

## Investing

## Oriental Patron's US\$435m fund with Magsun aims to nurture Internet giants in China

The fund aims to invest in industries including aged care, home improvements, education, medical service, e-commerce and finance.

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Hong Kong-listed [Oriental Patron Financial Group](#) has teamed up with mainland China's private equity group Magsun Capital to launch a 3 billion yuan (US\$435 million) fund with ambitions to create internet-based corporate behemoths in the Chinese market.

The fund is aiming to invest in industries such as nursing services for the ageing population, home improvements, education, medical services, e-commerce and finance.

"Some traditional industries might not be viewed as lucrative businesses, but they can be a gold mine in the eyes of internet experts," said Oriental Patron's chief executive Gary Zhang Gaobo told the *South China Morning Post* in an interview. "Excellent companies in the traditional industries can fly high after they are equipped with two wings – finance and internet technologies."

The fund's launch bucked the trend of the dismal declines that have beset China's private equity and venture capitalists last year, when fundraising and investments plunged from a 2015 record.

Concerns about the bursting of the Internet bubble in China have been mounting since last year as a rising number of startups either went bust or faced liquidations owing to unsuccessful operations.

"For the Chinese elites, they could turn some small deals into big businesses by introducing foreign high-end products to the local market," Zhang said.

Chinese Premier Li Keqiang pledged in the government work report to the National People's Congress on Sunday that the Internet Plus strategy – using internet technologies to improve manufacturing efficiency and bolster commercial activities – will be deepened to help the mainland economy transform into a sustainable growth pattern driven by entrepreneurship and innovations.

The fund by Oriental Patron and Magsun will help internet-related businesses acquire and integrate off-line assets while using mobile technologies to accurately and effectively attract clients.

Liu Yu, chairman and founder of Magsun, said that the fund aims to create a large driving school business in China through a series of acquisitions and reorganisations, which can generate profits of 4 billion yuan in three to five years.

The total profits by driving schools in China are estimated to be valued at 30 billion yuan, he said.

According to ChinaVenture Investment Consulting's data, fundraising amount by mainland private equity and venture capital funds that focus on internet businesses dropped 27 per cent to US\$23.8 billion in 2016, while the number of companies funded fell 28.1 per cent to 1,622.

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"We are still bullish that we can establish a clutch of huge business platforms through a better use of internet technologies," said Liu. "We have further fundraising plans and will have 10 billion yuan of assets under management this year."

Oriental Patron is an investment firm with investment objective of achieving medium- to long-term capital appreciation.

Liu of Magsun is a former vice president of 5Stuan.com, a Chinese online payment service company.

In January, Oriental Patron issued warrants equivalent to a 9.65 per cent stake at HK\$2.2 a piece to Magopt Ltd., an offshore entity of Magsun.

Shares of Oriental Patron gained 21.6 per cent so far this year, closing at HK\$2.7 (35 US cents) on Friday.

