投资界 PEdaily.cn

电子周刊 MAGAZINE

NO.0508 2011-11

Q3'11 Sees China's LPs Numbering up to 4,551 & Needing Guidance

>>P2

Hot News

P6 Yunfeng Capital, Matrix Partners Co-invest RMB50M in Guanghetang

P6 Ninetowns Announces Investment in a Partnership to Acquire Real Estate Project

P6 How Much Has Lei Jun Invested in China? Hint: It's a Lot

P6 Shangxi's First PE Fund Plans to RMB2.00B

P7 VC In China: 6 To 10X Growth In Past Ten Years

P7 Guangdong Establishes RMB5.00B Radio & TV Fund

P8 VC Dollars Rise 84 Percent In China, As They Slide In Europe

P8 China's Groupon Clone Files for $100 million U.S. IPO

Yunfeng Capital, Matrix Partners Co-invest RMB50M in Guanghetang

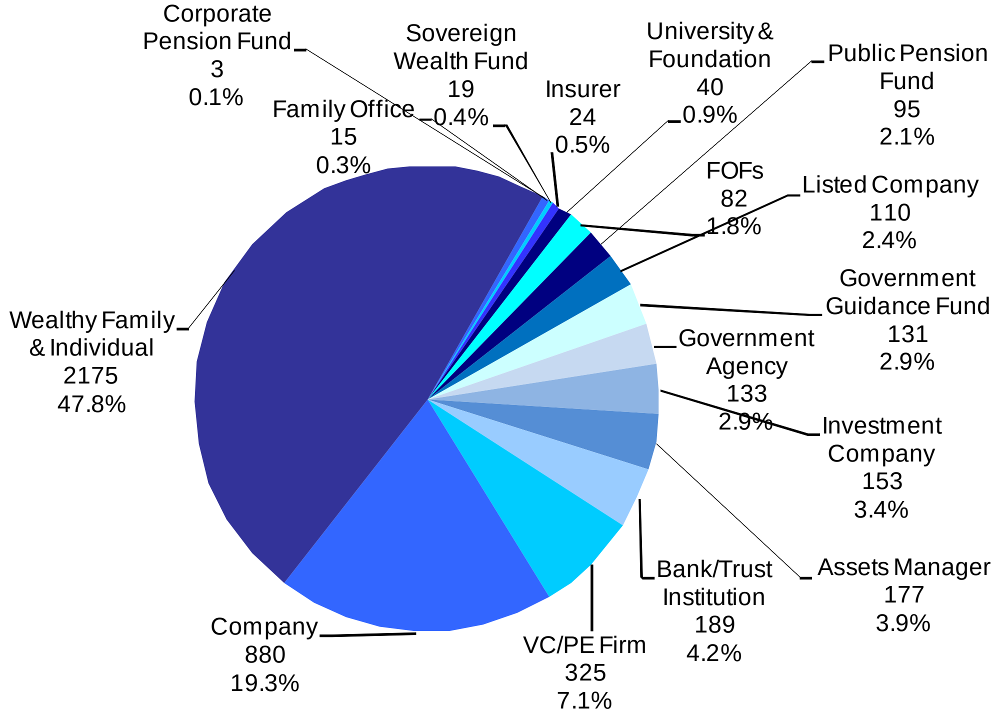
>>P6

Q3'11 Sees China's LPs Numbering up to 4,551 & Needing Guidance

Written By Amanda Liu, Analyst with Zero2IPO Research Center

According to the data recently published by Zero2IPO Research Center, a well-known VC and PE research institute in Greater China, as of Q3'11, Zero2IPO Database recorded the information concerning 4,551 LPs, among which 3,307 LPs disclosed the capital available for investments reaching US $664.07B. Among the 16 types of LPs under the study sphere of Zero2IPO Research Center, most of the LPs are wealthy families and individuals, companies and VC/PE firms, i.e. 47.8%, 19.3% and 7.1% of the total respectively or a combined some 70.0%. Listed companies, public pension funds and sovereign wealth funds have more capital available for investments than other-type LPs with each disclosing this figure over US $100.00B each, namely US $178.40B, US $143.17B and US $142.35B respectively, representing 26.9%, 21.6% and 21.4% of the total.

