

IFC to continue investments in China

Company will focus on financing SMEs, infrastructure and energy

By CHEN JIA
CHINA DAILY

BEIJING — International Finance Corp (IFC), a member of the World Bank Group which focuses on the development of the private sector in emerging markets, plans to invest more than \$500 million in China during its next fiscal year.

The funds will be mainly

used to support private enterprise in western China in the fields of renewable energy, rural finance and agribusiness, according to Karin Finkelston, the company's vice-president for the Asia-Pacific region.

IFC will focus on investments in infrastructure, improved access to finance for small and medium-sized enterprises and combating climate change through the use of clean energy and improved

energy efficiency, Finkelston told China Daily.

"One of the key challenges for the growth of small-scale enterprises is the difficulties they face in obtaining financing. IFC is helping banks and micro-finance institutions to better understand how to lend to small business and bring global business experience to China," she said.

By the end of June, IFC had invested in 11 micro-finance institutions, two rural commercial banks and a guarantee company that helps farmers to obtain loans.

IFC has just appointed Finkelston as its first vice-president exclusively focused on the Asia-Pacific region. During its last fiscal year, which ended on June 30, IFC facilitated \$21 billion in loans to small-scale enterprises in the Asia-Pacific region, supported the provision of approximately 30,000 jobs and aided 840,000 farmers, according to a company statement.

IFC's investment in China reached \$670 million during its last fiscal year. The company supported 25 projects related to energy-efficiency financing,

wind-power production and development, agribusiness and rural financing. Many of the projects are situated in China's western regions.

According to a 2010 report from the Chinese Academy of Social Sciences, the GDP growth rate for western China, which includes the provinces of Sichuan, Yunnan and Gansu, was 14.2 percent, faster than the average 10.3 percent recorded nationwide.

The report predicted that the economic growth rate for China's western regions might reach 13 percent this year, driven

by the faster pace of industrialization.

"Our goal is to accelerate economic growth in the less-developed regions of China and to help balance growth between coastal and inland areas," Finkelston said.

IFC is now financing China WindPower Group Ltd's first wholly owned project — the 201-megawatt Xiehe plant in northwestern Gansu province, deep in the Gobi desert. IFC provided a \$45 million loan for the project and mobilized a further \$95 million from foreign commercial banks. IFC

also took an equity stake of \$10 million in the new-energy company.

"Now China WindPower is looking at projects in Africa and some other countries, and we will support them to better cope with the challenges of climate change and energy efficiency overseas," said Finkelston.

IFC invested about \$18.7 billion in 513 projects worldwide in its fiscal year 2011, a slight increase from the \$18 billion it invested in fiscal 2010. Its global investments have more than doubled in the past five years.

Danieli to get boost from changes in industry structure

Equipment supplier aims to take advantage of growing demand

By ZHANG QI
CHINA DAILY

BEIJING — Danieli & C Officine Meccaniche SpA, one of the world's leading equipment suppliers for the metals industry, said it will significantly increase its investment in China to cash in on the growth in demand coming from the government's efforts to adjust the industry's structure.

The Italian company's total investment in China will reach 130 million euros (\$188 million) by 2012, up from the current 80 million euros, Bavaresco Matteo, CEO of Danieli China, told China Daily.

He said the increase is due to the booming demand coming from increased steel production and the country's steps to upgrade the industry to meet

goals in energy conservation and emission reduction.

Danieli China employs more than 1,000 people at its facilities in Beijing and Changshu, Jiangsu province. It is a business leader in mini-mills, long-product casting and rolling plants, and among the front-runners in the flat-product and iron ore sectors.

Matteo said more than 70 percent of the company's clients are large, State-owned steel mills, including Shanghai Baosteel Group Corp and Shougang Group.

"And now there is a trend of more and more small and medium-sized Chinese steel-makers coming to us because they also want efficient equipment to reach the energy-saving and emission targets," he said.

