

Blackstone sets up new private equity fund in Pudong

Private equity firm Blackstone Group LP is planning to raise 5 billion yuan for its first yuan-denominated fund that will invest in Shanghai and its neighboring areas.

Blackstone, the world's largest buyout firm, plans to set up its wholly-owned China subsidiary Blackstone Zhonghua Development Investment Fund in the financial institution-concentrated Pudong New Area, the company said in a statement on the website on Friday, when it also signed a memorandum of understanding with the local government on the fund's creation.

Eighty percent of the fund's capital will be raised in China, while the balance would come from overseas limited partners, according to International Finance News reports.

"We suppose Blackstone, in line with its investment strategies globally, will bet on mergers and acquisitions in Shanghai's real estate market," said Liu Zhiteng, investment manager Blue Ocean Capital, a Shanghai-based investment consultancy.

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The nation's pension fund, banks and insurers are likely to become the major limited partners for Blackstone's local currency fund, Liu said. "The preferential policies, including more relaxed investment rules and lower taxes, by the local government targeting the global investment firms will entice more private equity (PE) and venture capital companies to flood into the city," he said.

Fang Xinghai, director-general of the Shanghai Financial Services Office, said in early August that the municipal government has sent a petition to the State Administration of Foreign Exchange (SAFE) to waive restrictions for foreign PE firms that register in the Pudong New Area in a bid to facilitate more firms to raise and deploy capital in the city via yuan-denominated funds.

"Foreign PE funds, which raise capital outside the country, may face restrictions in buying stakes in certain industries that are strategically sensitive and will therefore thwart their investment enthusiasm domestically," said Yu Maogeng, analyst, ChinaVenture.

But analysts said funds that are backed by the local authorities may largely benefit from projects initiated by the government.

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