic that Prime Minister Narendra Modi will spur the economy, an opinion poll showed on Thursday, but most are not ready to make new investments and say there are no signs yet of improvement on the ground.

Modi and his Bharatiya Janata Party stormed to power nearly three months ago on promises of reviving Asia's third-largest economy, but critics say the new premier has so far failed to unveil any sweeping reforms.

Forty-six percent of the respondents in a poll of 50 chief executive officers conducted by The Economic Times newspaper said they were watching for improved economic conditions before making planned investments that would help revive growth.

About one-third of the CEOs said they have already decided to increase investments, while 12 percent said they are not sure yet or do not have immediate plans to step up investments.

"The difference yet to be travelled by the government between intention and action manifests itself here," the newspaper said about the findings of the survey.

On the question of how much the economic situation has changed on the ground, the poll showed only four CEOs gave Modi a rating above six on a scale of 1 to 10, with 10 being the highest.

Though some signs of recovery have emerged, high interest rates and inflation continue to weigh on the Indian economy, as it wades through its longest phase of sub-par growth in decades.

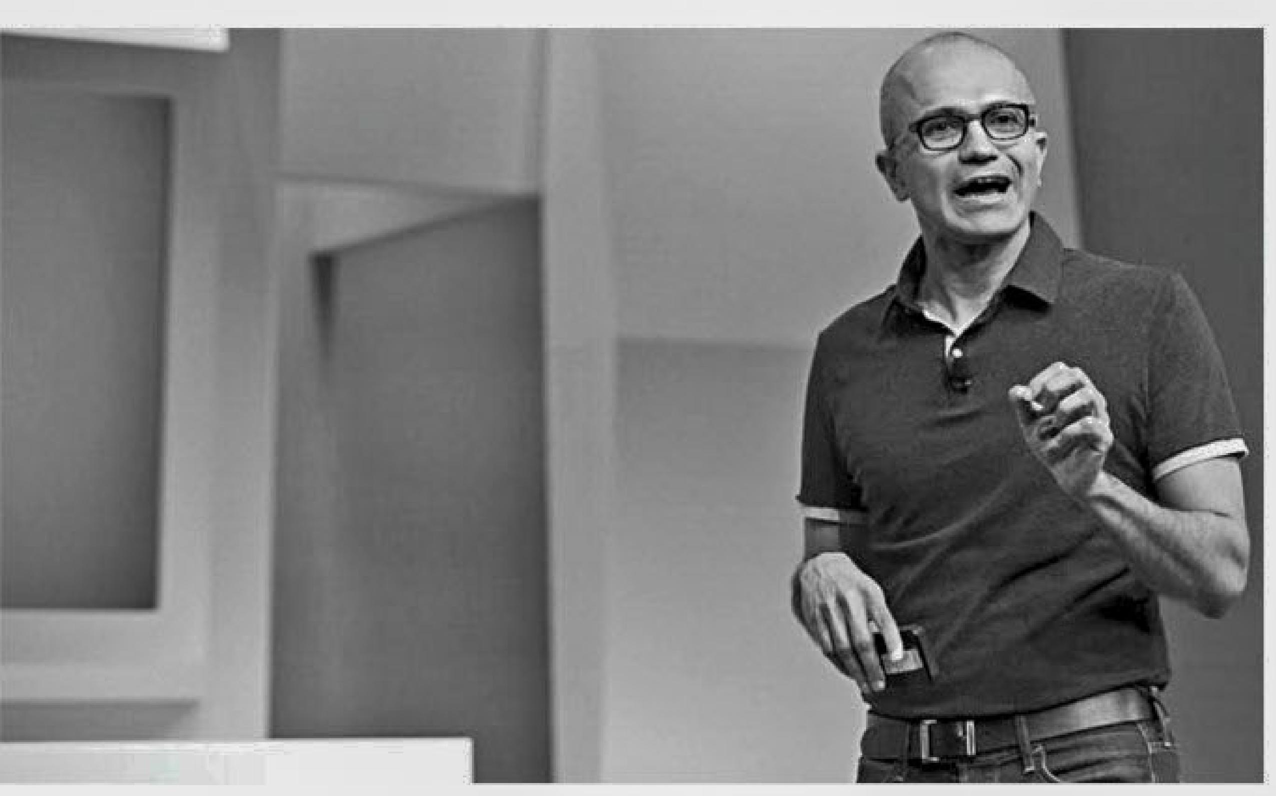
According to a Reuters poll released on Tuesday, the economy likely grew at its fastest pace in two years between April and June. The GDP data is due on Friday.

