SOE MATTERS

State enterprises power ASEAN projects

RCEP, BRI herald massive growth opportunities for centrally administered firms

By ZHONG NAN
zhongnan@chinadaily.com.cn

Employees of China Communications Construction Co lay rails in a tunnel in Pahang, Malaysia, in August. ZHU WEI / XINHUA

China's State-owned enterprises will explore more business opportunities in a range of areas in the markets of the Association of Southeast Asian Nations, following the recent signing of the Regional Comprehensive Economic Partnership agreement, said business leaders.

As China and ASEAN look forward to the pact's early implementation, many opportunities will likely arise from the tangible development and regional economic integration brought about by the Belt and Road Initiative.

The two sides have complementary industrial structures with their bilateral trade value growing in both goods and services, business leaders said.

Thanks to the high-level free trade agreement between China and ASEAN, as well as two-way production capacity cooperation, their enhanced industrial and value chains have helped companies on both sides to better cope with uncertainties caused by protectionism, the COVID-19 pandemic and the global recession, said Xu Ningning, executive president of the China-ASEAN Business Council.

In addition to fast growth of big-ticket industrial parks and infrastructure projects such as the China-Singapore Suzhou Industrial Park and the China-Laos Railroad, the two sides should enrich regional industrial chains in key sectors like infrastructure, manufacturing, agriculture and healthcare over the next decade, Xu said.

Despite slowing global trade, economic recession and serious travel disruptions, China's direct investment in ASEAN markets surged 76.6 percent on a yearly basis to $10.72 billion in the first three quarters of this year. The top three investment destination countries were Singapore, Indonesia and Laos, said the Ministry of Commerce.

CCCC Tianhe Mechanical Equipment Manufacturing Co plans to export more tunnel boring machines, or TBMs, and provide related services to the ASEAN market over the next 10 years, as it believes that demand for such products will surge as many countries are seeking to create jobs and stimulate trade flows via mega infrastructure and transportation projects, which require tunnels.

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The No 1 tunnel on the Jakarta-Bandung high-speed railway line in Indonesia was completed in late November using the company's TBM. The railroad is the first with a maximum speed of 350 kilometers per hour in Southeast Asia. It is also an icon of the BRI and Indonesia's Global Maritime Fulcrum strategy, the country's grand maritime vision.

Zhang Boyang, chairman of the Jiangsu province-based company, said the 1,469-meter tunnel is being built through a mixture of cohesive soil, gravel, sandy soil and fine gravel that has a high underground water level and abundant surface water. It has to pass through a volcanic accumulation layer, with poor self-stabilization capacity.

The 2,600-metric-ton TBM with a 13.19-meter diameter and 101-meter-long cutter was designed and developed by CCCC Tianhe, a subsidiary of Beijing-based China Communications Construction Co Ltd, in response to the complicated geological conditions.

With such internationally leading technologies as subsidence control, stratified backwash, a cutter with long duration and real-time tool wear monitoring were used in the machine.

Once it is operational, the 142-kilometer railway will shorten travel time between Jakarta and Bandung to 40 minutes. It will promote construction of the Trans-Asian railway network and effectively relieve traffic congestion between the two cities. It is expected to play a role in forming the Jakarta-Bandung economic corridor and boost Indonesia's economic growth, Zhang said.

Wang Bin, vice-president of Power Construction Corp of China, or PowerChina, said the signing of the RCEP agreement is an encouraging move to highlight multilateral cooperation, openness, free trade and investment. It will impart fresh impetus to China-ASEAN economic and trade ties for years to come.

The company reported that its third unit of the fourth cascade in phase II of the Nam Ou River Cascade Hydropower Project in Laos was connected to the national grid in October, a new landmark development for the giant hydroelectric power project.

The project is being developed in two phases. The 550-megawatt first phase entered operation in April 2016, after which construction on the four units of the 732-MW second phase began.

Wang said the project's cumulative power generation to date has exceeded 6 billion kilowatt-hours.

