

## **2012 Caixin Summit: China and the World**

### **Friday, November 16, 20:00 - 21:45 -- Private Equity Investment**

These are the best of times for PE, and the worst too. The times are suitable for hard work, but not for skinny-dipping.

#### **Key points:**

- Successful PE investment must fit into the greater picture of structural economic transformation and build on the PE firm's competitive strength
- PE firms must also provide value-added services such as financial and managerial consulting to the investment recipient, instead of simply focusing on recovering investment through an IPO exit
- Liquidity shortages as a result of tight bank credit will create lots of opportunities for PE investment

#### **Synopsis**

Chinese PE firms face a bright outlook as long as they know how to seize opportunities. The country is undergoing a profound economic structural transformation. PE firms should integrate themselves into this movement.

At present, the financial industry is too heavily dominated by the banking system. When economic growth slows as a result of structural transformation, banks' expansion may also become too slow to conceal underlying problems with bad loans. As they rein in lending, there will be a discrepancy between financing needs and capital. In addition to this, Chinese companies in general should finance more through equity rather than debt. This is where PE firms will enjoy the greatest opportunity.

The investment model that relies on IPO exits alone for returns is vulnerable to ups and downs in the stock market. In a bearish market, it is especially hard to recover investments.

PE firms must diversify their services. Many Chinese PEs have become accustomed to securing investment targets through commission cutting and personal connections. This method will not be competitive going forward. Instead, they should strengthen their team's understanding of the economy and of particular industries, look for opportunities where others have neglected and provide value-added services such as managerial consulting and information technology assistance to the investment recipient. This enables a PE firm to build and improve its competitive strengths.

#### **Panelists:**

**Tian Suning**, Chairman of China Broadband Capital Partners L.P.

**JIAO Jinhong**, Director-General, Shenzhen Regulatory Bureau, China

Securities Regulatory Commission

**TUNG Hoi**, Chairman and CEO, Ping An Trust Co., Ltd.

**CHEN Hang**, Acting General Manager, China Culture and Industrial Investment Fund

**Moderated by**

**FANG Fenglei**, Chairman, Goldman Sachs Gao Hua Securities Co., Ltd.;  
Chairman, Hopu Investments Management Co., Ltd.

*Disclosures*

*This summary was prepared by Wang Yuqian. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Caixin Summit.*

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