

BUSINESS



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Ex-Microsoft exec gets top Baidu post

New president, COO to boost firm's AI push

By HE WEI in Shanghai
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Search engine giant Baidu Inc has appointed former Microsoft Corp executive Lu Qi its president and chief operating officer, a major push to help the company gain an edge in its latest profit driver — artificial intelligence.

The appointment of the software industry veteran, who was among the few Chinese to hold a senior position in a leading US tech company, also suggested that Chinese tech giants are becoming increasingly attractive to top-notch talent with an international background, an analyst said.

Calling Lu "a leading authority in the area of AI", Baidu Chairman Robin Li said the firm will continue to attract the best global talent as it strives to achieve its goal of becoming the global leader in AI.

Lu will oversee all of Baidu's business units from products, technology to sales and marketing, and report to Li, the company said on Tuesday.

"Lu is likely to attract a number of like-minded talent globally to join the company, which will assist Baidu's further growth," said Zhang Mengmeng, an analyst at Counterpoint Technology Market Research.

Born in Shanghai, Lu holds a PhD in computer science from Carnegie Mellon University and has more than 40 US patents to his name. He most recently ran Microsoft's applications and services business following an 11-year stint with Yahoo.

Chinese tech companies are becoming a major draw for high-caliber international talent. For example, Alibaba Group Holding Ltd appointed Michael Evans, a former top Goldman Sachs Group Inc executive, president to fulfill its international expansion strategy.

Lu will lend his expertise to the company's AI push,



Lu is likely to attract a number of like-minded talent globally to join the company ..."

Zhang Mengmeng, an analyst at Counterpoint



Robin Li, chairman of Baidu Inc



Lu Qi, president and chief operating officer of Baidu Inc

including self-driving cars, after the company launched an augmented reality lab in Beijing in January.

In addition to Lu, Baidu had hired Coursera co-founder Andrew Ng, who specializes in AI, as its chief scientist. It also beefed up its AI talent by building a research center in Silicon Valley.

The search engine provider is looking for new sources of income, after a scandal involving online medical advertisement last year hampered its ad business. Third quarter revenue from online commercials slumped 6.7 percent year-on-year, the first-ever drop since its Nasdaq listing in 2005.



An employee works on the interior of an Audi A3 automobile, produced by Volkswagen AG's Audi brand, in Ingolstadt, Germany. GETTY IMAGES

Audi puts the brakes on SAIC deal

By LI FUSHENG
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German automaker Audi AG will suspend its plans to produce and sell cars with SAIC Motor Corp Ltd until at least next year, a move intended to reassure its current partner FAW Group Corp and appease dealers concerned about their profitability.

Jochem Heizmann, president and CEO of Volkswagen Group China, said on Tuesday that nothing will happen with regard to the potential cooperation in 2017.

"No sales, no production. Nothing this year," he said.

He said top priorities at present are ensuring long-term cooperation with FAW,

which is localizing Audi models, and ensuring that existing dealers are profitable.

These steps are the prerequisites to further cooperation with SAIC. "That is the sequence of the things," he said.

Audi China had planned to resume the sales talks by the end of March, which were suspended in November as a result of dealers' complaints.

Audi and SAIC signed a memorandum of understanding in November, which soon led to complaints from existing dealers, who were worried that a separate sales network would further affect their profitability.

Audi currently has a sales network of 457 authorized dealers in more than 190 cities, which is already the large-



Jochem Heizmann, CEO of Volkswagen Group China

est of its kind in China for a premium automaker, and dozens more are planned.

"Dealers' concern is profitability. They are not against a second joint venture," said Heizmann.

Heizmann's remarks came a day after a 10-year framework contract was signed between Audi and FAW, which involves cooperation

in several fields including new energy cars and mobility services.

Auto analyst Zhang Zhiyong said the move was intended to convey a message from Audi that it would not alienate itself from FAW when it joins hands with SAIC.

But John Zeng, managing director of LMC Automotive Consulting Shanghai, worried that one network selling models from two automakers may bring about management problems as they may find it difficult to evaluate dealers' performance.

Audi sold 589,000 cars in China last year, retaining its leading position in the world's largest automobile market.

Seagate 'here to stay' despite factory closure

By MA SI
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Seagate Technology Plc will continue investing in China as the US hard-disk drive manufacturer expects the booming robotics and internet of things industries to revive demand for its products.

The announcement came shortly after the company closed its factory in Suzhou, Jiangsu province, and laid off more than 2,000 employees.

"Our factory in Wuxi will remain one of only two final assembly factories at Seagate. And we plan to continue investment in the factory to optimize its operation in order to meet market demand," Seagate said in an email to China Daily on Tuesday.



A Seagate employee tests hard disk drives at its assembly plant in Singapore. BLOOMBERG

"We look forward to new products being developed in surveillance, robotics, the internet of things and others sectors, which will increase demand for hard drive storage in the cloud," Seagate said. The decision to close the

Suzhou factory triggered widespread concern that the company is withdrawing its business from the world's second-largest economy, after US president-elect Donald Trump said he would levy heavier taxes on US firms

which refuse to relocate jobs back to their home country.

Oracle Corp also plans to lay off 200 research and development staff at its Beijing office, according to one of the company's employees, who declined to be named.

Xiang Ligang, CEO of telecom industry website cetime.com, said Seagate's move is more about business adjustment rather than a response to Trump's call.

"The computer storage industry is struggling with lower demand from consumers and businesses. It makes sense for Seagate to scale back its manufacturing capacity," Xiang said.

In the third quarter last year, Seagate shipped 38.9 million units of hardware. In comparison, the figure was 47.2 million in 2015.

