

Chinese Euro Soccer Investors Going for Gold

With government support and President Xi Jinping's blessing, Chinese investors are pouring money into European soccer

By Hong Kong correspondents Yang Yanwen and Wang Duan



(Hong Kong) – Chinese companies are buying soccer teams across Europe, echoing the Beijing government's ambitious plan to turn the nation into a soccer powerhouse.

The powerhouse plan, which has backing from President Xi Jinping, has led to nine deals inked by Chinese investors for stakes in soccer clubs in France, Italy, Britain and other European countries since January 2015.

The latest deal was clinched June 17 when the co-founders of the Chinese budget hotel chain 7 Days Group Holdings, Chien Lee and Zheng Nanyan, along with U.S. businessman Paul Conway of Pacific Media Group, jointly bought 80 percent of the French Ligue 1 soccer club OGC Nice for an undisclosed amount.

As a result, Lee and Zheng now each hold a 32 percent stake in the 112-year-old French club. And Lee has been appointed chairman of OGC Nice's board of supervisors.

In a June 17 interview with Caixin in Hong Kong, Lee cited "strategic and financial" goals as reasons for the investment.

Also in June, Chinese home appliance retailer Suning Commerce Group bought an estimated 70 percent stake in Italy's iconic club Inter Milan for 270 million euros. That deal followed the takeover of English soccer club Aston Villa for about 97 million euros by Beijing-based food additives giant Recon Group in May.

According to Chinese state media reports, another six Chinese companies have poured money into European soccer clubs since last year. These include property developer Wanda Group, toymaker Rastar Group and the state-backed investment company China Media Capital Holdings (CMC).

China's European Soccer Foray

Investor	Industry	Team	Country	Stake	Value (euro)	Data
Dalian Wanda Group	Property	Atletico de Madrid	Spain	20%	45 mln	Jan 2015
United Vansen International Sports co.	Sports marketing	ADO Den Haag	Netherlands	98%	8 mln	Jan 2015
Tech Pro Technology Development Ltd	LED lighting	FC Sochaux-Montbeliard	France	100%	7 mln	July 2015
CEFC China Energy Company	Energy	Slavia Prague	Czech Republic	59.97%	undisclosed	Sept 2015
Rastar Grup	Toy manufacturing	RCD Espanyol	Spain	56%	17.8 mln	Nov 2015
China Media Capital and Citic Capital	Media & finance	City Football Group (Manchester City)	Britain	13%	354 mln	Dec 2015
Recon Group	Urban engineering	Aston Villa	Britain	100%	98 mln	May 2016
Suning Commerce Group	Retail, e-commerce	Inter Milan	Italy	70%	270 mln	June 2016
7 Days Group	Hotel chain	OGC Nice	France	80%	undisclosed	June 2016

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In the largest investment to date, CMC in December 2015 partnered with state-run investment firm CITIC Capital Holdings while paying 354 million euros for 13 percent of

Abu Dhabi-based City Football Group. City owns the Manchester City Football club, a top-ranked English Premier League team.

An international investment bank source who declined to be named said many European soccer teams have been approached by potential Chinese buyers.

Peter Schloss, chief executive at CastleHill Partners, a Beijing-based sports and media agency, said Chinese firms are benefitting from soccer investments in "political and business aspects," as Chinese leaders have signaled strong interest in sporting industry development.

Chinese companies can benefit from government policies if they invest in the domestic soccer and sports sector, Schloss said, while those who invest overseas are showcasing their support for Beijing policy.

The State Council, China's cabinet, in 2014 issued sports industry reform and development guidelines that raised the curtain for the current wave of investment. In March 2015, the central government issued a document outlining soccer industry reforms and called for making China a soccer powerhouse by 2050. A similar edict was issued in April.

Xi's personal interest in soccer is also seen as an impetus for Chinese investments. During a visit to Britain last October, the president toured the City Soccer Academy linked to the Manchester City Soccer Club.

Xi told media before the trip that China plans to build 20,000 soccer schools within the next five years. He also called for closer cooperation between China and Britain in soccer training.

No wonder Lee cited "huge opportunities," adding that he was attracted to OGC Nice by the team's ability to train young players. These young players eventually can be

introduced to soccer fields in China, where they can help promote an emerging industry for youth soccer coaching, he said.

Schloss sees business opportunities in areas such as game organizing, player agencies and soccer education. "Soccer clubs are good investment targets, especially when they are combined with the Chinese market," he said.

Schloss warned, however, that Chinese investors should not overlook cultural challenges when investing in overseas soccer teams.

The Chinese government expects the domestic sports industry's market value to hit 5 trillion yuan by 2025, and the soccer industry value alone to top 2 trillion yuan, according to state council's 2014 reform plan.

Currently, according to the consultancy PricewaterhouseCoopers, revenues from all China sports game tickets, merchandise and advertising totaled US\$ 3.4 billion in 2015, compared to US\$ 63.6 billion in the United States.

Many Chinese investors are counting on the soccer market to help reach their future business goals.

"With yuan depreciation pressure, Chinese companies have rising demands for overseas assets," said a source close to one soccer team investor. "It's easier to get (government) approval for sports industry investment overseas due to the sector's state support."

Lee said his company is now looking for hotel assets to buy in Nice. The idea is to develop service packages that combine tourism, accommodations and soccer games.

Suning's chairman Zhang Jindong said after his company's recent investment he expects the sporting industry to become a new growth engine for the Chinese economy.

Suning is thus building a business "ecosystem" that links games, media and e-commerce businesses, Zhang said. (Rewritten by Han Wei)