

CHINA

Minister speaks as Carlyle Xugong talks continue Bo Xilai stresses process "according to law"

As the protracted approval process for [Carlyle Group's](#) investment into Xugong Group Construction Machinery Co. continues, Minister of Commerce Bo Xilai spoke publicly about the deal on the sidelines of the annual session of the National People's Congress in Beijing. This followed reports that MOFCOM had blocked the deal on the grounds that the construction sector is of "strategic importance," after the State-owned Assets Supervision and Administration Commission (SASAC) cleared it last autumn.

"As far as I know the two firms are still talking on how much the equity stake will be," Bo said. "Once they reach agreement

on this issue, they will submit an application to the Ministry of Commerce, and we will go through the examine-and-approve procedure according to law."

In the course of the deal's progress towards completion (see [AVCJ Oct 31, 2005](#)), Carlyle has had to endure interventions by Xugong's competitors (see [AVCJ Jun 19, 2006](#)), and reduce its target stake in the machinery firm from 85% to 50%, and now reportedly agreeing to 45%.

"This is basically regulators rewriting the deal," Rocky Lee, Partner and Head of the China Venture & Private Equity Practice at DLA Piper in Beijing, told [AVCJ](#). "The price has gone up, the terms have changed."

While Carlyle's travails continue, Volvo

has been allowed to buy Lingong Construction Machinery, and TNT has been given official approval to take over PRC freight forwarder Hoau Group. [AVCJ's](#) sources emphasized that China's regulators – far from being hostile to foreign takeovers of PRC businesses in principle – are specifically concerned about the buyout investment model.

"Carlyle is a pure money player," Lee said. "Volvo is a strategic corporate investor that can bring real operational know-how, international market access and technologies to the Chinese party. They're not looking to exit with a big multiple. That's a distinction that makes a lot of sense."

"We believe foreign investment through mergers is a very important and a good way for foreign firms to invest in China," Minister Bo added. "As long as we can regulate this investment activity, I believe it has development potential here."

"There is no comment from Carlyle on deals in the process of regulatory approval," a Carlyle spokesperson told [AVCJ](#). - PSM



Bo Xilai, PRC Minister of Commerce

SINGAPORE

UOBVM lists two China investees on SGX Unionmet and Sunvic see strong industrial support

Singapore-headquartered [UOB Venture Management](#) has kicked off 2007 with two IPOs on the Singapore main board. Unionmet (Singapore) Ltd. is a specialist producer of indium for LCD displays and other TMT applications, while Jiangsu-based Sunvic Chemical concentrates on acrylic acid and acrylate esters for producing paints, coatings, plastics, and textiles.

Both IPOs saw performance substantially

above their issue price, with Unionmet rising from S\$0.37 to S\$0.75 on its first day and Sunvic rising from S\$0.30 to S\$0.81. Both businesses are what UOBVM describe as "high-margin high-growth SMEs."

According to a UOBVM spokesperson, Unionmet and Sunvic's IPOs raised S\$37 million (\$24 million) and S\$49.5 million (\$32.4 million) respectively. UOBVM invested \$4 million in Unionmet in

September 2005 and \$6 million in Sunvic in August 2005, for 13.66% and 11.9% stakes respectively.

"While the private equity landscape is getting more competitive in China, if we identify the right team and structure the deal properly, it is still possible to get a venture capital type of return at a private equity kind of risk," [Kian-Wee Seah](#), Managing Director of UOBVM, told [AVCJ](#).

- PSM



Unionmet IPO prospectus