

China Daily USA

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Where will Soros invest in China?

Catherine Skrzypinski

WASHINGTON, DC: When it comes to legendary financier George Soros, many analysts in the US are looking into their crystal balls to predict where his next investment in China will be.

During a visit to the country in June, the chairman of Soros Fund Management recently proclaimed China a "big winner" of the global economic downturn. And earlier this month in a Bloomberg Radio interview, Soros said China "will be one of the motors of the world economy".

However, Soros has been playing his cards close to his chest and has so far refused to reveal which Chinese companies he is considering investing in. The only hint he gave was when he told reporters that the value in China is in its non-public companies, adding that it is not wise to hold shares in these companies once they launch an IPO.

But while Soros is keeping mum, the guessing game begins.

Darren Ofsink, co-founder of New York City-based law firm Guzov Ofsink, believes the airline industry may be a target for Soros, citing his decade-long investment in China's Hainan Airlines.

"China's airline industry has tremendous growth potential, as there is a limited amount of competition," Ofsink said. "It seems like China is building new airports almost monthly."

David R.E. Hale, president of Farmingdale, New York-based International Smart Sourcing, agreed with Ofsink. "Soros has done his homework and looks at his investments tactically and strategically," he said. "The airline industry expansion coincided with the explosion of the Chinese middle class. It was a real winner."

Meanwhile, Ofsink claimed it was difficult to forecast Soros' future Chinese investments. In the past, Soros invested in sectors such as technology, financial services, health care and aviation, which were all growing at a

high rate.

Maggie Liu, an independent financial consultant based in New York City, believes that Soros could possibly be working with Jack Ma (Ma Yun), the founder of Alibaba - a business-to-business online trading company that links Chinese producers with purchasers worldwide. Soros met with Ma in Hangzhou during his China trip.

"I wouldn't be surprised if Soros is now in Ma's inner circle," Liu said. Liu believes Soros may be looking for short-term investments, however others expect he is looking more long term.

"There is more risk involved in a short-term investment," said Hale, who believes Soros is eyeing a long-term private equity play.

According to Adam Roseman, founder of Shanghai-based private equity firm ARC China, Soros might invest in traditional industries such as agriculture, water and infrastructure in order to continue China's rapid growth.

"I would like to see him become more involved with environmentally oriented businesses in China, where he could play an important role, add substantial value and generate premium investment returns," he said.

Roseman's only concern about Soros' strategy would be whether China would allow a foreign investor to take an influential position in a company perceived to be a critical component in China's economic development.

But few doubt the success either Soros or China will have in the future.

"During the international economic pain and beyond, China's lack of maturity in the global economy will give it room to grow," said Karl Alomar, CEO of China Export Finance, a New York-based financial services firm.

"George Soros is an incredible businessman. The quality of his successes over the number of failures over the years is very impressive ? he certainly hasn't taken many wrong turns."