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CIC, Mongolia Miner Reach Deal

By RICK CAREW IN HONG KONG And J.R. WU IN BEIJING

HONG KONG – China Investment Corp. has reached a deal to invest up to \$700 million in Mongolia-focused Iron Mining International Ltd., the latest move by the sovereign wealth fund to plow cash into commodities.

CIC is rapidly deploying its capital this year to try to catch the upside of a global economic recovery by buying into natural resources and property assets. On Wednesday, CIC Chairman Lou Jiwei told a forum that CIC has allocated \$110 billion for overseas investments and deployed around half. Commodities have been a major focus of the fund's investing strategy and asset allocation, he said.

Originally, CIC was expected to allocate only about a third of its initial \$200 billion in capital, or just \$67 billion, for overseas investments.

Mr. Lou's comments indicate that CIC has pumped around \$40 billion of its cash hoard into other assets this year after having invested a total of \$13.52 billion by the end of 2008, according to data from CIC's annual report.

The terms of CIC's investment in Iron Mining International involve a \$500 million convertible loan, with an option for the company to increase the loan to \$700 million, according to people familiar with the situation. The company, formerly known as Hong Kong Lung Ming Investment Holdings Ltd., is planning to raise \$1 billion through an initial public offering in Hong Kong during the second quarter of next year, one person said. CIC's investment is structured so that the loan will become ordinary shares at the time of Iron Mining International's IPO at a discount to the IPO price, the person said.

CIC has also asked Iron Mining International to add Chinese investment bank China International Capital Corp., which is part-owned by CIC, as a member of the underwriting team for the IPO, the person said.

Credit Suisse Group, an early investor in the mine, advised Iron Ore Mining International on the deal, according to people familiar with the situation. Iron Mining International is using part of the proceeds from the deal to repay Credit Suisse's initial investment of \$110 million, netting the Swiss bank an unknown additional profit.

Two high-profile backers for the Mongolian mining venture are staying in the deal. Singapore's Temasek Holdings Pte. Ltd. and private-equity firm Hopu Investment Management Co., have invested a combined \$300 million in the firm. Hopu is a \$2.5 billion fund raised by Chinese dealmaker Fang Fenglei and former Goldman banker Richard Ong.

The Wall Street Journal reported CIC was in advanced talks to invest in the mining company last month.

Iron Mining International is also planning to use some of the additional funds to improve infrastructure related to its Mongolia mining assets and hopes to produce 10 million tons of iron ore from its mines next year, according to a person familiar with the situation. Iron Mining needs to link its mines to China's steel plants to process the iron ore and sell it in China's market.

China's economic growth is highly correlated to commodity prices, and CIC needs to have a certain proportion of its investments in commodities, CIC's Chairman Lou said at the Beijing forum Wednesday. He added that CIC is also investing in basic infrastructure.

On Tuesday, CIC announced another sizeable Mongolian deal. The fund agreed to invest \$500 million in Canadian company SouthGobi Energy Resources Ltd., a unit of [Ivanhoe Mines Ltd.](#) focused on mining Mongolian coal deposits.

Last year, CIC outperformed many big sovereign-wealth and pension funds, losing just 2.1% on its global portfolio by staying mostly in cash.

"Outsiders see our big volumes of direct investments in mining, energy, real estate and other industries and think CIC has some big adjustment in our allocation strategy. In reality there haven't been big changes," Mr. Lou said. He added that much of CIC's activity is handled through open markets and doesn't need to be disclosed.

CIC sees property and commodity investments as ways to counter inflationary expectations and falling currencies, Mr. Lou also said.

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