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Private equity firms eye cafe chain

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Author:Jin Jing

INVESTMENT bank Goldman Sachs and Chinese private equity firm Whitesun Equity Partners LP will jointly invest US\$30 million into China's coffee shop chain C. Straits Cafe.

The deal came at a time when a growing number of private equity firms have eyed China's rapidly developing fast-food chain industry with people's increased incomes and an emerging Western lifestyle.

David T.S. Lin, cofounder and managing general partner of Whitesun, said the two strategic investors won't have controlling stakes in the Hangzhou-headquartered coffee chain but will be able to appoint representatives to C. Straits Coffee's board.

The investment will support expansion of the C. Straits brand to 1,000 stores, both wholly-owned or franchised, across China within five years from 400 outlets at present, C. Straits said in a statement yesterday.

Other logistic and processing facilities, such as the Central Kitchen, will be built in Chongqing, Wuhan, Tianjin and Zhengzhou.

"We also have a listing plan by around 2010 if the company would grow up to a sizable scale," Lin said.

C. Straits, founded by Chinese female entrepreneur Jin Meiyang, opened its first store in Hangzhou in 2003.

Venture capitals are having growing interests in investing domestic catering companies as China's catering industry expands with people's stronger purchasing power.

The catering industry is expected to generate 1.22 trillion yuan (US\$172 billion) last year with an increase of more than 20 percent from a year earlier, according to a forecast by Ministry of Commerce.

"The high-end fast-food industry is an emerging market, which could have huge potential for bringing a lifestyle to more affluent Chinese people," Whitesun's Lin added.

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