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>
> DENG JIANLING, A VICE-PRESIDENT OF CHINA HUADIAN CORP

China's successful SOEs adapt in a changing world

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For the large, usually hard-to-change, clumsy-in-reaction State-owned enterprises, the capricious business environment since 2008 has been difficult.

Most of China's largest SOEs were established in the 1950s and 1960s. Now directly overseen by the State Assets Supervision and Administration Commission, 117 SOEs are at the "central level".

ANALYSIS

They cover industries such as energy, aviation, telecom and construction, each playing a pivotal role in the nation's development. And 38 of the 117 "central SOEs" are now on the Fortune 500 list, compared with 10 in 2005.

Wang Yong, the minister of SASAC, said the SOEs could take a still-larger share in the global market.

Wang also said SOEs will depend on innovation, management and business strategic planning for their growth.

However, since 2008, the global slowdown has been threatening the profit of most of these large corporations.

In the first five months of 2012, central SOEs generated 580.7 billion yuan ($91.3 billion) in profits, a decline of 7.8 percent year-on-year, according to the Ministry of Finance.

SASAC officials admitted that rising costs in energy supply, raw materials, and credit, along with foreign investors' sagging confidence, will make 2012 a tough year for the SOEs.

Earlier this year, SASAC asked SOEs to offset the effects of the global economic slowdown by speeding up their "strategic transformation" and technological upgrading.

Not all SOEs have been making equal progress since. But some have been using the time as an opportunity to learn — as to how to leverage their advantages, tap their potentials, and adapt to the new market environment.

In the process, they have increased their value, like China Power Investment Corp, or expanded collaboration with overseas partners, like China Huadian Corp.

In the resource-rich Huolin Gol in the Inner Mongolian autonomous region, China Power Investment, one of China's top five power generating corporations, is building one of China's largest electrolytic-aluminum bases near its gigantic pithead power plant.

Production of electrolytic aluminum is long considered a high power-consuming and high-pollution industry. If it were placed elsewhere, government approval would be difficult to get.

But for Lu Qizhou, general manager of China Power Investment, it is exactly to the company's advantage. Thermal power industry has been operating at a continuous loss because of rising coal prices and State control of electricity prices.

By integrating its pithead power plant with the higher value-added aluminum production, putting the power plant near the coal mine, and putting the aluminum production near the power plant, China Power Investment has found a new model of growth without having to wait for the government to raise the price of electricity.

From no other channel can the huge demand for electricity from aluminum production be satisfied more easily than connecting it directly with a large power station.

In that way, China Power Investment was able to stop its losses and see a turnaround instead.

"Electrolytic aluminum has become our new profit center, although it's not a traditional business of a power plant," Lu said.

In eastern Inner Mongolia, where China Power Investment keeps intense operation, there are large coal deposits. But most of the coal is lignite, low in its release of heat and hard for transportation and storage, Lu said.

Combining coal mining, electricity generation and aluminum production has raised the company's energy efficiency far higher than the industry average.

In 2011, electrolytic aluminum brought in 2 billion yuan profit for the company, while its thermal-power business saw a loss of more than 10 billion yuan.

At the same time, China Huadian Corp, also one of China's top five power generators, is building its advantage through new international collaborations.

Last year, China Huadian entered a joint venture with General Electric Co. to develop an aeroderivative gas turbine, a core device in distributed energy systems. Named Huadian GE Aero Gas Turbine Equipment Co, the venture has China Huadian contributing 51 percent of its registered capital of $100 million, and is scheduled to start operating in 2013 in Shanghai.

Distributed energy systems, also known as distributed energy resources, refer to the generation of energy from small energy sources. "It is the first step for us to introduce key distributed energy resources technology from the US," said Deng Jianling, a China Huadian vice-president.

The aeroderivative gas turbine is modified from the aviation engine and burns natural gas to create energy, capable of maintaining a high level of energy efficiency.

China Huadian has been developing distributed energy resources projects that help provide electricity for consumers from the company's nearby small power plants, thereby reducing energy waste during transmission.

It plans to establish 10 million kilowatt distributed energy resource projects by the end of 2020.

According to the National Energy Administration, by the end of 2020, the installed capacity of distributed-energy resources-based natural-gas generators is expected to reach 50 gigawatts, a tenfold increase from 2011.

Currently, China's largest distributed energy resources station is in Guangzhou University Town, operated by China Huadian, which enjoys millions of yuan in profit each year from an equivalent reduction of 100,000 tons of emission from a coal-fueled thermal power plant.

A report released by the World Bank earlier this year warned that China's economic growth will diminish over the next few decades unless China rethinks the dominance of government and State-owned assets in managing the economy.

In the soft-power race among emerging economies, China ranks No 1, benefiting from distinguished global image, integration and integrity, according to the 2012 rapid-growth markets soft-power index report of the consulting firm Ernst & Young, which was released in May.