Bullish Swiss crowd about Rooster Year

By SIVA SANKAR
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Swiss businesses in China are more bullish and hope to rule the roost in the Year of the Rooster, beginning Jan 28, a survey has revealed.

There are around 1,000 Swiss companies operating in China whose key products and services are machinery, equipment, pharmaceuticals, watches and instruments, insurance and financial services.

The survey of 102 corporate decision-makers revealed that 61 percent of Swiss companies plan to invest more in China this year.

In 2015, Swiss companies invested more than CHF20 billion (\$19.82 billion) in China, and the figure for 2016 is estimated to come in at CHF24

billion, with hopes for 2017 now brightening further.

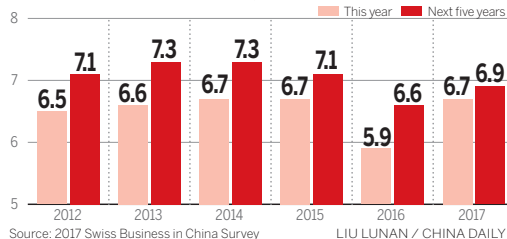
The 2017 Swiss Business in China Survey was conducted by China Integrated Co Ltd, the China Europe International Business School and a slew of Swiss trade, industry and diplomatic chambers.

For 57 percent of the survey respondents, China figures among the top three priority markets for investments.

On a scale of 0 to 10, the confidence level of Swiss enterprises in China has risen to 6.7 this year from 5.9 last year. The confidence level for the next five years is even higher: 6.9.

The survey found that 68 percent of Swiss businesses in China expect "higher" or "substantially higher" sales in 2017 compared with 2016. Their collective sales in 2016 were

Business confidence among Swiss companies in China (on a scale of 0 to 10)



estimated to be worth around CHF24 billion, up from CHF20 billion in 2015.

"Not only are sales expectations very high, but also profit expectations," said Nicolas Musy, founder and delegate of the board of Swiss Centers in China.

In 2016, about 68 percent of managers of Swiss companies in China said their operations were "profitable" or "very profitable," the survey found, while only 1 percent reported a substantial loss. For 2017, 48 percent expected higher profits while only 4.6 percent fore-

see lower profits.

Among the key concerns of Swiss businesses in China are finding and retaining skilled talent and marketing capability.

Swiss companies seem to cope with the need for innovation slightly better than others because of Switzerland's expertise in this regard. Only 43 percent of the respondents said innovation capability is a major hurdle. That compares with 61 percent of non-Swiss respondents, said Zhen Xiao, managing director of the Swiss Centers in China.

Banking sector can handle NPLs

By YANG ZIMAN
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The Chinese banking system is healthy and can handle its nonperforming loans, China Huarong Asset Management Co Ltd Chairman Lai Xiaomin said.

Huarong is one of the four State-owned asset management companies set up in 1999 to tackle bad loans, the other three being China Cinda Asset Management Co Ltd, China Great Wall Asset Management Co Ltd and China Orient Asset Management Co Ltd.

"My confidence comes from the fact that the banking system has been making profits," Lai told the 10th Asian Financial Forum in Hong Kong.

China's banking institutions recorded 226.3 trillion yuan (\$32.79 trillion) in total



Lai Xiaomin, chairman of China Huarong Asset Management Co Ltd

assets by the end of December 2016, up 15.8 percent year-on-year, while their net profits for the year rose 4 percent year-on-year to 2 trillion yuan.

Nonperforming loans have been increasing for 14 consecutive quarters. According to the China Banking Regulatory Commission, at the end of 2016 NPLs stood at 1.98 trillion yuan, or 1.81 percent of total loans.

He said that Huarong has

disposed of 680 billion yuan worth of NPLs in the past 10 years.

He cautioned that the risks in the real estate sector should be paid particular attention.

"Real estate is the key area where banking loans go to," said Lai.

Chinese authorities are increasingly taking note of financial risk associated with excess leverage and asset price swings.

Last year, the government rolled out a series of measures to tackle NPLs by allowing banks to write off bad loans, sell bad debts to asset management companies and conduct debt-to-equity swaps.

Wang Hongzhang, chairman of China Construction Bank Corp, said that the NPL rate was relatively low compared with the global average.

Bright prospects for solar

By ZHENG XIN in Abu Dhabi, United Arab Emirates
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BYD Co Ltd has vowed to harness solar energy from deserts in the Middle East, with the construction of a 200 megawatt photovoltaic power station in the region, mainly focusing on energy storage projects.

The photovoltaic energy storage projects will not only make the best use of the region's abundant solar power, but also raise the profile of the Chinese electric car and battery maker in the region.

"We hope to bring our solar products and technologies, the energy storage projects, to optimize the photovoltaic as a more reliable and stable energy source," said Zhao Tong, general manager of Warren Buffett-backed BYD's solar division, during the 10th World Future Energy Summit in Abu Dhabi, which opened on Monday.



Our involvement ... will help the region achieve affordable solar power generation ..."

Zhao Tong, general manager of BYD's solar division

"Our involvement in the Middle East will help the region achieve affordable solar power generation, efficient energy storage and electric public transportation," Zhao said.

The United Arab Emirates is going through the process of building a six-square-kilometer clean-technology cluster at Masdar City, near Abu Dhabi.

BYD and Masdar earlier announced a partnership to commercialize clean transport and battery storage systems, including solar panel technology for utility-scale applications and rooftop projects, LED lighting and solar-powered street lighting.

According to Li Li, an energy research director at ICIS China, the cooperation will help connect the region's rich solar energy with BYD's expertise and technology in new energy products.