"For example, our direct-reduction iron technology

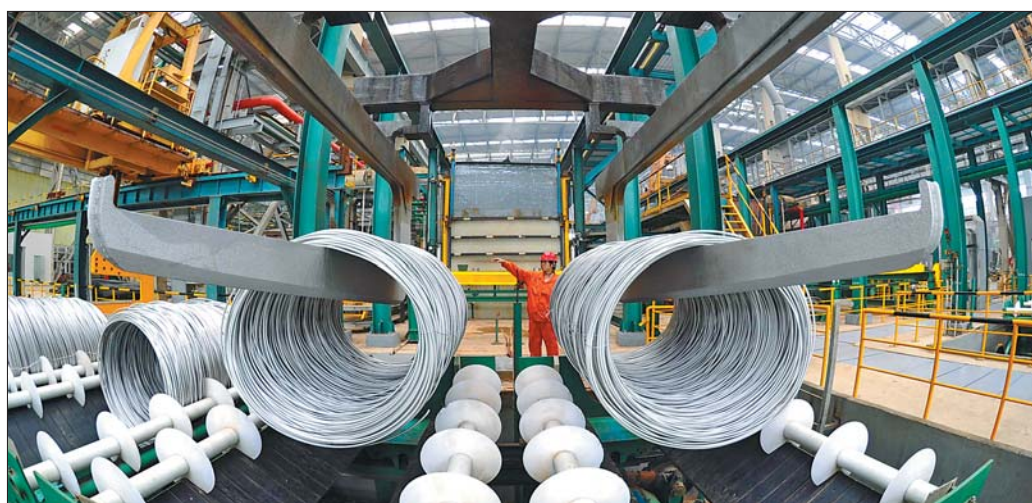
can cut about 50 percent of the emissions, compared with traditional technologies," he said.

Xu Xiangchun, a senior analyst at Mysteel.com, a steel industry website and consultancy company, said the government's drive for industry consolidation by moving from inland to coastal areas also provides opportunities for equipment suppliers.

But he also said the steel industry is entering a low-profit period, which will weigh on investors' enthusiasm for the industry.

According to data from China Iron & Steel Association (CISA), the profit ratio in the Chinese steel industry from January to May averaged 2.91 percent, far behind the nation's industrial average rate of 6 percent.

The prices of steel products rose 14.8 percent on average from January to May compared with last year, while imported ore prices surged 47.8 percent.



LIU DEBIN / FOR CHINA DAILY

A low-emission production facility for steel wire in Dalian, Liaoning province. According to analysts, the government's drive for industry consolidation by moving from inland to coastal areas provides opportunities for equipment suppliers.

Li Xinchuang, vice-secretary general of CISA, previously said that China's steel output could hit a record 700 million tons, despite the sluggish mar-

ket and low profit rate, because the country will continue its high fixed-asset investment through the year, with construction beginning on 10 mil-

lion affordable houses.

Julian Kettle, head of metals research at Wood Mackenzie, said a slowdown would be inevitable from 2020, follow-

ing the growing dominance of construction and the building of 36 million affordable homes called for in China's 12th Five-Year Plan (2011-2015).

winespecial

Changyu's uniquely individual approach to wine production

By ZHAO RUIXUE
AND WANG QIAN

Chinese wine producers have been looking for a more important place in the global wine market, recently, with Changyu, one of China top brands, ranking 22nd on the World's Top 50 Brands for Spirits and Wine list. That makes it the only Chinese wine brand on the list.

The list is compiled by Brand Finance, a leading brand evaluation consultancy, and appears in Drinks International, a magazine that serves the global spirits, wine and beer market.

Home base

Shao Chunsheng, head of the Changyu planting company and an experienced grape grower, explains, "The Yantai Changyu Pioneer Wine Co Ltd was China's first to introduce European grapes for wine. We now have China's best grape-growing base."

Changyu's grape growing goes way back to 1892, when Zhang Bishi, an overseas Chinese, founded China's first vineyards and winery by planting over 120 types of

grapes from overseas.

Now, with more than 100 years of experience, the Yantai Changyu Pioneer Wine Co is well acquainted with grape growing — and, the natural conditions that contribute grape quality.

Its land lies on a latitude similar to that of France's prominent wine producing region, Bordeaux, and Italy's Tuscany. The city of Yantai gets plenty of rain, has abundant sunshine, a favorable soil, and the right humidity, and is regarded as the best place in China for quality grapes.

Changyu currently has more than 6,000 hectares of vineyards in Yantai.

Li Jiming, Changyu's chief engineer, described why the company has put such a great effort into its grape planting: "Seventy percent of wine's quality depends on the grapes. Top-class grapes are the fundamental reason for a top-class wine company."

And, to meet the growing demand, Changyu has expanded its grape-growing base.