The strength of China's soft power within the emerging world is primarily driven by the growth of its multinational corporations, increased tourism and the rapid expansion and ranking of its universities, Ernst & Young said.

what's news

ZHANG JIANCHENG / FOR CHINA DAILY

Visitors browse in an unattended 10-yuan ($1.60) shop in Yiwu International Trade City in Zhejiang province on Wednesday. The price of everyday commodities such as combs, toys and tools is all 10 yuan.

Cement maker slides on short-seller's report

West China Cement Ltd plunged the most in two years in Hong Kong trading after the short-seller Glaucus Research Group questioned the company's corporate governance and financial statements. The company denied the accusations.

The cement maker dropped as much as 16 percent, headed for the biggest percentage decline since it started trading in Hong Kong in 2010.

The Xi'an-based company is the latest in the country to have its accounting and corporate governance standards questioned by short sellers, who seek to profit from declines in share prices. Sino-Forest Corp sought bankruptcy protection in Canada in March after Carson Block's Muddy Waters LLC said it overstated assets.

Glaucus's report on West China Cement contains "certain allegations or comments on the company, which are groundless or misstatements," the company said in a statement to the Hong Kong Stock Exchange on Thursday.

Cathay Pacific may review Air China Cargo fleet

Cathay Pacific Airways Ltd may review the fleet at a cargo venture with Air China Ltd after losses at the operations contributed to the Hong Kong carrier's first unprofitable half year since 2008.

Air China Cargo will have to assess what will be the right aircraft to make it profitable in the long term, Cathay Pacific Chief Executive Officer John Slosar said on Thursday.

The venture is taking four Boeing Co 747-400 freighters from Cathay, which the Hong Kong-based airline is replacing with newer models.

"Old, fuel-inefficient airplanes is a tough business model," Slosar said in an interview in the city on Thursday. "We'll have to look at that to see what is the right way forward in terms of the fleet."

The carrier agreed to buy a 49 percent stake in Air China's cargo unit in 2010. It's using the four 747-400 freighters, which were converted from passenger planes, to help pay for the investment. The new joint company began offering flights in March 2011.

Chinese company to buy 80% of US battery maker

China's Wanxiang Group, a leading auto-parts supplier, will take an 80 percent stake in the US battery maker A123 Systems, Reuters reported on Thursday.

A123, which makes high-tech auto batteries for hybrid and electric vehicles, said Wanxiang Group plans to invest up to $450 million in the company.

A123 on Wednesday reported a second-quarter loss of $82.9 million, or 56 cents per share, compared with a loss of $55.4 million, or 44 cents per share, a year earlier.

It also warned last month that it had cash to pay for its operations for only the next four to five months.

The company said the deal should be complete before the end of the year, and a quick cash injection should help it get through the next several months, Reuters said.

Mercedes maintains strong sales in the first 7 months

German luxury automaker Mercedes-Benz said on Wednesday that its sales in the first seven months increased 10 percent to 119,980 units in China, keeping strong market momentum in the world's largest automobile market.

The automaker delivered 14,760 vehicles under the Mercedes-Benz, Smart and Maybach brands in July, a 2 percent increase over last year.

Its locally produced models had a strong market performance as the core model, the C-Class, showed a strong monthly growth of 134 percent in July, bringing the year-to-date increase rate to 26 percent for the seven-month period.

In addition, the locally produced E-Class also recorded a steady 17 percent year-on-year growth in the first seven months.

Mobile phone exports up 17.7% in the first half

China exported about 457 million mobile phones in the first half of the year, an increase of 17.7 percent year-on-year, according to a report from China International Business.

The sales of exported mobile phones reached $35.8 billion in the period, up 36 percent over the same period last year, the paper said.

Analysts expect the country to export more than 1.05 billion mobile phones this year, with a transaction amount of about $80 billion.

China is the world's biggest mobile phone manufacturer. The country shipped 535 million mobile phones to stores in the first half, a rise of 5.5 percent year-on-year.

Electronics expo to start in October in Suzhou

The 2012 Suzhou Electronic Manufacturers Exposition will take place in Suzhou, Jiangsu province, from Oct 18 to 21, offering IT businesses a platform to display their technologies.

Sheng Lei, deputy mayor of Suzhou, said on Wednesday that her city is ready to welcome more than 500 companies, including some of the biggest names in the industry, such as Lenovo Group Ltd, China Mobile Ltd and AsusTeK Computer Inc, at the exposition, which is the 11th of its kind.

Suzhou is home to more than 9,000 IT companies and has been crowned "China's Silicon Valley", according to Sheng.

The event is co-organized by the Ministry of Commerce, Ministry of Industry and Information Technology and the State Council Taiwan Affairs Office.

Sinopec to spend HK$10m on beach cleanup

China Petroleum and Chemical Corp is prepared to spend HK$10 million ($1.29 million) to clean up a beach in Hong Kong after plastic pellets were spilled into the city's waters, Lu Dapeng, a company spokesman, told reporters on Thursday.

Sinopec is willing to shoulder the liability and social responsibility of the spill, Lu said.

