SOE Restructuring

The Chinese Government said on August 21 that it had approved the restructuring of three centrally administered state-owned enterprises (SOEs).

Sinolight Corp. and China National Arts and Crafts (Group) Corp. will be merged into the China Poly Group Corp. and become the latter's wholly owned subsidiaries, according to a statement from the State-Owned Assets Supervision and Administration Commission (SASAC).

This will bring the number of central SOEs to 99, down from 196 in 2003. The SASAC has long aimed to reduce the number of central SOEs to fewer than 100 as it accelerated restructuring and reforms to make SOEs more efficient and competitive.

China has completed mergers between 30 central SOEs since late 2012.

ODI Curbs

The Chinese Government released a guideline on August 19 to further tighten the grip on or ban outbound direct investments (ODI) in sectors including real estate, hotels, entertainment, sports and casinos to avoid investment risks or potential crimes.

China will continue to tighten review of the authenticity of overseas investment and its compliance with regulations, hoping to guide more investment into the real economy and to reduce investment in sectors Chinese companies are not proficient at managing, said Gao Feng, spokesperson of the Ministry of Commerce (MOFCOM).

"The government will continue to encourage legal overseas investments, especially in projects tied to the Belt and Road Initiative, and will help with the development of home industries," said Gao.

The guideline stressed that ODI in hi-tech industries, hi-end manufacturing, agricultural cooperation and capacity-sharing projects that can help China export its standards, quality machinery and industrial equipment will be further encouraged to optimize China's outbound investment portfolio.

The stricter scrutiny of overseas investment comes as China's top leadership has pledged to prevent financial risks, especially against the backdrop of the decline of foreign exchange reserves and the rise of capital outflow.

Non-financial ODI by Chinese companies was $57.2 billion, down by 44.3 percent year on year in the first seven months. Outbound investment in the real estate, culture, sports and entertainment sectors saw substantial declines during the period, according to MOFCOM.

Meanwhile, outbound investment to countries involved in the Belt and Road Initiative stood at $7.65 billion, accounting for 13.4 percent of total ODI, up by 5.7 percent from the same period last year.

On the other side of the equation, foreign direct investment into the Chinese mainland dropped 1.2 percent year on year in the first seven months to 485.42 billion yuan ($72.79 billion), while the trend of foreign investment influx into high-end sectors continued, data from MOFCOM showed.