Enhanced Competitiveness through Solidarity

SOHO International Plaza.

By LIU XIN

THE coastal province of Jiangsu in East China has been a trend-setter in reform of the country's state-owned enterprises (SOEs), by drawing on experiences from countries around the world, including the model of Singapore's Temasek Holdings Pte Ltd. Such efforts are epitomized in Jiangsu Soho Holdings Group Co., Ltd., whose reforms since 1984 have led to successful results after initial pangs, manifest in its increasing clout at home and abroad, and its efficient management.

Streamlining Management Structure by Regrouping

Soho Holdings was born out of the merger and regrouping of six large SOEs – Jiangsu Silk Group, Jiangsu National Defense Industrial Assets Management Corporation, Jiangsu Soho International Group Corporation, Jiangsu Textile Group, Jiangsu Petrochemical Assets Management Corporation, and Jiangsu Holly Group – four of which had been flag bearers in their respective industries. In its early years, this newly-formed conglomerate was beleaguered by scores of internal problems like more than 160 subsidiaries with overlapping businesses, therefore competing with each other in a confused manner. Moreover, along with their own branches, they constituted a multiple-tiered convoluted management pyramid which severely affected efficiency. With different corporate cultures and positioning, these companies could barely pool together their resources and advantages to develop core competitiveness.

To change this situation, Jiangsu Soho Holdings Group clarified its development path in 2011 – as an investment holding group – and increased its registered capital from RMB 263.68 million to RMB 2 billion. The extra funds came from its profits and savings over past years. In addition, it pinpointed related core businesses for its major companies.

This overhaul, however, did not resolve the problem of the parent, subsidiary and sub-subsidiary companies holding shares in each other. In some cases, several companies in the group had invested in the same project. This led to an overly complicated shareholding structure within the group which impeded management. Soho Holdings therefore introduced the "four basic rules": ensuring the independence of publicly listed companies in the group, reducing instances of cross shareholding, regulating share transfers, and laying down guidelines for connected transactions. In this way the group established overall control of investment and was therefore able to make more rational decisions concerning stock rights.

The streamlined corporate structure of Soho Holdings resulting from this reform laid a solid foundation for the group's specialized intensive administration, and accelerated the transformation of its subsidiaries, reinforcing the overall strength of the conglomerate. This immediately resulted in Soho Holdings' international businesses maintaining stable growth, while its domestic businesses made remarkable advances: its projects in the cultural industry stanched the red to make profits, and investment and real estate emerged as new profit-makers, in addition to the conventional trade sector.

The regrouping has continued from 2011 to date. Over these years Soho Holdings has integrated internal resources, improved management efficiency, reorganized business relationships between its subsidiary companies, strengthened risk control, and diversified its businesses. Subsidiaries were required to redefine their positions and orientations in the market, optimize their core businesses and make institutional innovations. The group hence established four priority businesses: investment, trade, culture, and real estate.

At present, Soho Holdings has 132 companies under its umbrella, with eight as its mainstays: Jiangsu Soho International Group Corp., Jiangsu Textile Group, Jiangsu Holly Group, Jiangsu Soho Investment Group Co., (Ltd.), Holly Futures Co., (Ltd.), Jiangsu Soho Construction Group Co., (Ltd.), Jiangsu Tianhong Automobile Group, and Soho Media Co., (Ltd.). The headquarters, Soho Investment and Holly Futures, are mainly engaged in investment businesses; while Soho International, Textile Group, Holly Group and Tianhong Automobile are in the trade sector; Soho Construction deals with real estate; and Soho Media and Artall, a company in the Holly Group, ply the cultural industry.

Although the total number of its subsidiary companies has fallen, Soho Holdings' profits are steadily climbing, a testimony to the success of its regrouping, which is credited with the overall development strategies of the group and optimal use of internal resources following market rules.

Improving Core Competitiveness through Deepened Reforms

Last year, the world economy remained in the doldrums, while the Chinese economy continued to grapple with restructuring and industrial upgrading, an intricate task which further complicated growth prospects. Against this grim backdrop, Soho Holdings notched a sales volume of RMB 20.4 billion, up two percent year-on-year, with gross profits of RMB 580 million, ticking up 2.3 percent from 2012. Though its imports and exports shrank 6.44 percent, to RMB 2.27 billion, the group largely met the targets set by the Jiangsu State-owned Assets Supervision and Administration Commission. By the end of 2013, its gross assets reached RMB 23.5 billion and net assets RMB 8.4 billion. The market has solid confidence in Soho Holdings: last year the market-value growth of Jiangsu Holly Corporation, a publicly listed company, outpaced that of the Shanghai (securities) Composite Index.

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In the first two months of 2014, Soho Holdings sustained its strong momentum in both international and domestic businesses. Its imports and exports gained 5.37 percent over the same period last year, to hit US $340 million, with the growth in imports soaring by 94 percent. Domestic trade stood at RMB 1.558 billion, up 36.82 percent over the same period last year.

The outstanding performance of Soho Holdings is attributed to the joint efforts

SOHO leaders inspect the Holly Futures Shanghai office.