business

ONE U$D EQUALS
SOURCE: REUTERS, 9PM FRIDAY

▲RMB	▼HKD	▼JPY	▲EUR	▲GBP	▲AUD	▲INR	▲CAD	▲KRW	▲THB	▲BRL
6.3807	7.7569	78.12	0.8152	0.6365	0.9592	55.43	1.0090	1138.50	31.53	2.0202

Industrial profits down for 3rd straight month

By **WEI TIAN** in Beijing and **YU RAN** in Shanghai

SURVEY

Profits of large industrial enterprises dropped in June for the third consecutive month amid sluggish demand, leading to a decline of 2.2 percent year-on-year in the first half to 2.3 trillion yuan ($361 billion), the National Bureau of Statistics said on Friday.

Profits of surveyed companies declined in June by 1.7 percent year-on-year, but the situation has warmed up from declines of 5.3 percent in May and 2.2 percent in April.

Sales by industrial companies in the first six months increased 11.3 percent to 42.6 trillion yuan, the statement said.

The decrease was largely due to the shrinking profits of State-owned enterprises, which dropped by 10.9 percent year-on-year to 690 billion yuan in the first six months.

The poor performance of foreign-funded companies was another key factor. Their profits fell 13.4 percent year-on-year in the first half to 522 billion yuan.

In comparison, privately owned companies fared better, with their profits rising 16.5 percent to 695 billion yuan.

Zhang Qizi, assistant director of the Institute of Industrial Economics at the Chinese Academy of Social Sciences, said: "Private companies have more flexibility in adapting to changes in market demand than SOEs, and are better positioned in the country's economic adjustment."

The NBS survey was conducted among industrial enterprises with annual revenue of more than 20 million yuan.

Of the 41 surveyed industries, 27 reported rising profits, while profits declined in 13 industries. One sector-oil refining, coking and nuclear fuel processing-went into the red, the NBS said.

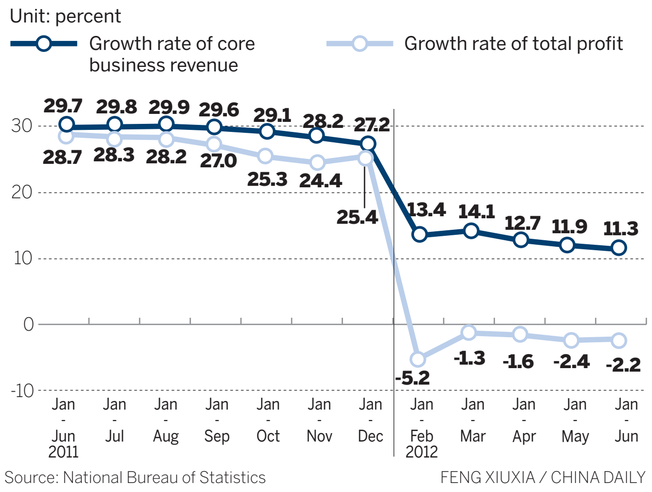
Profits of power-generating enterprises increased 24 percent, while those of agricultural and non-staple food producers rose 17 percent. Automakers also reported a surprise 10 percent increase in profits.

The ferrous metal processing industry registered the sharpest decline in profits — 57 percent. Profits in the chemical products industry fell by 23 percent.

"The industries that reported profits are due to rising prices, but upstream industries such as steel were heavily affected by sluggish demand," Zhang said.

"However, decreasing profits won't be a long-term phenomenon, as we already see the extent of the decline narrowing," he said.

GROWTH RATES OF CORE REVENUE AND TOTAL PROFIT



Source: National Bureau of Statistics FENG XIUXIA / CHINA DAILY

Song Yu, an economist on China's macroeconomy with Goldman Sachs, said industrial profits may already be improving, and that the year-on-year decline was a result of the high base in the previous year.

"With an easing policy environment in the second half, the profits of large industrial companies may see a rebound," Song said in a research report.

However, in Zhejiang province, where China's small and private businesses are the most vigorous, business owners are complaining about rising costs amid declining revenue.

According to statistics from the local authorities, interest costs have increased by 37 percent in the first five months, while labor costs were up 15 percent, resulting in the total profits of companies in the province declining 19 percent.

"Most shoe manufacturers in Wenzhou are struggling with higher labor costs and lower profits with the sharp decline in the number of orders for leather shoes," said Zheng Shili, general manager of Wenzhou Golden Emperor Shoes in Zhejiang province.

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Luxury brands continue to cash in on China market

By **WANG WEN**
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RETAIL

China's increasing luxury market was still a growth driver for some main international luxury groups' total revenue in the first half of 2012, despite the slight slowdown in market growth.

On Thursday, the French-owned PPR SA, for instance — the world's third-largest luxury group by turnover, which owns Gucci and Bottega Veneta — revealed it generated 1.17 billion euros ($1.4 billion) in sales from the Asia-Pacific region, excluding Japan, in the first half of 2012, an increase of 16.2 percent compared with the same period in 2011.

1.17 billion euros
the amount PPR SA generated in sales from the Asia-Pacific region, excluding Japan, in the first half of 2012

The region — its second best earner after Western Europe — contributed 18 percent to total group revenues of 6.39 billion euros, a 16.7 percent rise compared with the first six months of 2011.

