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BUSINESS

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Regulator changes stake game

CSRC reins in equity offloading by opportunistic big shareholders

By **WU YIYAO** in Shanghai
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Experts welcomed moves by the China Securities Regulatory Commission to tighten rules governing stake sales by big shareholders in listed companies.

Analysts on Tuesday said the new rules will make the stock market more stable and sustainable in the long term, besides strengthening investor sentiment.

Stake sales by major shareholders through block deals have been often blamed for market volatility that rattled small investors.

The new policy requires major shareholders to divulge detailed information on all aspects of their stake sales via mechanisms like block deals. It also covers the sale of private placement shares and equity transfers via agreements.

> **The move will certainly help the securities market to rebound amid the global bullish sentiment.”**
>
> **Yang Delong,** executive manager at Qianhai Kaiyuan Fund Management Co

The definition of “major shareholders” has been also revised. It now includes those who hold 5 percent or more shares in a company, besides senior managers.

“The improved system will guide major shareholders to reduce their holdings in a standardized, reasonable and orderly manner, which will help stabilize market expectations and shore up investor confidence,” said the CSRC.

Li Zhilin, dean of the Enterprise and Economic Development Research Institute, East China Normal University, said the new policy is in alignment with a slew of recent measures aimed at reducing leverage and related risks that have been hurting the financial markets.

In the past, big shareholders’ stakes were subject to a lockup period. When such shares became tradable, inadequate information disclosure requirements used to cause volatility in stock prices, eventually bringing windfall gains to sellers at the expense of retail investors.

The new policy now plugs such loopholes, and will ensure transparency as well as fair distribution of gains, said Li.

“This move helps restore investor confidence and puts the stock market on a steady and bullish track,” said Li.

Sun Jinju, a researcher at Guotai Junan Securities Co, said Saturday’s move will encourage investors to think long term rather than seek short-term speculative gains.

In a research note, Sun said investors will now focus more on long-term growth of a company and yields from its good performance (such as through dividends) than overnight share price surges.

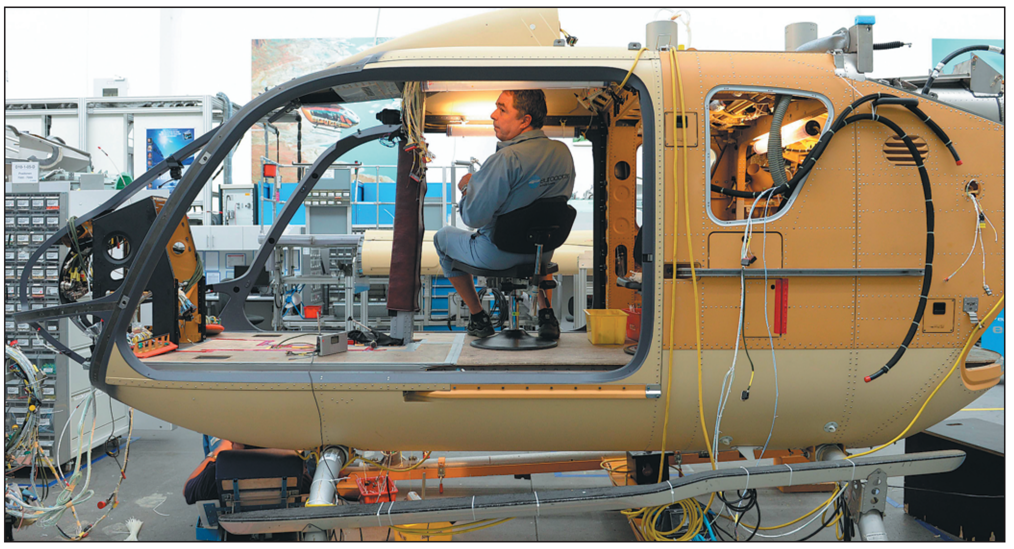
The move will further strengthen the fundamental idea of investment in the stock market, which would enable more people to participate and gain from growth of companies, he wrote.

Yang Delong, executive manager with Qianhai Kaiyuan Fund Management Co, said that the new rules are “significant” for the A-share market because they protect retail investors, thus boosting their sentiment.

“In the past, some big shareholders disposed of their holdings in a ‘clearance sale’ manner — ‘everything must go’ — which hurt share prices as well as retail investor confidence. The move will certainly help the securities market to rebound amid the global bullish sentiment,” said Yang.

The new policy may, however, affect private placements, pre-IPO funds and private equity funds, market insiders said. Tightened regulation could hurt liquidity in secondary market trading, said a report from China Fund.

Xinhua contributed to this story.



An employee works at the production line of the Airbus helicopter plant in Donauwoerth, Germany. The European aircraft maker is to manufacture the H135 light twin-engine helicopters in China. PROVIDED TO CHINA DAILY

Airbus Helicopters breaks ground for first assembly plant in China

By **XIE CHUANJIAO**
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Airbus Helicopters is moving forward with its strategic partnership with China, with construction now underway of its first helicopter assembly line in the country.

