WORLD

737 Max jetliner pushes Boeing earnings down

But worldwide grounding won't ruin the 'prosperous company', expert says

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Problems stemming from the worldwide grounding of the 737 Max aircraft drove Boeing's net earnings down 13 percent in the first quarter of 2019 compared with the first quarter of 2018, the company said on Wednesday in its quarterly earnings report.

Boeing said it expects to take about a $1 billion charge on its 737 Max jets, including the cost of upgrading software for the plane's automated anti-stall device and higher production costs spread over the life of the production run.

"I think Boeing bounces back," John Cochran, professor emeritus of aerospace engineering at Auburn University in Alabama and president of Eaglemark, an aviation consulting firm, told China Daily. "It's going to be serious as far as stockholders are concerned, but Boeing is a prosperous company and this won't ruin them."

Thirteen Wall Street analysts surveyed by Nasdaq rated Boeing's stock a "strong buy" and four rated it "hold". No analysts rated the stock "underperform" or "sell".

Goldman Sachs, a major New York investment bank, said Boeing's first quarter earnings of $3.75 a share, or $2.35 billion on revenue of $22.9 billion, were "in-line" with consensus estimates. In the first quarter of 2018, the company earned $4.15 a share on revenue of $23.38 billion.

Boeing's first-quarter commercial aircraft sales fell 8.7 percent year-on-year, but the company's capital defense, space and security divisions posted gains. Total first-quarter revenue fell two percent to $22.9 billion.

In January, Boeing said it had planned to deliver more than 900 planes this year, boosting sales and profits. However, in the wake of the Ethiopian Airlines crash last month, the company said it planned to cut production of 737 Max aircraft to 42 a month from 57, a reduction of nearly 20 percent.

Goldman Sachs set a 12-month price target — an estimate of future value of the stock — of $393 a share. However, Boeing repurchased shares valued at $2.3 billion in the first quarter of 2019 compared with $3 billion in the same quarter a year ago.

The significant buybacks have boosted the share price and Boeing's decision to suspend the program could weaken the stock in the future. Investors have sliced about $27 billion off Boeing's market value since the Ethiopian Airlines crash and now value the company at $212 billion.

Boeing's shares closed on Wednesday on the New York Stock Exchange at $375.46 a share, up $1.44, or 0.39 percent, from Tuesday's close. The 52-week range is $292.47 to $446.01 a share.

Boeing's 737 Max jets were grounded worldwide as the result of two crashes: the Ethiopian crash on March 10 and the Lion Air crash in Indonesia in October 2018. A total of 346 passengers and crew were killed.

The causes of the crashes have not yet been determined.

ROK's Moon meets ANN delegation

Moon Jae-in, president of the Republic of Korea, on Thursday briefs a group of senior editors and journalists from the Asia News Network, an alliance of 24 leading English-language newspapers from 20 countries of Asia. ANN representatives gathered in Seoul at the network's board meeting, which also marks the 20th anniversary of the alliance.
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Serbia's first industrial park to break ground

By **CHEN YINGQUN**
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Serbia's first industrial park will break ground this year with the aim of hosting global companies tapping into central and eastern Europe markets, thanks to China's Belt and Road Initiative, said Nenad Popovic, Serbia's minister responsible for innovation and technology.

The Serbian government and China Road and Bridge Corporation, or CRBC, signed an investment agreement for the industrial park on Wednesday, after more than three years of discussions and negotiations. They will jointly invest in and manage the park, located in the capital city of Belgrade. The park will cover a total of 3.2 square kilometers.

Mainly funded by China, it will include three sub-parks: one for manufacturing and processing industries, one for trade and logistics, and one focused on the high-tech sector.

"Western countries' investment in Serbia usually has strings attached, but China's investment never does," Popovic said.

"The park is the best project in central and eastern Europe. It will become a great platform for overseas companies to enter Serbia and the region. It will also boost Serbia's economy as well as help Serbia attract high-end talents."

Job opportunities

Zou Zexi, representative of CRBC'S Serbia branch, said that the project is estimated to provide about 2,000 to 5,000 jobs for Serbians. It will add up about 5 percent to the country's gross domestic product, and attracts about 2 billion euros ($2.2 billion) investment every year.

"During the construction of the project, about 60 to 70 percent of the employees we hire, the materials we use and subcontractors we cooperate with will be from Serbia," he said. "We want to build a platform, through which Chinese companies could seek long-term development in Serbia and then in central and eastern Europe."

CRBC mainly undertakes contracting, investment and infrastructure projects, including roads, bridges, ports and railways, and has operations stretching across more than 60 countries. Prior to the project, it had completed the Zemun-Borca Bridge across the Danube and its approach roads in Belgrade. In central and eastern Europe, it is carrying out projects with a total investment of nearly $2 billion in countries including Serbia, Croatia and Montenegro, Zou said.

Popovic said that the Belt and Road Initiative, which was proposed by China in 2013, aiming to build stronger links among countries across the globe, is a great initiative that advocates win-win approaches.

"Working together with China under the initiative will bring great economic momentum to Serbia and help us develop sectors including infrastructure, innovation and employment," Popovic said.

As China is strong in innovation and high-tech, he also expects to see more cooperation in sectors such as digitalization and big data.

Popovic said that cultural exchanges between the two countries have also become more frequent in recent years. The number of Chinese visitors to Serbia in 2018 was double that of the previous year.

A Chinese culture center is also under construction in Serbia, which will help Serbians learn about Chinese people and Chinese culture, he said.

"China and Chinese people are Serbia's best friends," he added.