The Gucci brand, gained huge popularity in China, said Chief Financial Officer Jean-Marc Duplaix, where sales soared by 35.6 percent across all of China in the first half of 2011, including Hong Kong, Macao and Taiwan, and 17.2 percent on the mainland in the first half of 2012.

At rival LVMH Moet Hennessy Louis Vuitton SA, the leading luxury group which owns a stable of top names including LV, Fendi and Kenzo, revenues were also boosted from Asia.

Total revenues of 12.9 billion euros in the first half of 2012, were 26 percent better than 2011, with countries in Asia, excluding Japan, contributing the most, the group said.

"Sales to customers from China and America were particularly strong during the period," LVMH added.

Both luxury giants said that they were optimistic that business in China, especially, will continue to expand.

Gucci set up a head office in Shanghai with its own chairman to underline its commitment to the country earlier this year, and Bernard Arnault, the group chairman and CEO of LVMH, said it will continue to pursue further market share.

LV reopened its largest store in China on Tuesday, which it said highlighted the group's growing ambition in the market.

The only blot on the luxury landscape in recent weeks was from Burberry Group Plc, the United Kingdom's largest luxury company, which revealed that its revenue growth in Asia-Pacific area for the three months to June 30 dropped to 18 percent from 67 percent in the same period of 2011.

But analysts say that's unlikely to stem the spending being seen on other brands.

"The market in China is positive in the long term and will keep growing maybe even for 10 years," said Yang Qingshan, a guest researcher on luxury goods and services at the University of International Business and Economics in Beijing.

Zhou Ting, executive director at the research center at UIBE, added: "The growth of China's luxury market was going slow in the first half of 2012, along with the slowdown in China's economy, but the market will continue to increase."

She said that it won't just be first-tier cities which will continue to sell plenty of luxury goods, as there is also huge potential in the country's smaller cities.

However, consumers there are more price-sensitive, and if the economy continues to slow, sales could be affected.

chengduspecial

Zone of influence

By **HUANG ZHILING** *in Chengdu*
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Chengdu in Southwest China's Sichuan province aims to take the lead in the next-generation IT industry and is focusing on the emerging mobile Internet sector.

Officials at Chengdu High-tech Zone said the IT industry is becoming smarter and more mobile, powered by the vigorous development of computing power, integrated circuit technology and broadband wireless communications technology.

As the mobile Internet will have a profound impact on our lives in the next two decades, China has put it at the core of its new-generation information industry, which is one of the strategic emerging industries identified in the 12th Five-Year Plan (2011-2015).

As part of the national strategy, the Chengdu High-tech Zone released its own plan for the industry last month.

The plan, which aims to develop the zone into one of the country's premier sites for the mobile Internet industry, highlights that the zone is expected to be home to more than 1,000 companies and firms involved in the sector by 2017.

After years of development, the Chengdu High-tech Zone has achieved significant progress in the mobile Internet industry, the zone's officials said.

It has a competitive strength in both equipment manufacturing and technological R&D.

But to realize this objective, the zone's authorities said they will work alongside renowned experts at home and abroad to conduct further research on the industry and future technology.

The zone's administration committee aims to secure the financial and policy support of the Ministry of Science and Technology, the Sichuan provincial government and Chengdu city government in its bid to become a locus with international influence.

According to the officials, aside from setting aside a special fund for the development of the mobile Internet industry, the zone will facilitate technology transfer and information exchanges.

At the beginning, the fund will be 1 billion yuan ($159 million) but it will increase every year. It will mainly be used for the introduction of key projects, the nurturing of advantageous and promising enterprises, the improvement of public services for enterprises and the introduction of talented people.

The officials said they will cooperate with well-known consulting firms and intermediary agencies to introduce talent and they will provide help so their children attend desirable schools and their spouses find jobs.

The zone will also encourage private funds to invest in the sector, the officials said.

Sound basis

Chengdu is deemed one of the Chinese cities most suitable for the development of the mobile Internet industry.

It has been designated by the central government as Southwest China's telecommunications hub. It is the country's fourth-largest hub, next to Beijing, Shanghai and Shenzhen, for communications technology research and development.

The zone is home to more than 90 percent of the mobile Internet companies in Chengdu.

The Chengdu High-tech Zone is one of the earliest State-level high-tech zones in China. PROVIDED TO CHINA DAILY

More than 150 firms in the zone are fully engaged in the mobile Internet business. Almost all the firms in the zone are located in Chengdu Hi-tech Innovation Park, Tianfu Software Park and Tianfu Valley.

The zone has a number of mobile Internet services and content providers, including some domestically renowned companies with competitive strength in mobile games and applications software development, zone officials said.

In addition, the zone has easy access to technological and personnel support from local universities and research institutions.

For instance the University of Electronic Science and Technology of China and other higher learning institutions based in Chengdu have a steady stream of human resources to back the development of the mobile Internet industry.

The Chengdu High-tech Zone is one of the earliest State-level high-tech zones approved by the central government.

According to a rating of 88 high-tech zones by the Ministry of Science and Technology, the Chengdu zone ranks fourth in terms of comprehensive strength, second in terms of sustainable development and third in terms of industrialization and economic scale.

Li Yu contributed to this story

WANG WEI / FOR CHINA DAILY
This public technology center offers testing and other technological services to enterprises in the zone.

PROVIDED TO CHINA DAILY
Home to a number of software developers, Tianfu Software Park will play an important role in the zone's bids to become a leading mobile Internet industry hub.