Figure 1 Comparison of LPs in China's VC/PE Market in Q3'11 by Type (By No. of LPs)



Source: Zero2IPO Research Center

Zero2IPO Research Center holds there are the following characteristics of China's LP market in Q3'11.

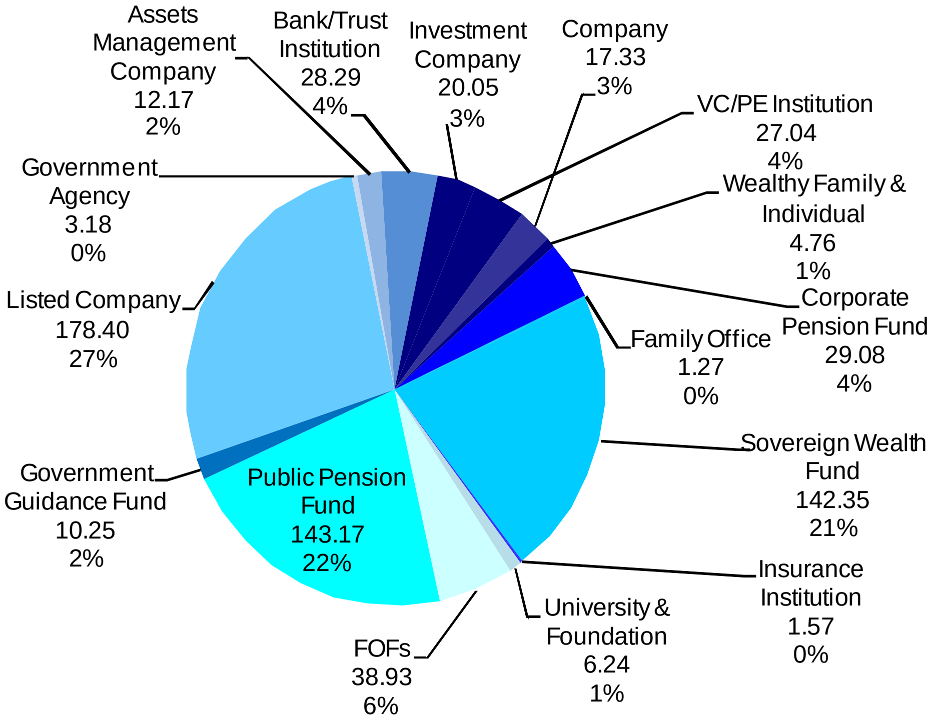
Wealthy Families and Individuals Join Hand with Companies to Inject Capital into VC/PE; Private Capital Investment Channels Still Need to Be Transformed

Wealthy families and individuals were in the limelight in China's VC/PE market. By the end of Q3'11, Zero2IPO Database has covered 2,175 LPs who were wealthy families and individuals, accounting for 47.8% of the total, undoubtedly the briskest group in China. Among them, 1,992 wealthy families and individuals disclosed the combined capital available for investments, i.e. US $4.76B, merely 0.7% of the total. This mirrors the relatively limited assets of wealthy families and individuals available for the investments in VC/PE funds for the time being.

Zero2IPO Research Center finds that the investment threshold of brand funds stood in the vicinity of RMB10.00M, while the single investment complete by wealthy families and individuals amounted to somewhere RMB10.00M on average. Part of individual investors did not pump their personal wealth into VC/PE field in bulk or were overcautious after their investments, indicating there was still a long way to go before enhancement of their confidences in GPs. Tracing back to the wealth origin of the wealth cumulated by wealthy families and individuals, mineral, real estate and private loans played essential roles in amassing huge private capital. However, those traditional investment models have been recently under assault with paper-thin margins, for the sake of the implementation of housing purchase limit order and loan limit order. For example, the restructuring of coal production enterprises has delivered a deathblow to the cliques engaged in coal speculation.