The company owns the 150 tons of plastic pellets that were spilled when Hong Kong was hit by a typhoon two weeks ago, the South China Morning Post reported.

Oil near 3-month high amid stimulus speculation

Oil traded near a three-month high in New York as speculation that China will take more steps to boost economic growth countered signs of weakening demand in the US.

Futures advanced as much as 0.4 percent. Growth in China's industrial production slowed while inflation cooled for a fourth straight month in July, providing more room for policies to stimulate the expansion of the world's second-biggest oil consumer. US petroleum consumption fell 1.1 percent last week, the first drop in four weeks, according to a report from the Energy Department on Wednesday.

"The market is in a mode where all that matters is the prospect of a central bank monetary stimulus," said Guy Wolf, a strategist at Marex Spectron Group Ltd, a London-based commodities broker who predicts Brent crude will be capped at $120 a barrel.

Sao Paulo firm starts China trials to reclaim desert

FuturaGene Plc began trials in Northwest China of the potential of using woody crops and shrubs to reclaim desert to help boost the economy for local farmers.

The company is working on four field trials in Gansu province to study whether the plants can fight desertification, enable soil regeneration and be used as biomass and in biofuel, the Sao Paulo-based FuturaGene said on Thursday. The trials will run for four years.

"We're dealing with very poor communities with very degraded agricultural land," FuturaGene CEO Stanley Hirsch said in London. "Farming practice in these places is very simple, and it's very difficult for these communities to actually derive a livelihood from agricultural land."

Desertification of land caused by factors such as wind and water erosion is a "major ecological" problem in China, with as much as 30 percent of land affected.

Vegetation in affected areas in northern China requires "significant improvement" to boost the local ecosystem and bring economic benefits, Hirsch said.

China may set new property controls soon

China may set new property controls as early as this month after the central government's inspection team returns to Beijing, the official China Securities Journal reported on Thursday.

The government has room to issue more policies, including raising the transaction tax on existing homes and expanding a property tax trial, the newspaper reported, without saying where it got the information.

The policies will be based on inspection results and likely be this month as the government may want to avoid the traditional property-sales season in September and October, it said.

China's July car sales trail forecasts

China's passenger-vehicle sales trailed analysts' estimates for the first time in five months, as demand slowed with the economy and some consumers held back purchases in anticipation of government stimulus measures.

Wholesale deliveries, including multipurpose and sport utility vehicles, gained 11 percent to 1.12 million units last month, the China Association of Automobile Manufacturers said in a statement on Thursday.

Auto sales are slowing in the world's largest vehicle market as the economy expanded at its weakest pace in three years.

Consumers are postponing vehicle purchases in anticipation that the government will introduce subsidies to encourage demand, according to the industry researcher LMC Automotive.

CHINA DAILY—AGENCIES

Economic planners ease conditions for overseas bidding

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China's top economic planner has announced plans to make it easier for private companies to look for opportunities overseas.

The National Development and Reform Commission said on Thursday that applications will no longer be required to be made for overseas resource development projects with an investment worth less than $30 million, or for non-resource development projects with an investment of less than $10 million.

POLICY

According to an announcement on its website, the commission said a pilot program will be introduced soon to officially start the plan.

The move is the latest step by the central government to encourage Chinese enterprises to expand their horizons, and look for international projects.

In February, the NDRC announced that applications for resource projects with an investment of up to $300 million, and non-resource projects with an investment of up to $100 million, could be approved by provincial and municipal-level authorities, and not the central government.

Investment by non-State enterprises already increased to 44 percent of China's total overseas investment in 2011.

Zhang Jianping, a researcher from the Institute for International Economic Research, which is affiliated to the commission, said private investment still accounts for only a small proportion of large overseas mergers and acquisitions.

"Chinese private companies should take advantage of the opportunities being offered by the global economic recession to invest abroad.

"Overseas mergers could help Chinese companies integrate Western technologies, further develop their own brands, and expand their markets," Zhang said.

Last month, China issued detailed guidelines to encourage private company investment overseas, offering favorable measures including tax relief and credit support.

It is particularly encouraging overseas investment in energy and resources, high tech, and advanced manufacturing industries aimed at upgrading industrial infrastructure.

The government has also vowed to expand financing for overseas investment by private companies by supporting the issue of yuan-denominated equity investment funds and expanding the use of the yuan.

Private investment in China's monopolized industries and public service sector grew rapidly in the first half, thanks to the government's favorable policies.

Private investment in oil and gas exploration, a sector long dominated by State-owned companies, increased by 89.2 percent year-on-year in the first half, 85.9 percentage points higher the industry average, according to Xinhua News Agency.

China's private fixed-assets investment rose 25.8 percent year-on-year to 9.37 trillion yuan ($1.48 trillion) in July, the National Bureau of Statistics said.

Feng Fei, head of the Research Department of Industrial Economics under the Development Research Center of the State Council, said the potential of private investment should be developed.

"Attracting more private investment could help improve the efficiency of the monopolized industries," Feng said.