The executives also said the economy will rebound going forward, with 72 percent of those polled predicting annual economic growth of between 6-8 percent in the next three years.

Almost three-quarters of the CEOs said the new government was meeting their expectations, with 18 percent saying Modi was performing better than the "most optimistic of expectations".

High hopes that Modi will deliver on his promises also boosted foreign inflows in Indian shares this year. The benchmark Sensex hit a life high of 26,674 on Thursday, heading for its seventh consecutive monthly gain.

The stock market is seen rising further, the Economic Times survey showed, with more than half of the CEOs seeing the Sensex between 27,000 and 35,000 by December 2015. A public opinion poll released last week by India Today-Hansa Research showed more than 70 percent of Indians were satisfied with Modi's leadership since he took office in May.



REUTERS/FILE

Microsoft Corp Chief Executive Satya Nadella attends the launch of the new Microsoft Surface Pro 3 in New York on May 20.

Microsoft CEO to visit China amid antitrust probe

REUTERS, *Beijing*

Microsoft Corp Chief Executive Officer Satya Nadella is set to visit China in late September, a source familiar with the matter said on Thursday, as the Chinese government conducts an antitrust investigation into the world's largest software company.

It is not clear if Nadella, who took over as Microsoft CEO in February, will meet with any Chinese government representatives as part of his visit, or try to resolve issues with the State Administration for Industry and Commerce (SAIC), one of China's antitrust regulators.

A Microsoft spokesman would not confirm the visit, saying the company does not comment on executive travel plans. SAIC officials could not immediately be reached for comment.

Microsoft is one of many foreign firms to have come under scrutiny as China seeks to enforce a 2008 anti-monopoly law, which some critics say is being used to unfairly target overseas businesses.

Foreign CEOs often pay calls on the world's second-largest economy to strengthen business and political ties. Nadella would be at least the second major tech executive to have visited the country as antitrust tensions simmer.

Qualcomm Inc President Derek Aberle, looking to end the wireless chip giant's own antitrust scrutiny, met with China's National Development and Reform Commission (NDRC) last week. Nadella's predecessor, Steve Ballmer, did occasionally go to China in his 14 years as CEO, but visits were rare to a country where Windows and Office are widely pirated. Ballmer said in 2011 that Microsoft got more revenue in the Netherlands than China.

Microsoft Deputy General Counsel Mary Snapp already met with SAIC officials in Beijing earlier this month to discuss the antitrust matter.

Despite the rampant Windows piracy, China's SAIC initiated an antitrust probe into Microsoft earlier this month, saying that the company may have broken anti-monopoly laws regarding compatibility, bundling and document authentication for its Windows operating system and Office suite of applications.

On Tuesday, SAIC head Zhang Mao said at a briefing in Beijing his organization - one of three antitrust regulators in China - was focusing on Microsoft's web browser and media player, and suspected the company had not been fully transparent with information about its Windows and Office sales.

The investigation has been met with puzzlement outside China, given that Microsoft settled U.S. and European antitrust cases around Windows more than a decade ago, and its desktop software monopoly is now largely irrelevant with the explosion of tablets and phones running Apple Inc or Google Inc software.

The probe comes amid a spate of antitrust probes against foreign firms in China, including Qualcomm and German car maker Daimler AG's luxury auto unit Mercedes-Benz, renewing fears of Chinese protectionism.

Samsung unveils smartwatch that can make calls

REUTERS, *Seoul*

Samsung Electronics Co Ltd on Thursday unveiled what it said was the first smartwatch capable of making and receiving calls without a mobile phone nearby, in the South Korean firm's latest effort to find a new growth driver.

The world's biggest smartphone maker has been pushing hard to develop the wearable devices market as it looks to counter slowing earnings in its mobile division, which led to weaker-than-expected second-quarter earnings.

Samsung is hardly alone in pushing wearables, which have yet to catch on with consumers. Rival Apple Inc is expected to launch its own device this year and LG Electronics Inc on Thursday announced its new G Watch R smartwatch.

