

SE Conference Chatter; Blog
HD **Chinese private equity** funds see Australia as high-risk jurisdiction
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Small **Chinese** private **equity** firms typically find jurisdictions such as Australia and Canada too high risk to invest in, according to Biao Chen, managing partner of Jinjiang **Mining** Fund.

Jinjiang **Mining** Fund is a small **China**-based **equity mining** fund founded two years ago. It manages US\$200 **million** in assets, including five **gold** exploration projects and one producing **coal** mine in **China**.

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"With the small amount of funds, we can't really invest in Australia, Canada and other places with higher risk. So that's why I picked up Southeast Asia as my primary focus," Chen told delegates at the International **Mining** and Resource Conference in Melbourne, Australia on Sept. 22.

Chen highlighted political risk, regulatory risk and other sovereign risk, as well as the high cost of doing business, as reasons for the lack of new private investment in Australia.

"I think it is risky to do exploration in Australia and Canada because the cost in these two countries is so high," he said.

However, Scott Gardiner, managing partner with multinational law **firm** King & Wood Mallesons said there is an increasing number of **Chinese** investors flocking to the Australian **mining** sector.

"I do agree we're certainly a high cost and high regulatory environment, but I think there is an appetite in **Chinese** investors that still sees Australia as an attractive destination," he told attendees.

The percentage of private deals being done in Australia have to date been smaller by number and value. However, that is likely to change, according to Gardiner.

"The trend is clearly heading in the positive direction," he said. "I think we will see more private transactions done in Australia and I also I think you will see a greater mixture between the [state-owned enterprises] and the private."

Gardiner pointed to the increasing number of hostile takeovers in Australia as evidence of the rising level of private money being injected into the country's **mining** sector.

"I think you're now seeing some of those private investors, and statistically all of the hostile bids in Australia have been done by [private-owned enterprises], none of the [state-owned enterprises] have launched hostile bids in the Australian market to date," he said.

Professor Colin Roberts, a representative of the World Bank Group's Multilateral Investment Guarantee Agency, told delegates that foreign direct investment is set to reach US\$1.6 trillion in 2014, US\$1.7 trillion in 2015 and US\$1.8 trillion in 2016.

State-owned enterprises will account for 11% of the total and developed Asia will be the largest recipient with US\$400 **billion** in and US\$300 **billion** out.

"The money is around for sure, but the confidence perhaps in the resource industry isn't quite there and perhaps it's not there in the developing world as well," Roberts said.

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