

SE Business
HD Growth in **Chinese** private investment
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Chinese private investment in Australian resources is expected to continue growing as private enterprises increasingly link with state-owned enterprises looking for nimble partners, and debt financing becomes easier to get.

Scott Gardiner, managing partner at King & Wood Mallesons, told the International **Mining** and Resources Conference in Melbourne yesterday that while deals were small in number and size, they were increasing.

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"The trend is clearly heading in a positive direction, so I would expect we will see more private transactions in Australia," Mr Gardiner said "I also think we will see a greater interaction between the (**Chinese**) private sector and state-owned enterprises," he said.

"There is a nimbleness that private investors can bring to Australia that to date the state-owned enterprises haven't had." Illustrating the nimbleness of the private enterprises, he pointed out that all hostile **Chinese** bids for listed companies here had been made by private companies.

Mr Gardiner said the 2013 deal where private **Chinese company** Chengdu Tianqi Industry teamed up with **China** Investment Corp to buy Talison Lithium (owner of the Greenbushes mine in Western Australia) for \$646 **million** was an example of the state-private partnerships that could become more common.

Private **Chinese** firms have been more aggressive in Australian resources sector in the past couple of years, while state-owned companies that bought up big after the global financial crisis have stepped back as investments such as Citic Pacific's beleaguered Sino **Iron** project have struggled.

Private deals, such as **China** Molybdenum's \$900m **purchase** of Rio Tinto's NorthParkes **copper** mine in NSW, have not been large, possibly due to recent changes to the approvals process that make it easier for deals of less than \$US1 **billion** to get approval from the National Development and Reform Commission.

Paul Glasson, chairman of Shanghai-based Sartori Investments, said capital options for private entities were growing.

"Up until last year it was nearly impossible for a privately-owned enterprise to get debt funding (from an SOE) for an overseas project, but that is changing," Mr Glasson said.

But it was not all smooth sailing for small firms, a **Chinese** private **equity** investor told the conference. Biao Chen, managing partner at Jinjiang **Mining** Fund, said **Chinese** banks were much keener to lend to state-owned enterprises because of the security they provided, regardless of the quality of the minerals project being funded.

"The **Chinese** banking system is not purely market-based, it is probably half market-based," Mr Chen said. "Fortunately, the current government realises this problem and is trying to change it."

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RE austr : Australia | china : China | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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