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State firms get help to enter into key economic sectors

By Leo Zhang | May 8, 2008, Thursday | PRINT EDITION

CHINA'S state asset regulator has expanded the businesses of three big government-owned groups in key economic sectors including energy, food and mining to boost the competitiveness of state-owned enterprises against a possible economic slowdown due to weaker external demand and tight monetary policies to tame inflation.

China Guodian Group will go into the coal mining business for power generation purposes, the State-owned Assets Supervision and Administration Commission said in a Website notice on late Tuesday.

The regulator also permitted Cofco, China's largest grain trader, to start processing and sales of livestock products as well enter the food packaging business, according to the notice.

China Poly Group, the country's largest state-owned property developer, will diversify into mineral resources exploration, the notice said.

"The companies should step up efforts to build up strategic management and bolster their core businesses while strictly controlling investment in other non-core sectors," the SASAC said in the notice.

"The new businesses will help these companies gain new revenue channels," said Lin Wenyi, a China Securities analyst. "The mining business will help Guodian cut costs."

Li Rongrong, director of the SASAC, said late last month that SOEs should try to prevent a possible capital shortage from disrupting normal business operations and must prepare for two years of tight monetary policies.

Although combined revenue of the 150 large SOEs jumped 27.1 percent to 2.6 trillion yuan (US\$371 billion) in the first three months, their combined profit fell 2.9 percent to 203.4 billion yuan.

Companies in the oil and power sectors suffered greater profit losses than others because government policies barred them from passing on higher costs to consumers.



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