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Mitsui, other traders putting chips on Chinese start-ups

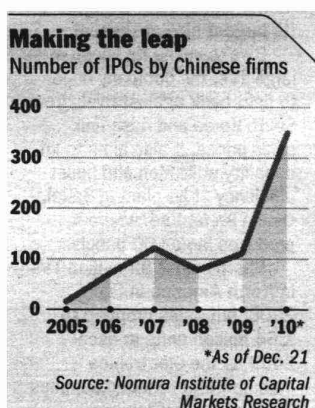
Major Japanese trading companies are stepping up their investments in Chinese start-ups, betting on the prospects for high returns from business growth and initial public offerings.

Mitsui & Co. has invested \$12.5 million in Hutchison MediPharma Holdings Ltd., a drug development unit of Chinese pharmaceutical firm Hutchison China MediTech Ltd. In addition to gaining a 12.2% stake, the trading house has dispatched a part-time director. Mitsui will propose measures for boosting corporate value and help Hutchison MediPharma tie up with a Japanese drugmaker if it so desires.

The major trading house has also obtained interests in a Beijing storage battery company and a stainless steel processor. It plans to invest about ¥3 billion a year in promising Chinese start-ups, focusing on fields related to healthcare, electric vehicles and the environment. The firm has set a goal of nearly doubling its outstanding investment in Chinese start-ups to ¥15-20 billion in around three years.

"In general, corporate value increases by 100-200% when a business goes public," a Mitsui official said. "It can increase as much as 400-500% if it is a long-term investment."

Among the Chinese start-ups in which Mitsui has invested, wind power equipment maker China Ming Yang Wind Power Group Ltd. listed on the New York Stock Exchange in October, while stainless steel processor



Jiangsu Daming Metal Products Co. arrived on the Hong Kong Stock Exchange in December.

With the environment for yuan-denominated investment maturing, Mitsui plans to start using the local currency for investing in Chinese ventures.

Mitsubishi Corp., meanwhile, invested several million dollars in Zhejiang Cheeyo Auto Renting Co. via an investment fund managed by a wholly owned Hong Kong unit. The Chinese rent-a-car company will put the funds from Mitsubishi toward the capital for its new long-term leasing firm. Mitsubishi is looking at setting up a larger investment fund with a local firm to bolster its investment in Chinese start-ups.

Sumitomo Corp. has invested ¥2.5 billion in ventures in China and other emerging countries over the past seven years. The company plans to raise the amount to ¥10 billion over the next five years.