Weichai Power and Belarus' MAZ launch a venture to produce engines in the China-Belarus Industrial Park in 2018. PHOTOS PROVIDED TO CHINA DAILY

From modest beginnings, Weichai Power becomes a diversified conglomerate

By **YUAN SHENGGAO**

Weichai Power, headquartered in Weifang, East China's Shandong province, has transformed itself from a small regional State-owned diesel combustion engine producer into a diversified global conglomerate with a strong presence in fields such as heavy-duty trucks, transmissions, forklifts, hydraulic parts and automatic logistics systems, after being listed on the Hong Kong Stock Exchange for 15 years.

The company brought in 159.26 billion yuan ($23.79 billion) in sales revenue last year, up 5.1 percent year-on-year. The sales revenue increased 26 times that of 2004. And it has established a sales network covering more than 110 countries and regions, according to the company.

Founded in 2002 by the main sponsor, Weichai Holding Group, Weichai Power was listed on the Hong Kong Stock Exchange on March 11, 2004. The listing marked a major milestone in Weichai Power's global expansion, according to the company.

Tan Xuguang, chairman of Weichai Power, said the initial public offering in Hong Kong — often the forefront of Chinese companies expanding overseas and foreign companies entering the Chinese market at that time — allowed Weichai Power to better exploit its advantage and hastened its international progress.

Weichai Power made its first acquisition by purchasing Torch Automobile Group in Hunan province in 2005. Weichai obtained a controlling stake in Shaanxi Fast Gear, Shaanxi Heavy-duty Motor Company and Hande Axle through this deal. The company then developed an industrial chain that combined the development of engines, transmissions and axles under one roof.

Weichai Power's pace of global expansion pace has significantly increased since 2009, when the global financial crisis broke out in 2008, putting many leading manufacturing businesses under pressure.

In 2009, Weichai Power acquired French marine engine developer and producer Moteurs Baudouin. The deal allowed Weichai Power to fill its technological gap and speed up exploration in European and American markets. It also allowed Moteurs Baudouin to use Weichai Power's sales network to boost its presence in Asia.

In 2012, Weichai Power bought a 25 percent stake in German forklift maker Kion for 467 million euros ($528.21 million) and a 70 percent controlling stake in Kion's subsidiary Linde Hydraulics, for 271 million euros. The deal broke foreign companies' monopoly on the Chinese market and created opportunities for Weichai Power to tap into the high-end manufacturing of engineering and agricultural machinery.

Supported by Weichai Power, Kion acquired the United States-based Dematic, an automation and supply chain optimization company, in 2016. The deal allowed Weichai Power to develop a smart logistics industrial chain and further optimize its business structure.

Also in 2012, Weichai purchased a majority stake in Italian yacht maker Ferretti, tapping into the luxury yacht sector.

In March 2017, Weichai America, a wholly owned subsidiary of Weichai Power, invested in leading alternative-fuel power system developer Power Solutions International. The deal marked Weichai Power's debut in the North American power market.

Workers operate an engine production line in Weichai Power.

"Weichai Power's overseas acquisitions did not aim to make financial figures look beautiful. The real target for the company is to fill out the technological gap and optimize the company's business structure," Tan said.

Weichai Power said all its overseas acquisition projects reported profits.

Kion reported nearly 8 billion euros in sales last year, an increase of 5.2 percent year-on-year. Its net profits reached 401.6 million euros.

Annual sales volume of Moteurs Baudouin rose 20-fold after joining the Weichai Power family. The figure further increased 60 percent year-on-year to a record high in 2018, according to Weichai Power. The company, a marine engine supplier, has expanded into the fields of industrial power and high-end mining trucks.

Apart from Western countries, Weichai Power also launched operation in countries such as India and Belarus. Weichai Power and Belarus' MAZ launched a joint venture in the China-Belarus Industrial Park to produce engines last year. The project is an important cooperation in the machinery manufacturing sector under the BRI framework, according to the company.

MAZ is one of the largest commercial vehicle producers in Belarus. However, its development was constrained because the company lacked engine development capability and capacity.

"Under this cooperation, engines produced in the new factory will be equipped on most of MAZ's automobiles and improve its competitiveness," said Hu Haihua, general manager of the joint venture.

Hu also said the engines produced in Belarus can also be sold to countries such as Poland, Ukraine and other countries in Europe and Asia, which helps the company to further expand global expansion.

In addition, Weichai has set up innovation centers in Tokyo, Silicon Valley and Chicago in the US and Aachen in Germany to strengthen its research and development. Weichai has invested more than 15 billion yuan over the past 10 years on innovation.

Moreover, Weichai Power has identified new energy as a major high-growth sector and paid close attention to strengthening its position in this area. In 2016, the company purchased a 34 percent stake in the domestic leading fuel cell maker Foresight Energy, marking its debut in the sector.

In November 2017, Weichai Power signed a strategic framework agreement with Germany's industrial giant Bosch to jointly develop hydrogen fuel cells and parts.

The company also partnered with Westport Fuel Systems from Canada in August last year to promote high pressure direct injection technology development in China. In the same year, it became the largest shareholder of Ballard Power Systems, a Canadian company specializing in hydrogen fuel cell development, after purchasing a 19.9 percent share with a total investment of $164 million.

Currently, Weichai Power and Ballard Power have established a joint venture with a registration capital of 1.1 billion yuan. Weichai Power has a controlling interest of 51 percent in the joint venture. The company has set a goal to be a leading engine supplier, commercial vehicle producer, smart logistics system developer and new energy supplier.

The section is sponsored by Weichai Power.