In addition to Yantai, it now grows grapes in the Xinjiang, Ningxia regions, and Shaanxi,

Liaoning provinces, and around Beijing, on a total of 16,666 hectares of land, or a quarter of China's grape-planting regions.

If all six of the grape-planting areas go as planned, by 2015, Changyu will have China's largest grape-growing area.

"Grapes from the six bases have a different flavor, so they're used for different types of wine," Li added, to explain why Changyu's vineyards stretch across China.

Management

To ensure grape quality, Changyu set up a dual management system for its vineyards, according to Li, "We have a self-managed system and a contractual system for them."

The self-managed ones are backed and developed by Changyu itself, while the contracted areas are managed jointly with grape growers.

For these, Changyu provides the growers with techniques and instructions and the best methods for insuring grape quality.

"Growers tend to sell their best grapes to us because our price is based on sugar content. That means the price for grapes that are rich in sugar is higher than the market standard," Shao, the company head, explained.

So, grape growing has not only enriched Changyu, but the independent growers as well.

One example of this is Yao Yilin, a 31-year-old farmer in Daluohang, a town near Yantai, who has made a small fortune from growing grapes for Changyu.

In 2006, Yao signed a contract with Changyu to grow grapes on a 7.5-hectare piece of land. Last year, he took in more

than 200,000 yuan (\$31,040), several dozen times the salary he would get from working in a factory. This year, he expects to earn 300,000 yuan.

To improve the quality of grapes, Changyu uses a range of technicians: six of them are China's leading grape experts, and there are at least 200 others with professional experience, as well as 100 postgraduate agronomists.

These people are responsible for both management and technical services and they provide regular training for the growers.

"Every day, I have to walk around the vineyard to check on growing conditions of each and every vine, and deal with any problems the growers have," said Zhou Xinming, a postgraduate major in vineyards and wine production, who has worked at Daluohang for four years.

The growers are all provided with the same seedlings, fertilizer, and pesticides to ensure grape quality and uniformity. The company also has an information management system for every planter to give information on when and how and how much fertilizer or pesticide to use.

"We plant our grapes according to strict standards. To ensure the quality of our wines, we only raise around 250 vines per mu, and the grapes from each vine are only used to produce one bottle of premium wine," Li commented.

Changyu has also teamed up with the International Finance Corp, a member of the World Bank Group, to do research on disease prevention and pest control. Before it buys the grapes, the company has random samples taken from all the vineyards and sent to



PHOTOS PROVIDED TO CHINA DAILY

The Changyu Pioneer Wine Co's vineyards in Yantai, Shandong province.

its technical center where they are closely checked against 50 food safety and quality standards. Only those that meet all the standards qualify for wine production.

Going global

Changyu plants its distinctive varieties of grapes in accordance with the different natural conditions found in all of China's top grape-producing areas.

Every vineyard has a fermentation plant or chateau beside it to make sure that the grapes are sent to fermentation tanks within one hour of picking.

Yantai is now the only international vineyard and wine city in Asia, with a 20-hectare vineyard of fine grapes that have been selected for a special Changyu dry red. The vineyard is only allowed to produce 150 tons of premium grapes, or

just enough for 60,000 bottles, and no more, of top-level wine annually.

"The wine has very rare, cellar flavor — smooth and round with a very long after taste. Only top, time-honored red wines can give this kind of feeling," commented Robert Tinlot, an honorary president of the French Wine University, after sampling a glass of century cellar dry red.

Thanks to its quality, Changyu's wine is often served at state banquets and summit meetings, such as the opening ceremony of the Shanghai World Expo last year, and the welcoming banquet of the BRICS summit China, in Hainan this past April.

It has also been exported to about 28 countries, including Germany, Italy, and France. It can also be found in more than 3,000 supermarkets, shops, and

five-star hotels across Europe, and even in the first-class cabins of Germany's Lufthansa Airline.

An increasing number of prominent people overseas have found themselves attracted to Changyu's wine taste and have even begun to collect it. Warren Buffett, for example, the maverick American investor, has taken Changyu wines and picked up a bottle of century cellar dry red during his visit to Beijing last year.

Other big collectors include former US president Bill Clinton, Jack Welch, former CEO of General Electric, and Fukuda Tasuo, former Japanese premier.

"All of these people indicate that Changyu is convincing people that its wines can rival the top wines in the world," Li said, with obvious pride and confidence.



Specialist providing on-site training to grape growers.