Guillaume Faury, CEO of Airbus Helicopters, said the new final assembly line for its H135 chopper in Qingdao, Shandong province, is the first for the company in China.

Costing more than 10 million euros ($11.21 million), the plant is expected to be completed by 2018, he said at the weekend groundbreaking ceremony.

Under a framework agreement signed in June last year, 100 Airbus H135s will be assembled over the next 10 years and the first aircraft rollout from Qingdao is planned for mid-2019. The production line will have a total installed annual capacity of 18 helicopters, which can be extended for future growth.

Faury said the project was a “remarkable milestone” for his company’s global footprint and demonstrated its commitment to further enhancing industrial cooperation with China’s rapidly growing aviation industry.

“We are confident that this project will achieve a win-win solution to fulfill the requirements of local customers while supporting the development of crucial helicopter services,” Faury said.

The new facility, located in the Jimo Hi-Tech Industrial Development Zone, will be operated by Airbus Helicopters and Qingdao United General Aviation Co Ltd, a joint venture between China Aviation Supplies Holding Co and Qingdao United General Aviation Industrial Development Co Ltd.

> **600**
> number of light twin-engine helicopters China may need in 20 years

Airbus Helicopters holds a majority share of 51 percent in the joint venture.

“The H135 final assembly line is another strong example of Sino-European cooperation and will play an important role in further promoting the development of China’s general aviation industry,” said Li Hai, president of CAS.

“We believe in this partnership and are looking forward to seeing the first Airbus helicopter assembled in China.”

The H135 is a light twin-engine helicopter, mainly operating in emergency medical services, search and rescue, law enforcement, firefighting and tourism. To date more than 1,200 helicopters in the H135 family have gone into operation internationally.

In 2016, China became Airbus Helicopters’ biggest civilian market in terms of annual orders. Given the rapid development of the helicopter emergency medical services, public services and offshore wind industry in the country, a potential demand for 600 light twin-engine helicopters is expected over the next two decades.

Alibaba’s ‘new retail’ plan gets teeth

By **SHI JING** in Shanghai
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E-commerce giant Alibaba Group Holding Ltd is penetrating deeper into the offline sector to build its “new retail” model.

It spent an estimated but unspecified amount of over HK$630 million ($80.88 million) for an 18 percent stake in Hong Kong-listed Lianhua Supermarket Holdings Co Ltd on Friday.

Post the deal, which was announced by Lianhua, Alibaba is the second-largest shareholder in the former.

Alibaba bought the Lianhua stake from Shanghai Yiguo E-commerce Co Ltd, a fresh produce marketplace.

Incidentally, Alibaba had invested in Shanghai-based Yiguo, having participated in the latter’s series A and C funding rounds in 2013 and 2016.

Lianhua shares rose 24 percent to close at HK$3.92 on Monday while the benchmark Hang Seng Index rose 0.24 percent. The market was closed on Tuesday for the Dragon Boat Festival.

The deal marks the third transfer of Lianhua shares in three years.

In September 2015, Yonghui Superstores Co Ltd bought 237 million shares in Lianhua, representing a 21.17 percent stake, for about 751 million yuan.

In December 2016, Yonghui sold that stake to Yiguo for 850 million yuan ($125 million), citing operational changes and overlap in the two businesses.

Lianhua is the first Chinese mainland retail company to have listed in Hong Kong. It has three business lines: hypermarkets, supermarkets and convenience stores.

> **3,618**
> number of stores that Lianhua had in China at the end of 2016

By the end of last year, it had 3,618 physical stores across China, including the 2,286 outlets in Shanghai.

However, Lianhua’s business performance has been declining since 2011, mainly due to competition from online players.

Sales touched a historic low of 26.67 billion yuan last year, causing a loss of 450 million yuan. Its profit has been dropping too — by 37 percent in 2012, 70 percent in 2013 and 11 percent in 2014.

For Alibaba, Lianhua’s store network represents value.

Jack Ma, Alibaba’s founder and executive chairman, floated the idea of “new retail” during a conference in Hangzhou in October.

He said the era of e-commerce would end in 10 to 20 years to give way to new retail, a combination of online and offline sales and logistics services.

Toward this end, Alibaba announced a partnership with Shanghai retail conglomerate Bailian Group Co in February.

In June last year, Alibaba also became the biggest shareholder in Intime Retail Group.

Truck Alliance app aims to roll out a range of services

By **OUYANG SHIJIA**
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Truck Alliance, also known as Huochebang and a Uber-type service for trucks, plans to ramp up its offerings to include a range of convenience services for drivers.

