# Ruyi makes a fashion statement with SMCP

## Chinese textile giant snaps up French luxury brands to tap growing market

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Shandong Ruyi Group, a major Chinese textile producer, has purchased a majority stake in SMCP, owner of French fashion brands Sandro, Maje and Claudie Pierlot, in a bid to develop its global business.

The deal has cost Ruyi about 1.3 billion euros ($1.48 billion), making it one of the largest overseas investments by a Chinese company this year.

"It's a win-win and marks a great achievement for Ruyi on its way to becoming a global leader," says Qiu Yafu, the company's president. "We can benefit from SMCP's brand recognition and rich experience in fashion, including its talent and design experience, and SMCP can access China's huge market through us."

SMCP has 1,118 outlets in 33 countries and regions worldwide. Qui says Ruyi will maintain the French company's creative team and its headquarters in Paris.

"We can enhance our competitiveness in every link of the supply chain, from design and manufacture to marketing and retail," he adds.

Private equity firm Kohlberg Kravis Roberts and the founders of SMCP will continue to own shares in the French company.

Houston Huang, managing director and head of China of JP Morgan global investment banking, who helped broker the deal, says the acquisition is a good example of Chinese companies going global.

"Chinese companies — large, small, private or state-owned — are embarking on a spree of overseas mergers and acquisitions, stimulated by government policies that encourage overseas expansion. Chinese companies can also learn from the foreign companies through overseas expansion," he says.

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> **LU JINYONG**
> **Professor at the University of International Business and Economics**

JPM is the sole adviser for the deal and sole underwriter for Ruyi.

"The overseas mergers and acquisitions are also in line with the current supply-side reform. Take Ruyi, for instance, its major business is textiles, yet this industry also faces the challenge of overcapacity. The acquisition of SMCP can help Ruyi move up the value chain and tap into the increasingly expanding domestic luxury market," says Huang.

According to Dealogic, which provides global banking and investment analysis, Chinese companies sealed overseas M&As worth a total $111.9 billion last year.

Ministry of Commerce data suggest that the surge is being driven by smaller companies rather than larger, state-owned or private enterprises.

In January, China's nonfinancial outbound investment hit 78.7 billion yuan ($12.1 billion; 10.6 billion euros), almost three times the number in December and a rise of 18.2 percent year-on-year. Of the total ODI in January, 92.5 percent came from smaller enterprises, up 175 percent on the same period last year.

"As SMCP has a wide sales network in Europe, Ruyi can expand its brand recognition and influence through cooperation with SMCP," Huang says. "And because Ruyi has rich experience in marketing in China and Japan, SMCP can expand its market share in Asia.

"China has become the most important light luxury consumer market, and SMCP has affordable luxury brands that have surged in popularity among China's middle class. The acquisition can help Ruyi expand development in China, and also meet the increasing needs of consumers."

Ruyi is ranked in the top four of China's 500 textile companies and had a consolidated annual revenue of more than 30 billion yuan last year. The company previously invested in Tokyo-based Renown Inc, which sells the Aquascutum and D'urban brands in Japan.

"China's luxury goods industry has a bright future," says Lu Jinyong, a professor at the University of International Business and Economics. "With the increase in incomes, consumer attention will continue to shift more toward the light luxury segment.

"The luxury market remains one of the most lucrative, so Chinese companies are fast climbing on to the upper chain of the industry. As Chinese spend more on high fashion, local companies are going shopping for global brands to expand their businesses."

Last year, Chinese shoppers bought 46 percent of all luxury goods sold worldwide. However, 78 percent of that was purchased outside China.


**CLAUDIE PIERLOT'S** window displays in Paris. SMCP is owner of French fashion brands Sandro, Maje and Claudie Pierlot. PHOTOS PROVIDED TO CHINA DAILY


**A SANDRO SHOP** in Paris.

# ABB eyes opportunities in China's clean-energy drive

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ABB Group, an electricity and automation solution provider based in Zurich, sees great opportunities in China's clean-energy incorporation and micro grid drive, according to its top executive.

"China has determined its goals in carbon dioxide reduction. This goal is going to generate large investment in a lot of sectors," says Claudio Facchin, president of ABB's power grids division.

The Swiss multinational offers technologies for incorporating clean energy into conventional grids. According to Facchin, its high-voltage direct-current technology can ensure stable and cost-effective long-distance electricity transfers.

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ABB has been working on the Xiangjiaba-Shanghai electricity transmission route, which will transfer power nearly 2,000 kilometers from Chongqing to 24 million users in Shanghai using HVDC technology.

HVDC is recognized as one of the most reliable technologies for long-distance power transmission. The first commercial HVDC route was built in Sweden in 1954 by ASEA, which is now ABB.

ABB has more than 110 HVDC projects worldwide. It has been involved in 22 of China's 30 HVDC projects, providing core technological support.

In terms of small-scale clean-energy incorporation, ABB has sophisticated automatic solutions and power storage technologies for micro grids to ensure stability, Facchin says.

The Swiss company has also collaborated with South Korea's Samsung SDI and China's automaker BYD Co in electricity storage, a key technology for the stability of micro grids.

"China's renewable-energy drive started by enhancing installed capacity. The country now has the largest wind and photovoltaic market," says Gu Chuanyuan, chairman and president of ABB (China) Ltd.

"In the next phase, particularly after China joined the climate treaty in Paris, it has more ambitious plans. The more wind turbines we build, the higher the requirements on stability and safety get. ABB has an all-around solution in technologies, portfolio and market coverage that we can offer to the China market in terms of how to get renewable energy's incorporation under control."

The unused installed capacity of clean energy is a major bottleneck faced by China's environmental drive, Qin Haiyan, director of the wind power committee at the China National Renewable Energy Center, said at a seminar last month.

He says the losses of electricity caused by idle wind-power capacity amounted to 101.5 billion kilowatt-hours from 2010 to 2015, equaling the total power generated by the Three Gorges Dam and the Gezhouba hydropower plants last year.