The Nam Ou River Cascade Hydropower Project is the first hydropower development being undertaken by a Chinese company involving overall river basin planning and a build-operate-transfer, or BOT, investment model.

When completed, it will contribute to more than 12 percent of Laos' electricity supply. It will also power the country's industrial upgrading, major infrastructure construction and urbanization, while helping to alleviate poverty, he said, adding that the whole project is scheduled to be completed by the end of this year.

On Nov 27, at the 17th China-ASEAN Expo in Nanning, the Guangxi Zhuang autonomous region, Chinese and ASEAN companies signed agreements for 86 investment cooperation projects at home and abroad. The projects involve total investment of 263.87 billion yuan ($40.13 billion).

Many of these deals were sealed by China's centrally administered SOEs, including China Resources (Holdings) Co Ltd, State Power Investment Corp and China Energy Engineering Group Co Ltd, along with their partners in ASEAN, said the Ministry of Commerce.

"Chinese companies, especially SOEs, have been helping develop infrastructure and improve connectivity within ASEAN economies. A large number of industrial parks between them have also contributed to trade and investment cooperation activities," said Zhang Jianping, director-general of the Beijing-based China Center for Regional Economic Cooperation.

As China and the ASEAN will continue to deepen cooperation under the guidance of the Strategic Partnership Vision 2030, Zhang said the recently signed RCEP, which aims to cut tariffs, further open markets and lower trade and investment barriers, will boost economic development and further integrate the regional market over the next decade.

Reforms among SOEs a priority during 14th Five-Year Plan

By ZHONG NAN

Shaanxi Blower Group Co employees work on a production line in Xi'an, Shaanxi province, on Nov 18. SHAO RUI / XINHUA

China will push corporate reforms at 8,000 State-controlled enterprises during the country's 14th Five-Year Plan (2021-25) period to further optimize asset structures and improve market-oriented operating mechanisms, said the country's top State asset regulator.

Total assets associated with these reforms are worth 1.3 trillion yuan ($198.12 billion). The campaign is conducive in fundamentally solving outstanding issues among State-owned businesses and helps the country pursue high-quality growth over the long run, said Weng Jieming, vice-chairman of the State-owned Assets Supervision and Administration Commission of the State Council.

Unlike centrally administrated State-owned enterprises, which are large groups within the jurisdiction of the central authorities, State-controlled firms refer to all enterprises owned partly or outright by all levels of government across the country.

"Even though reforms will involve a large number of companies, and some are also facing historical debt and other operational issues, the government will clarify approval procedures, asset evaluations, tax payments and land disposals for their corporate reforms in the next stage," Weng said.

He added that all corporate reforms among centrally administered SOEs along with 96 percent of the country's State-controlled enterprises supervised by provincial-level State-asset regulators to date have been completed.

Since central SOEs completed their corporate system reforms, their scale, earning strength and operational efficiency have all significantly improved in recent years, said Liu Xingguo, a researcher at the Beijing-based China Enterprise Confederation.

63.4 trillion yuan
total assets of China's central SOEs by the end of 2019, according to government data

Total assets of China's central SOEs amounted to 63.4 trillion yuan by the end of 2019, growing 16.12 percent from 2017, while their net profits reached 1.4 trillion yuan, an increase of 32.32 percent over 2017, government data showed.

Under new government policies announced in October, major SOEs will be encouraged to sell significant stakes to outside strategic partners during a three-year action plan for SOE reform, which will run through 2022.

The plan is designed to implement measures outlined by the 19th National Congress of the Communist Party of China in late 2017 to push SOEs to adapt to market-oriented and law-based rules and norms in the new era as soon as possible and assume greater responsibility in an open and innovative environment.

The government encourages publicly listed SOEs to introduce strategic investors by offering them 5 percent or more equity to participate in corporate governance as active shareholders.

China Southern Airlines General Aviation Ltd, a unit of China Southern Airlines, has taken a mixed-ownership reform path after the parent firm brought in three new investors last week.