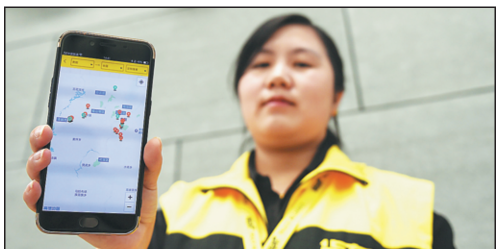
Luo Peng, president and co-founder of Truck Alliance, said the app will provide A-to-Z services covering auto loan applications, purchase of trucks, finding commodities to transport and vehicle sales in the future.

Earlier this month, Truck Alliance had said it received $156 million in funding from Baidu Capital, the investment arm of Chinese internet giant Baidu Inc.

The money, Luo said, will be used to expand Truck Alliance’s truck service business, increase value-added services and boost human resources.

“The market for truckers is huge — so huge it’ll be worth more than 1 trillion yuan ($146 billion yuan) in the foreseeable future. Just as Alibaba Group Holding Ltd offers infrastructure for e-commerce, we’ll provide infrastructure for the logistics industry. In the future, truckers simply need to drive as we’ll take care of all other things for them,” Luo said.

Also known as Truck Alliance, Truck Alliance is also backed by Hong Kong-listed Tencent Holdings Ltd.



A worker displays the Truck Alliance app for truck drivers in Guiyang, Guizhou province. OU DONGQU / XINHUA

Using big data technology, the app helps match trucks nationwide with commodity owners in need of transport. It also provides follow-up services such as sales of electronic toll charge cards for highway transportation and auto finance-related services.

At the China International Big Data Industry Expo in Guiyang, Luo said the company had 3.7 million registered vehicles by the end of April. It also boasts 630,000 corporate members, covering 90 percent of the counties.

It expects to cover more than 95 percent of the counties by the end of 2017.

Pony Ma, chairman and CEO of Tencent, said at the expo that Truck Alliance has utilized opportunities in innovation.

Using big data, Truck Alliance is able to help drivers to directly find commodities waiting to be shipped, without worrying about potential empty return trip.

With the digital economy booming, Truck Alliance will see more innovations connecting the real economy with internet-related technologies, he said.

On Thursday, the company inked a deal with China Shenhua Rail and Trucks Co, facilitating road-and-rail transport, which will likely reduce costs and improve efficiency in the logistics sector.

Luo said the deal marked a new possibility to expand abroad in future.

“We’re able to offer needed services for clients in the home market. I believe we’ll be qualified to help the countries and regions participating in the Belt and Road Initiative. By then, our overseas business will naturally expand and grow,” Luo said.

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Rentals pick up as preowned home sales slow

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An increasing number of homeowners in Shanghai are leasing out their properties rather than selling them, as the preowned homes segment has turned sluggish, analysts said.

The market has been affected by the recent limits on purchases and tighter norms for home loans.

Prospective homebuyers also seem to prefer the option of renting, as supply has increased in the form of affordable rental projects and serviced apartments. Such projects have been launched by big developers, they said.

Home rental prices in Shanghai have also slipped 0.3 percent between January and May, the first downward trend observed in the past 90 months, reflecting fast-growing supplies, according to the Shanghai Rental Index Office.

The SRIO is an unofficial alliance of dozens of real estate agents in Shanghai that share their data and research.

In non-central districts, some rentals declined more than 3 percent in the past two months. That’s because homeowners who had hitherto sought to sell their properties, shifted to the rental market due to fewer homebuyers in the market, according to the SRIO.

> **0.3 percent**
> the decline in home rental prices in Shanghai between January and May

The Shanghai rental market had experienced fast price growth in the past seven years, according to data from Centaline Properties.

Average rent grew 82 percent in Shanghai between January 2010 and December 2016, while the corresponding figure was 51 percent in Beijing, 54 percent in Shenzhen and 55 percent in Guangzhou.

“Rents grew fast when supplies were declining. When home prices rose quickly, more homeowners tended to sell instead of leasing. Now, the trend is reversing,” said a research note by Chen Shen, an analyst with China Securities Co.

Savills Research said that in various segments of the Shanghai rental market, occupancy rates have been rising, showing rising demand from tenants.

In the first quarter of 2017, serviced apartments in Shanghai recorded an occupancy rate of 85.1 percent. The figure for normal apartments was 88 percent, and 96.6 percent for villas.

During the same period, the average rental for serviced apartments dropped 0.2 percent to 230 yuan ($33.49) per square meter per month. The rental for apartments rose 1 percent to 182.8 yuan per sq m, and 0.2 percent for villas to 154.6 yuan per sq m.

“The rental market is consolidating and rentals slipped slightly in some segments. And investors and operators are also joining the rental market, increasing supplies. At the same time, homeowners are also shifting from selling to leasing, bringing fiercer competition to the rental market,” said James McDonald, head of Savills China Research.