GOING GLOBAL

Processing the world's phosphorus perfectly

Wengfu blazes a trail with frenetic expansion and big tech exports

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Porters at work at a railway yard at Wengfu's plant premises in Guizhou province. PENG NIAN / FOR CHINA DAILY

In 2007, China's Wengfu (Group) Co Ltd achieved what was then truly extraordinary — the State-owned phosphorus and chemicals manufacturer outplayed many European and US counterparts to win the bid for the then world's largest mineral-processing project in Saudi Arabia.

That set the tone for its frenetic global activity ever since. It launched a number of projects in nearly 10 countries and regions covering northern and western Africa as well as the Middle East.

Today, Wengfu is pressing ahead with more than 30 overseas projects in countries such as Vietnam, Indonesia, India, and Kenya, most of which make use of its technologies related to mining and processing.

That's not all. Wengfu's senior executives said the company is now set to continue its overseas expansion into economies covered by the Belt and Road Initiative, which aims to connect Asia with Africa and Europe through an infrastructure and trade grid along the ancient Silk Road.

In the past three years, China signed nearly 50 government-level cooperation agreements in the Belt and Road countries and regions, according to the National Development and Reform Commission, the country's top economic planner.

Outbound investments in economies along the Belt and Road are worth over $50 billion, and have resulted in better-than-expected achievements, said He Lifeng, minister of the NDRC.

Companies such as the Guizhou-based Wengfu can take some credit for that. The SOE is adopting diverse models of cooperation to gain a firmer foothold in foreign markets that lack the ability to mine or process natural resources like phosphorus, an essential mineral.

From Wengfu's perspective, rich ores overseas need to be exploited further. Its overseas goal is consistent with the current domestic situation. The chemical producer has been largely reliant on domestic market so far.

It made a profit all right last year, but it was small as the rebound in coal prices pushed up its already-high costs. Revenue remained around 40 billion yuan ($5.79 billion), according to Jin Gang, assistant general manager of Wengfu and a lawmaker who attended the annual session of the National People's Congress in Beijing earlier this month.

By 2020, Wengfu plans to invest about $4.3 billion to spur growth, and part of the budget will be allocated to strengthen efforts in overseas markets, especially along the Belt and Road markets, he said. "Technology exports will remain our priority."

Founded in 1990, Wengfu started operations in 2000. Since then, it has mastered its low-cost, high-yield phosphorus-mining technology, which helps extract 95 percent of the mineral from phosphate ore, after removing impurities.

Jin said Wengfu's overseas strategy has evolved in the past decade from exporting raw material like phosphate fertilizers and processed products like iodine to transferring higher value-added technologies.

> **$4.3 billion**
> Wengfu's planned investment by 2020 to spur growth, including in the Belt and Road markets

Such a change dovetails with the government's endeavor to increase the share of high-value services in China's exports.

The group also owns national-level laboratories and research facilities for postdoctoral researchers. This initiative has resulted in over 2,000 patents so far.

Zhang Tao, CEO of Wengfu Engineering and Contracting Co, the subsidiary in charge of overseas business, said Wengfu's business tie-ups overseas vary with client needs, but its focus is fixed on giving full play to its technologies and professional services.

For example, the company is in talks with some parties to finalize investment terms for building factories in countries and regions mentioned above. The latter will apply its world-class technology to extract anhydrous hydrogen fluoride or AHF at a lower cost. AHF is a chemical product extracted from phosphorus for industrial use.

"Many markets have showed strong interest in such projects," Zhang said. "We will decide by evaluating the quality of mineral deposits, the investment environment and the market size. For other potential clients, we could tailor services as per their preference — let's say, we may send our consultants or provide EPC (engineering, procurement and construction, a common form of contracting in the construction industry) projects."

Wengfu faced its share of legal, cultural and religious challenges overseas. The only way out was to join forces, Zhang said.

"Vicious competition always drags everyone down. Chinese companies need to beef up their respective advantages," he said.

He cited Wengfu's collaboration with China Huanqiu Contracting and Engineering Corp, its one-time competitor, for the second phase of Saudi Arabia's project.

"Our partner has more experience in networking and project management in Saudi Arabia, while Wengfu, a latecomer, used technologies to its advantage. It was a win-win for both of us."

Thus far, Wengfu has implemented projects in partnership with many Chinese machinery producers and construction firms.

Zhou Liqun, general manager of State-owned China Chengtong International Investment Co Ltd, said prudent risk management plays a key role in fulfilling the goal of overseas investment.

"Chinese companies should avoid internecine competition," he said, referring to the irrational, competitive overseas investment frenzy among some domestic corporates.

