

Current Trends and Issues of Chinese Investment

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Recent Trends

Trends within China

- Continued rise of the SOEs
- Availability of debt funding since the GFC
- Changes to the outgoing investment approval process to make it faster and simpler

Chinese Government is still encouraging foreign investment in key sectors and is actively taking steps to make it easier and faster.

Recent Trends

Growing interest from the private sector

- Merchant bankers
- Smaller resources and energy companies
- Large private companies looking to diversify

Wider variety of investment targets / interests

- Greenfields and brownfields projects
- Unlisted companies
- Clean energy companies
- Infrastructure

Watch this space: Emergence of the major Chinese banks in the international market

Recent Trends

Trend in project-style investment has moved towards packaged deals.

- JV with Off-take
- JV covering a package of tenements
- JV with infrastructure development
- Off-take with finance agreement

Allows companies to address multiple strategic objectives at once.

Recent Issues for Chinese Investment

- Performance of resources and energy stocks
- Availability of debt and equity funding in Australia
- Tax issues
- Foreign Investment Review Board approvals
- Woomera Protected Area
- Infrastructure

Identifying the partner / investors goals

Many Chinese companies, and their executives, who come to Australia to pursue investment opportunities have multiple motivations and goals for their Australian investments, including:

- Profit
- Securing long term supply
- Learning about Australian (resources) business
- Training their staff
- Learning about different / new technology
- Family benefits

What does this mean?

- Australia is still an attractive location
- The Chinese companies currently investigating Australian resources and energy opportunities are more diverse than ever.
- Know-how and technology, in particular green technology, may be a significant value add to a potential investor.
- Packages of multiple tenements in a single investment proposal may be an attractive option.
- Understanding the investors motivation(s) is an important issue.
- Know the company you are dealing with and consider with your advisors what options you can offer the potential investor that will match its motivations and goals.

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