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State-owned restructuring pace quickens

By Zhou Yan (China Daily)
Updated: 2010-01-21 07:56

The local government is seeking to speed up restructuring of Shanghai's State-owned enterprises by pushing them to go public, Shanghai Vice-Mayor Ai Baojun said yesterday.

The city is targeting a securitization ratio of up to 90 percent for State-owned companies, Ai said on local radio. Ai didn't elaborate on when the target would be reached.

Securitization is the process by which a company packages its financial assets and then markets them to investors.

The purpose of the securitization effort is to diversify the shareholders of State-operated assets, said Ai. "We encourage capital investment from some funds, including private equities, in our State-owned enterprises," he said.

With the city's exports down, Shanghai officials believe the timing is right to further restructure State-owned enterprises.

Just last week, Yang Guoxiong, director of the Shanghai Municipal State-owned Assets Supervision and Administration Commission, said over 30 percent of State-owned assets in the city - valued between 20.3 billion and 23.7 billion yuan (\$2.97 billion and \$3.47 billion)- will realize securitization this year, up some 7 percentage points from 2009.

"The main goal in 2010 is to push assets held by the State-owned conglomerates to go public, making their listed units the major platform for them," said Yang.

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Official figures show Shanghai's State-run firms contributed 352.8 billion yuan to the nation's gross domestic product in 2009.

According to Ai, 50 percent of Shanghai's economic output was generated by State-owned firms, for a combined profit of 40.9 billion yuan in 2009, up 53.3 percent from a year earlier.

According to reports from the Securities Times, one-quarter of Shanghai's 72 State-owned firms has undergone restructuring during the past year. These include Shanghai Airlines and financial services provider Aijian Corp.

Debt-laden electronics giant SVS Group Co completed its restructuring last December by selling its entire stake in its two listed units to another government-owned assets management company, Shanghai Yidian Holdings, to alleviate cash flow problems. The two listed firms both reported huge losses in 2008.