

TOM Online, Skype form JV in China

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Chinese wireless Internet company TOM Online and Skype, a popular Web site enabling free phone calls, announced the formation of a joint venture in China.

The announcement made on Monday calls for the joint-venture company to develop, customize and distribute a simplified Chinese-character version of Skype software and premium services to Internet users and service providers in mainland China.

The goal is to leverage TOM Online's 70 million wireless Internet subscribers and Skype's Internet-communications expertise to develop advanced communication and community features for mobile Internet platforms.

The joint venture is positioned to take advantage of growth opportunities as mobile and Internet technologies converge and drive increased broadband uptake in China's communications market, valued at \$70.8 billion 2004, according to Chinese government statistics.

According to IDC, a technology consultancy, the number of Internet users in China is expected to reach 154 million by 2007, representing a compound annual growth rate of 18 percent since 2003. The company says demand for broadband grew by more than 140 percent to almost 43 million users in January 2005. China is also is the world's largest mobile-phone market by number of users with more than 360 million subscribers up to the end of June this year.

Financial terms of the deal were not disclosed, but the company's share structure will be 51-percent owned by TOM Online and 49-percent held by Skype, according to a news release issued by the two firms.

Skype Technologies S.A., headquartered in Luxembourg with offices in London and Tallinn, Estonia, is privately held. It is backed by international venture-capital firms including Bessemer Venture Partners, Draper Fisher Jurvetson, Index Ventures and Mangrove Capital Partners.

TOM Online Inc., a subsidiary of TOM Group Limited, offers wireless value-added multimedia products and services SMS, MMS, WAP, wireless interactive voice-response services, content channels, search and classified information, free and fee-based advanced e-mail and online games.

The agreement further solidifies the partnership formed by the two companies in China's online communication market last November when they launched a co-developed customized simplified Chinese version of Skype.

China is one of Skype's top three markets with the co-branded software boasting approximately 3.4 million registered users. The most recent version incorporates a TOM Online tab, which makes TOM Online's wireless products and the contents of its media portal directly accessible from Skype.

In a news release, Niklas Zennstrom, chief executive officer and cofounder of Skype, said, "TOM Online has already been a wonderful partner to Skype and we're delighted to now take our relationship to the next level through the formation of this joint venture.

"By uniting Skype's market-leading global Internet communications platform with TOM Online's wireless leadership and understanding of

the needs of Chinese market, we believe we have a powerful mix of skills in place to bring the Skype experience to millions of Internet users," he added.

TOM Online CEO Wang Leilei was quoted in the release saying, "In less than a year since beginning our cooperation with Skype, we have seen robust growth in user numbers. It indicates Chinese Internet users' readiness to take advantage of the latest communication technologies available.

"The signing of this joint venture agreement is a testament to both companies' confidence in the tremendous business potential of the joint venture, given Skype's unrivalled technology strength and TOM Online's unique knowledge of China's market," Wang said.

Skype allows Internet users to make free, unlimited, high-quality voice calls via its peer-to-peer software on Windows, Linux, Mac OS X and Pocket PC platforms. It is available in 27 languages. Since its launch in August 2003 Skype has been downloaded more than 155 million times in 225 countries and territories. The company claims to have more than 52 million registered users of its free version and over 2 million paying premium customers.

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