Following the move, the registered capital of China Southern Airlines General Aviation Ltd will grow from 1 billion yuan to more than 1.34 billion yuan. The company currently operates 25 general-purpose aircraft, including 16 S-series heavy helicopters, the airline said in a statement.

Despite the new investors, Shanghai-listed China Southern Airlines is still the largest shareholder in the company with a 57.9 percent stake. SOE Reform Development Fund Management Co Ltd holds 14.1 percent, China Southern Power Grid Industrial Investment Group Co Ltd 10 percent, China Southern Airlines Capital 10 percent and a Zhuhai-based company 8 percent.

Pang Xiaogang, vice-president of State Grid Corporation of China, said that mixed-ownership reform has been actively and steadily carried out over the past several years, and the role of State-owned capital has been further diversified.

Since 2013, China has completed mixed-ownership reform at more than 4,000 firms, with more than 1.5 trillion yuan of non-State capital involved, the SASAC said.

China's SOEs saw their aggregate net profit after taxes rise 62.7 percent on a yearly basis in October, while operating revenue climbed 7 percent, the Ministry of Finance said last week.

SOEs reported 49.68 trillion yuan in revenue between January and October, growing 0.2 percent over the same period of last year, while net profit totaled 1.93 trillion yuan after taxes, down 11.4 percent year-on-year, the ministry said.

Energy giant ups green push with foray into Mexico

By ZHENG XIN
zhengxin@chinadaily.com.cn

China's State Power Investment Corp has completed its purchase of Zuma Energia, Mexico's largest independent renewable power company, on Nov 19.

It marks this year's biggest renewable energy project acquisition in Latin America in terms of scale.

The investment, the first direct one by a Chinese power enterprise in the Mexican market, will also help increase SPIC's overseas and green generation capacity, said the State-owned enterprise, one of China's top five power generators.

SPIC did not disclose the value of the acquisition, but said it will fully own the Mexican company.

The investment in Zuma signifies "our continuous commitment and support for clean and renewable power generation", said Qian Zhimin, chairman of SPIC.

Zuma Energia, an independent clean energy developer, currently operates two solar plants in Sonora and Chihuahua and two wind farms in Tamaulipas and Oaxaca, with a combined installed capacity of 818 megawatts.

By the end of October, SPIC's installed power generation capacity reached 165 gigawatts worldwide, with clean energy accounting for more than 54 percent. SPIC is also the world's largest solar power company.

> "Chinese investors have long been bullish on the Latin American market. Mexico is a new destination for State-owned energy giants and will see big opportunities ..."
>
> **Wei Hanyang,**
> a power market analyst at Bloomberg New Energy

With the purchase of the Mexican project, SPIC will see its overseas power generation capacity exceed 6 million kilowatts, of which 70 percent will come from non-fuel energy.

According to Adrian Katzew, chief executive officer of Zuma, the Mexican company has built a robust platform to look for multiple avenues of regional growth. So, the support of SPIC will allow the company to continue the mission of making a significant contribution to a global clean energy system.

Industry insiders said with the completion of the purchase, SPIC will be able to meet this year's target of having 8 GW of overseas power generation capacity. It owns installed capacity of 5.21 GW outside China and had 1.47 GW projects under construction by March.

Wei Hanyang, a power market analyst at Bloomberg New Energy, said SPIC's Mexican acquisition is a brave, positive and wise attempt to strengthen itself via investment in renewable energy.

"Chinese investors have long been bullish on the Latin American market. Mexico is a new destination for State-owned energy giants and will see big opportunities, if short-term uncertainties in the local macro scene and the clean energy market are sorted out and properly managed," he said.

The Zuma acquisition was made through SPIC's Hong Kong-based subsidiary, China Power International Holding Ltd. In September, China Power International signed an agreement with Norwegian energy firm Equinor to cooperate in offshore wind development in China and Europe.

To date, SPIC has built a presence in 46 countries and regions such as Japan, Australia, Malta, India, Turkey, South Africa, Pakistan and Brazil. Thirty-seven of those economies participate in the Belt and Road Initiative.