Although it has come a long way in global markets since the 2007 Saudi project, Wengfu feels it's still early days.

According to Jin, Wengfu has reached a stage where greater emphasis is put on project quality and safe operations, rather than just earnings numbers.

Incubator sharpens focus on innovation

By CHEN MEILING
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Three Chinese incubators and two foreign companies agreed to establish an international business incubator in Beijing, as part of their effort to transform existing technologies and effect technology transfers.

Their new venture, Beijing International Co-Incubation, aims to provide monetary and technical support, as well as international market opportunities, for companies from Canada, South Korea and China.

It was jointly established by China International Economic Cooperation and Investment Inc, Beijing Zoom Technology Incubator Co Ltd, 898 InnoSpace, the Ontario Science Center and Zeta Plan Investment Co Ltd.

"Universities and research institutes generate innovation while the market brings entrepreneurship. Technology transfer is the integration of scientific achievements and entrepreneurial resources," said Chen Dongmin, former director of the Office of Science and Technology Development at Peking University. He was speaking at a seminar.

"Since innovative ideas can be introduced, there is no national boundary for this integration," Chen said. "Incubators play an important role in the process since they provide a space to reach consensus on the commercial environment, culture, protection of IP (intellectual property) and the enterprise's credit in different countries."

Beijing Zoom Technology Incubator Co Ltd, one of the founders of Beijing International Co-Incubation, introduced overseas technologies and applied them in different industries, which Chen believes is a good example for incubators to follow.

The company had three incubators in China, 10 overseas offices in Silicon Valley, Boston, Tel Aviv, and Berlin, and hardware accelerators to serve Sino-US and Sino-Italian technology transfers, according to Sang Chunhua, CEO of Zoom Technology Incubator.

"We need to find new growth points to pursue further development, while lack of innovation is one of the biggest challenges we may face in the next five years," Zhou Tianyong, an economics researcher at the Party School of the Communist Party of China Central Committee, said in his remarks while launching the book *The Revolution of Growth*.

The State Council released a plan to promote the commercialization of research findings in May 2016. According to the plan, it expects to build 100 national technology transfer institutes and 10 demonstration regions for the commercialization of research findings, and cultivate 10,000 professional intermediary agents for technology transfers.

Chris Cheung, director of the EU SME Center, said European small and medium-sized enterprises show great interest in China.

Cheung said: "A Chinese company invested 10 million euros ($10.63 million) to found a joint venture with a Slovenian company that focuses on technological innovation in electric automobile engines. A Spanish company asked about the price of technology transfer for its controlling software for wind power generation factories. And a Germany enterprise is looking for customers in Chinese coal and electricity plants to apply their emission reduction technology."

Zheng Yiran and Xu He contributed to this story.

Curbs: Developers stare at cash woes

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applied to the housing market.

"For third- and fourth-tier cities with excessive pressure of reducing inventories, and for buyers with solid demand (people who migrated from rural areas to urban areas), favorable credit financing policies will be given as a support," said Wang.

For homebuyers, this could mean more favorable policies for seeking mortgage loans in lower-tier cities, to get more discounts on benchmark borrowing rates, or lower down payment requirements for buying their first home.

In Shanghai and Beijing, and some other key cities, financing has been tightened for homebuyers as most lenders have pushed up interest rates for mortgage loans by up to 10 percent.

According to Xing Ziqiang, chief economist with Morgan Stanley in the China market, Chinese homebuyers used more credit financing to buy homes in the last two years.

Very often, a buyer pays some 50 percent of the home price toward down payment and borrows another 50 percent from lenders.

"Although homebuyers in China have been accelerating leverage from banks when buying properties, the level is far from risky," said Xing.

For developers, tighter policy environment in top-tier cities, and the pressure of reducing inventories in lower-tier cities, could mean more pressure on their cash flow.

A research note from Essences Securities said that shrinking sales in top-tier cities could mean slower cash income for developers, as that was the main source of cash in the past few years.

It takes time for lower-tier cities to transfer inventory into cash income. For big companies that have diversified their development portfolios, the pressure is under control. For smaller ones, they need to come up with more measures to accelerate sales to maintain a safe cash flow, the note said.

According to the Government Work Report, the administration aims to complete 6 million units under shanty town renovations, improve public services and facilities for people who live in affordable housing projects, and build affordable rented housing projects.

"This is also an opportunity for companies that are involved in urban renovation projects. For developers and companies that have capacities to join public-private partnership or PPP programs, renovation projects are good channels to diversify investment portfolios," said a research note from Zhongtai Securities.