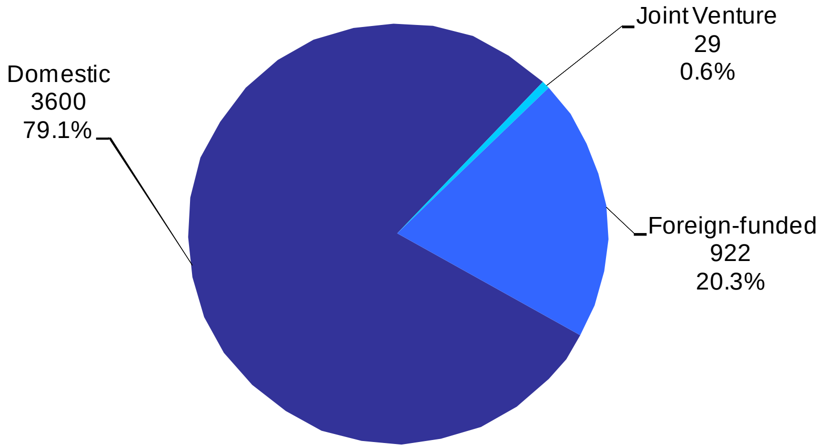
Since 2010 when tightening credit control was implemented, private enterprises' huge capital demand that failed to be fulfilled has driven up interest rates of informal finance and

Figure 2 Comparison of LPs in China's VC/PE Market in Q3'11 by Type (By the Capital Available to Investment, US$B)



Source: Zero2IPO Research Center

Figure 3 Comparison of LPs in China's VC/PE Market in Q3'11 by Institution Type (By No. of LPs)



Source: Zero2IPO Research Center

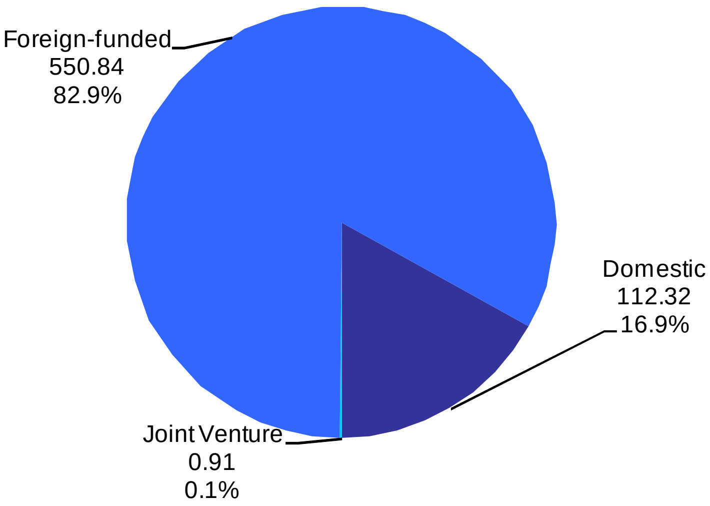
some hot money has been transferred for the issuance of private loans from the investments in real estate and mineral fields. For example, Wenzhou, the primary beneficiary of brisk private loans, witnessed its private credit market scaling up to RMB110.00B in the study conducted by Wenzhou Central Branch of People's Bank of China in H1'11. In other words, there were 89.0% of the total families and individuals and 59.7% of the enterprises in Wenzhou involved in private loans.

Sizable private loans rendered a fresh new financing channel for small and medium-sized enterprises in Wenzhou, while betraying its high-risk streak in Q3'11. To be specific, the fleeing of private enterprises who found the straw in the wind sparked private credit crisis, which is likely to incur knock-on consequence, lay serious impact on the security and stability of financial system. Therefore, private loan, as the major investment channel, shall be rationally standardized and guided.

