

BANKING

Ping An sets up fund for Guizhou

Bank aims to help alleviate poverty while creating a profitable business

By ZHOU MO in Shenzhen and YANG JUN in Guiyang

Ping An Bank Co Ltd plans to set up a 50 billion yuan (\$7.5 billion) poverty alleviation fund in southwestern Guizhou province to help develop and upgrade industries there.

The fund will be used to promote Guizhou's infrastructure, tourism, agriculture, ecological protection and other industries.

Shao Ping, president of Ping An Bank, said the bank's development in Guizhou is in line with the province's strategy of developing "big poverty alleviation, big data, big tourism, big ecology" and the two sides can cooperate in those fields.

"We place high expectations on Guizhou's future development," Shao said in talks with Meng Qiliang, vice-chairman of the Guizhou provincial committee of the Chinese People's Political Consultative Conference, in Shenzhen on Tuesday.

"Ping An Bank has advantages in offering comprehensive financial services and Guizhou has specialty industries, like *baijiu* or distilled white liquor. There is much room for cooperation between the two sides."

The Shenzhen-headquartered commercial lender will set up a branch in Guizhou this year. "By establishing a Guizhou branch, we will strengthen cooperation with Guizhou to help promote its economic growth," said Shao.

Meng said poverty alleviation is a key work of Guizhou, which aims to build a moderately prosperous society for its people by 2020. Gross domestic product of the province accounted for 1.55 percent of the country's total in 2015. About 4.93 million people from Guizhou's rural areas were living in poverty by the end of 2015.

"Guizhou is also applying for approval from the central government to build an inland open economic pilot zone and that will bring great opportunities to Ping An Bank," Meng said.

Yu Lingqu, a researcher from the finance and modern industry research center at the China Development Institute, a Shenzhen-based think tank, said setting up the fund will help Ping An Bank enhance its profitability in a comprehensive way at a time when commercial banks are changing their business model.

"At present, it has become increasingly difficult for banks to make money from deposit-loan interest rate differentials," Yu said.

"Under the circumstances, developing intermediate business is a good way for them to make profits. The establishment of the Guizhou fund will also bring fund trusteeship, financial consulting and many other businesses to Ping An Bank, helping enhance its profitability comprehensively."



The packaging section of *baijiu* maker Kweichow Moutai Co Ltd in Zunyi, Guizhou province. JIANG DONG / FOR CHINA DAILY

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DEALS

US, China law firms pool their expertise

By LIXIANG lixiang@chinadaily.com.cn

Baker & McKenzie LLP, the world's biggest law firm by revenue, said it has been making progress in its joint operation with local Chinese law firm FenXun Partners, a move to expand its presence in the "brutally competitive" legal service market in China.

The two firms have jointly carried out about 70 projects involving technical advice in cross-border mergers and acquisitions, fundraising and antitrust issues, according to Milton Cheng, managing partner of the firm's Hong Kong office.

"It has been a success for us," Cheng said.

"We are getting the benefit of understanding how the Chinese law firms operate and gaining valuable perspectives on how Chinese clients are thinking."

In April the firm gained regulatory approval to set up a joint operation office with FenXun Partners in the China (Shanghai) Pilot Free Trade Zone, the first of its kind in the country.

The alliance allows the two firms to share their client bases and strategies while remaining structurally and financially separate.

The managing partner said the move was also seen as a sign of the gradual liberalization of China's highly restricted legal service market to international law firms, which have been facing competitive challenges in China.

Cheng said Baker & McKenzie has taken a long-term view on China despite the increasingly intense competition for international law firms due to the emergence of Chinese firms of sophistication and size.

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It is important for us to get a local operation in China as it brings our global clients closer to the market...”

Erik Scheer, a member of the global executive committee of Baker & McKenzie

"Pricing has been brutal for some types of work," Cheng said. "Law firms with less long-term views and less tolerance may be deterred by this. But we plan and invest for the long term."

The alliance between Baker & McKenzie and FenXun Partners, labeled as a prototype for foreign firm's operations in China, enabled the Chicago-based law firm to advise their multinational clients on both Chinese and international law.

The tie-up followed the merger between international law firm Dentons and Chinese firm Dacheng Law Offices in January, which created the world's largest law firm by lawyer headcount.

Erik Scheer, a member of the global executive committee of Baker & McKenzie, said that the firm's global clients have supported the joint operation with the Chinese firm.

"It is important for us to get a local operation in China as it brings our global clients closer to the market and the legal environment," he said.

POLICY

Resources tax incentivizes 'long-term benefits'

By WANG YANFEI wangyanfei@chinadaily.com.cn

A new round of resources tax reform, starting from July, may lead to a heavier tax burden, but it will have long-lasting benefits to society and help ensure resource sustainability, experts said Tuesday.

The Ministry of Finance said that manufacturers of minerals such as iron and copper will be charged a resource tax on the basis of prices rather than volumes, after similar reforms were implemented in taxing coal, natural gas, crude oil and rare earths.

Natural resources, including water and forests, will be items to be taxed in the future. Hebei province will be the first pilot region to implement a taxation on water resources, the ministry said.

Although entrepreneurs

were informed of the changes when the ministry posted a statement in early May, some said they are not yet fully prepared, especially companies in heavy industries that consume large amounts of resources.

Cui Kai, a manager of a thermal power plant in Shandong province, told the China Economic Herald earlier last month that a future tax on water resources will make

it harder for the company to make profits.

"Surface and ground water, which are expected to be charged at least 0.4 yuan (\$0.06) and 1.5 yuan per metric ton, respectively, may raise the cost of production by 5 million yuan each year," Cui said.

Hu Yijian, an economics professor at Shanghai University of Finance and Economics, said the long-awaited reform shows the government's strong

commitment to switching to a more sustainable and greener development model.

"A resources tax does not help much to increase the government's revenue compared with other sources of income — the major consideration is to encourage high resource-consuming enterprises to upgrade their facilities," said Zhang Bin, a researcher at the Chinese Academy of Social Sciences.

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