



# China adds shine to Galaxy

**John Garnaut**  
in Beijing

ZHENG YUEWEN, a golf-playing, Bentley-driving entrepreneur who controls the Beijing-based Creat Group, seems entirely unbothered about the state of the Australia-China relationship.

The five weeks since his company met Iggy Tan, the managing director of Australian lithium start-up Galaxy, has coincided with the most torrid stretch of diplomatic relations between the two countries in 37 years. And yet in that time he's stumped up \$26 million in equity financing and committed \$130 million in debt financing to receive 19.9 per cent of Galaxy and get the company's lithium dream off the ground.

"Galaxy met Creat for the first time on [July 31], we did the due diligence and documents in 72 hours, and we're signing today," said Linda Liu Bearne, the head of China-Australia Investment, who introduced the companies in Beijing.

"We received two offers in the first three tries," she said.

Adam Handley, a partner in Corrs Chambers Westgarth's China practice, has just sealed three China resources deals in less than a month.

He advised Yangzhou Coal Mining in its \$3.7 billion deal with Felix Resources, Baosteel in its \$286 million investment in Aquila Resources and now Creat Group's investment in Galaxy. "We don't see business appetite for Chinese business investment in Australia in any way being affected by the current political issues," he said.

"And there's a number of other significant transactions in the pipeline."

The Chinese Government appears to have taken a strategic decision not to let its diplomatic fury get in the way of its need to support greater investment in Australian resources in order to secure great security of supply.

Fortescue Metals Group has also inked an agreement with the China Iron & Steel Association that requires the association to arrange up to \$6 billion in debt finance to fund FMG's expansion plans. It remains unclear whether the industry association has the leverage to implement the hastily arranged agreement before it expires on September 30.

Analysts are closely watching how Australian companies fare when investing in China, which

typically requires layers of Chinese Government approvals and support.

With Zheng's Creat Group as its largest shareholder, Galaxy plans to start producing lithium at Ravensthorpe, Western Australia, next month and processing it into lithium carbonate at a plant near Shanghai by this time next year.

Creat Group's major investments are in apple juice, blood products and high-voltage electricity generation technology.

Zheng's private wealth is valued at \$US260 million by Forbes, and has saved Galaxy the headache of securing approval from Australia's Foreign Investment Review Board, which takes a tougher line against state-owned investors.

"They're a private Beijing investment group so the only approval required is from the Galaxy shareholders, which will happen around October 12," said Mr Tan.

Mr Zheng, who worked in China's Ministry of Railways before starting up the Creat group, is not a member of the Communist Party.