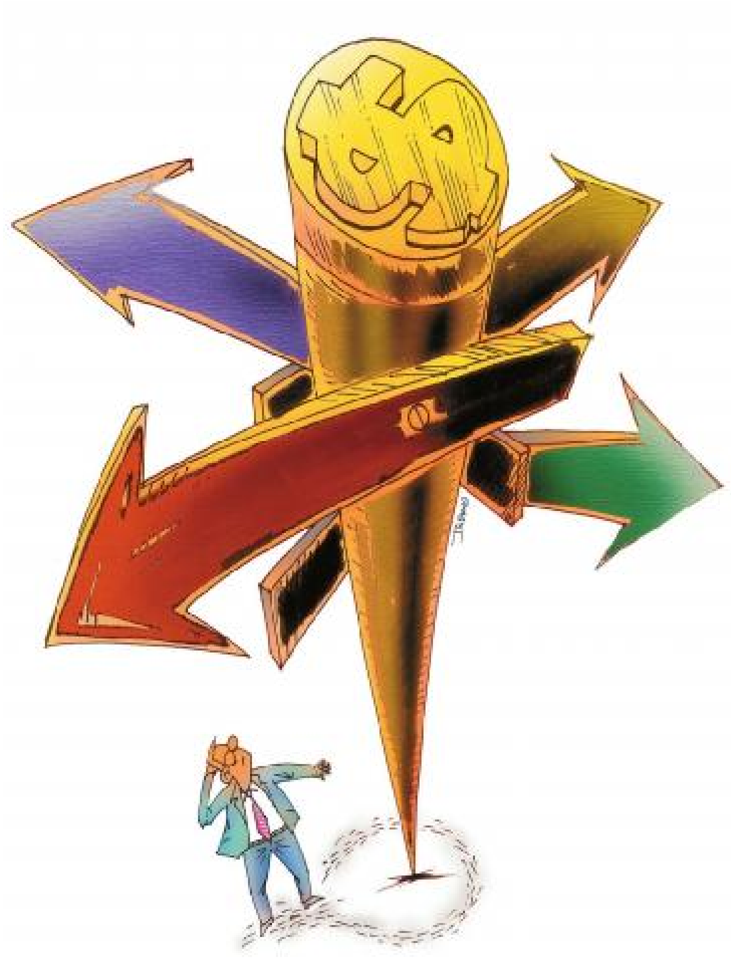
VC/PE fund, an integral part of alternative asset, is instrumental in promoting industrial upgrading and multi-tier development of capital market. Rationally funneling private capital into investments will no doubt be the priority in governmental support and guidance. As for individual LPs who are subject to time-consuming education, there are investment opportunities in abundance in China's VC/PE market in the years ahead.

Zero2IPO Research Center predicted enterprises have developed into one of the major investors in China's VC/PE market. As of Q3'11, Zero2IPO Database collected the data related to 880 enterprises, representing 19.3% of the total. Moreover, the available investment capital held by the companies amounted to merely US$17.33B, constituting 2.6% of the total, which has been on the increase. The private enterprises strongly affiliated with wealthy families and individuals have served as a sound platform for investments at present and small and medium-sized enterprises faced the challenges in cost and exchange rate spike and financing. Furthermore, the majority of private companies evenly allocated their capital in three fields, such as manufacturing, real estate and capital

Figure 4 Comparison of LPs in China's VC/PE Market in Q3'11 by Institution Type (By the Capital Available to Investment, US$B)



Source: Zero2IPO Research Center



operation. However, the enterprises' increasing difficulties in market expansion via manufacturing due to dwindling profits and fixed traditional industry landscape, coupled with upgrading real estate regulation, contributed to a higher proportion of capital operation to the total capital distribution.

Some listed enterprises, evolved from small and medium-sized ones, have enjoyed huge capital size and came of age, actively joining the ranks of LPs, such as Inner Mongolia Yili Industrial Group, Shanghai Hualian, FangDa Carbon New Material, Gehua CATV Network who completed investments in CITICS Mianyang Scientific and Technologic City Industry Investment Fund, all of which were scaled above RMB300M on average. Part of them acted as LPs or GPs at the same time. For example, Yongor participate in private placement in succession and Septwolves set up VC fund, etc.