Ratan Tata invests in Snapdeal

REUTERS, *Mumbai*

Ratan Tata, the former chairman of salt-to-steel Tata conglomerate, has bought a stake in Indian online retailer Snapdeal, the company said on Wednesday, joining a list of funds who have invested in the country's growing e-commerce industry.

Snapdeal did not give the size or financial details of the deal. Tata joins investors, including Singapore sovereign wealth fund GIC Private Ltd, Tiger Global Management LLC and Accel Partners, who have invested in Indian online retailers, betting on growth in the $13 billion e-commerce sector. Indian online firms have been raising funds to compete with bigger rival Amazon.com Inc.

Qantas looks past loss, opens door to investors

REUTERS, *Sydney*

Qantas Airways Ltd is looking past a record annual loss and predicting blue skies ahead, as a landmark change in Australian laws opens the door to significant foreign investment in the airline's international arm - its biggest headache.

The prospect of new funding - long desired by the struggling national flag carrier - and a surprisingly positive outlook for the current year sent Qantas' shares rising to a three-month high on the Sydney exchange on Thursday.

The so-called 'Flying Kangaroo' has been bruised by high fuel costs, a strong Australian dollar, increasing international competition and a domestic price war with arch-rival Virgin Australia Holdings.

AFP

A Qantas Airline plane gets ready to take-off at Sydney Airport in Sydney yesterday. Australian flag carrier Qantas posted a record annual net loss of $2.65 billion, but chief executive Alan Joyce insisted clearer skies lie ahead after aggressively cutting costs.

Qantas has also long complained it is competing at a disadvantage due to Australian laws restricting the level of foreign investment in the carrier while its rivals are allowed unfettered funding.

Qantas revealed on Thursday that obstacle has been swept away.

The airline unveiled a new holding structure that will divide its domestic and international arms, a separation made possible following the passing of changes to the Qantas Sale Act earlier this week, the carrier said.

Foreign and individual investors can now take a stake of up to 49 percent in the international arm. That is a major change from the previous limits on ownership by individual investors of 25 percent and by foreign-owned airlines of 35 percent.

"The changes to the Qantas Sale Act have removed a significant impediment for Qantas to be involved in long-term consolidation," Chief Financial Officer Gareth Evans told reporters in Sydney. "By providing a separate subsidiary you give an option for a foreign investor to take equity directly in the international business."

Chief Executive Alan Joyce stressed that greater foreign investment was a long-term strategy, and the focus remained on a A$2 billion turnaround program that includes stripping costs and slashing 5,000 jobs.

"We are focused now in the short to medium term on the transformation program," he said. "We are not actively out there looking for an airline investor."

The move to establish a new structure led a hefty A$2.6 billion ($2.4 billion) writedown in the value of its fleet and a resulting net loss of A$2.8 billion for the year ended June 30.

That overshadowed a smaller-than-expected underlying loss before tax of A$646 million, compared with a restated A$186 million profit a year earlier. Analysts had on average anticipated an underlying loss around A$750-770 million.

"There is no doubt today's numbers are confronting, but they represent the year that is past," Joyce said. "We have now come through the worst."

Qantas shares were up 8.7 percent in midmorning trade at A$1.41, a three-month high and the biggest intraday gain in a year. The stock clocked an all-time high of A$6.05 in 2007 before the global financial crisis hit.

Despite an investor push for major asset sales, Joyce said a review of its profitable Frequent Flyer loyalty scheme, which analysts value at up to A$2.5 billion, had concluded there was "insufficient justification" for a partial sale.

However, he said the airline had identified other potential asset sales, including airport terminals, property and land holdings. Any proceeds from such sales would be used to repay debt.

Joyce said there was a "clear and significant" easing of both international and domestic capacity growth, which would stabilise the revenue environment.

Qantas and Virgin Australia have waged war over the past year to boost or retain market share.

Analysts expect Virgin to post a A$250-270 million pre-tax loss when it reports earnings on Friday, with both airlines caught out by excess capacity in global markets and moves by international carriers to increase capacity into Australia.

Joyce said that Qantas would extend a freeze on increasing domestic capacity into the first half of the current year.

In stark contrast to the Australian carriers, Air New Zealand Ltd, which owns around 26 percent of Virgin Australia, on Wednesday reported a 44 percent jump in annual net profit to NZ$262 million. The New Zealand flag carrier also said it planned to significantly grow capacity this year.