The listed companies lifted up the capital input in VC/PE market, thanks to sound enterprise brand and public esteem, industrial resource with synergistic effect and knowledge reserve of related industries. However, some enterprises suffered from empty industry, apparently turning adrift to perilous condition. Moreover, the listed companies over-depending on capital operation remained facing the challenge how to optimize capital structure to maintain stable growth of manufacturing and secondary market stock prices of their core businesses.

Foreign and Domestic LPs Account for 20.0% and 80.0% of the Total; Foreign LPs Take the Lead in Available Investment Capital

By the end of Q3'11, Zero2IPO Database collected the information concerning 3,600 domestic LPs and 922 their foreign peers, 79.1% and 20.3% of the total respectively. Most wealthy families and individuals involved in VC/PE investments at home front gave a boost to the pickup in the number of LPs. However, domestic LPs only had one fifth of the available investment capital gained by their foreign counterparts, namely US$112.32B, and the latter possessed US$550.84B worth the capital available for investments in total.

Listed companies, public pension funds, sovereign wealth funds and FOFs occupied the chunk of the available investment capital held by those foreign LPs, about 80.0% of the total, showing the predominant role of foreign LPs who enjoyed profound historical history and certain scale in the market. LPs with foreign currency are projected to slow down their paces owing to foreign currency funds' lagging performance compared with their RMB counterparts in recent year as well as unpredictable and flawed VIE structure. ■

Yunfeng Capital, Matrix Partners Co-invest RMB50M in Guanghetang

Nov. 2, 2011, Dongfang Daily

Guanghetang Herbal Biotechnology (Shanghai) Co., Ltd., specializing in providing confinement food and women's health recuperation, announced on November 1 that it had obtained a co-investment from Yunfeng Capital and Matrix Partners China totaled RMB50.00M. Yunfeng Capital acted as the lead investor.

Guanghetang, originating from Taiwan, was established in Shanghai in 2003. Zhong Yufu, founder of the Company, has introduced Taiwan's confinement food production and delivery service to Chinese mainland. The offering covering Beijing, Shanghai, Guangzhou, Chengdu, Changsha and Wuhan, made and delivered by central kitchens, is priced at RMB 13,800 per set (30 days).

Ninetowns Announces Investment in a Partnership to Acquire Real Estate Project

Nov 2, 2011 Sacbee.com

Ninetowns Internet Technology Group Company Limited, one of China's leading providers of online solutions for international trade, today announced that Beijing Ninetowns Ronghe Zhihui Network Software Services Co., Ltd., an indirect subsidiary of the Company, has entered into a partnership agreement with Shouchuang Huaxia Equity Investment Fund Management Co., Ltd. and Shouchuang Caifu Gengyin (Tianjin) Equity Investment Fund Limited Partnership.

Pursuant to the partnership agreement, Ninetowns Ronghe Zhihui and Shouchuang Gengyin, as the limited partners, and Shouchuang Huaxia, as the general partner, will establish Shouchuang Caifu Ninetowns (Tianjin) Equity Investment Fund Limited Partnership, which is a limited partnership to be based in Tianjin, China. The Fund's total initial subscription amount is expected to be RMB110 million. Shouchuang Gengyin is expected to subscribe for RMB10 million.

How Much Has Lei Jun Invested

lier, Lei Jun moved on to share more of his entrepreneurial story. Lei Jun revealed that he has invested in 20 companies so far and about 17 or 18 of them have received VC funding, to a sum total of US$1 billion USD.

TechCrunch moderator Sarah Lacy double checked to see if the figure was $100 million but Lei Jun confirmed he hadn't misspoken and that the sum is $1 billion. (There's often confusion between Chinese and English translation when it comes to numbers.)

Lei Jun then explains that he usually invests in companies which are still incomplete and in a state of flux. He likes to work with start-ups from the very beginning and build a bond with the founders. He also shared that his angel investing input is often as high as the $1 million region, not the typical sum that an angel investor would commit to an early-stage start-up.

Shangxi's First PE Fund Plans to RMB2.00B

Nov. 1, 2011, Shanxi Youth Daily

An official from Shanxi CSRC disclosed yesterday that the first large PE fund initiated by public finance with the size of roughly RMB2.