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August Saw Extensive VC/PE Investments across Industries, and Heavy PE Investment in Private Placement of Mineral Enterprises

>>P2

Hot News

Douban.com Closes US$50M Round-C Fundraising

>>P7

August Saw Extensive VC/PE Investments across Industries, and Heavy PE Investment in Private Placement of Mineral Enterprises

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A total of 20 funds were newly raised by both Chinese and foreign VC/PE institutions in August 2011, resulting in an increase of US$1.48B in the funds available for investment in Chinese mainland, according to Zero2IPO Database. In addition, 25 funds were newly initiated by both domestic and foreign VC/PE institutions, among which 19 ones disclosed a total target of US $12.01B and US$632M per fund on average.

August Saw 57 Investment Deals Involving US$1.17B

According to the Zero2IPO Database, China's VC/PE market reported 57 investment deals in August 2011, 48 of which disclosed an aggregate amount of US $1.17B and US $24.45M on average. In terms of industry breakdown, the investment deals in August were extensively distributed in 21 grade-1 industries, including Internet, clean-tech and machinery manufacturing; In terms of the number of deals, Internet remained the focus of investors, with 11 deals completed, accounting for 19.3% of the total; Clean-tech and machinery manufacturing were the runners-up, each registering five deals that respectively comprised 8.8% of the total; Energy & mineral, telecom & value-added services and chemical raw materials & processing shared the third place, each with four deals that represented 6.9% of the total.

In terms of the investment amount disclosed, energy & mineral topped the list, with four deals involving US$266.43M, a 22.8% of the total; Chemical raw materials & processing ranked second, with three deals disclosing a total amount of US$211.70M. Besides, Internet and clean-tech respectively involved US $175.41M and US$144.21M.

In terms of average investment amount, chemical raw materials & processing sector took the first place, as three deals disclosed an average of US $70.57M; Real estate followed with an average investment amount of US$69.06M disclosed by one deal. The one real estate investment came from the capital increase (RMB441M, representing 19.26% of the total equity) injected by four funds under Tianjin Jinhe Equity Investment Fund Management Co., Ltd. into Tianjin Jinbin Times Property Investment Co., Ltd., a holding subsidiary of Tianjin Jinbin Development Co., Ltd. Energy & mineral ranked third, as four deals disclosed an average value of US $66.61M.

August witnessed six deals involving US$100 million and above. On August 1, KKR announced to purchase US$113.80M convertible bonds from United Envirotech Ltd., a Chinese sewage treatment company listed in Singapore. The bonds have a five-year term, with an annual interest rate of 2.5%. On August 3, Yaohua Glass announced its cooperation with Hony Capital for restructuring, upon which China Yaohua Glass Group Corporation was officially established, with 60% equity held by Hony Capital, 30% by the State-owned Assets Supervision and Administration Commission of Qinhuangdao Municipality, and 10% by International Finance Corporation; Hony Capital additionally injected US $100.00M capital in Yaohua Glass. On August 15, China XD Plastics Co., Ltd. released the announcement that it obtained US$100.00M equity investment from Direct Investment Department of Morgan Stanley; Based on the agreement, Morgan Stanley purchased convertible and redeemable preference shares worth US$100.00M, which is convertible to common shares at the initial price of US $6.25 per share, and adjustable correspondingly under the anti-dilution provision. On August 17, Shenzhen Zouxiu Network Technology Co., Ltd. (Xiu.com), a China-based fashion e-commerce company, officially announced the completion of US

$100.00M round B financing led by the well-known US PE fund Warburg Pincus and co-invested by KPCB, contributor of the round A investment received by Xiu.com. In addition, Shandong Humon Smelting Co., Ltd. and Zhongjin Gold Corporation Limited both made private placement, with PIPE financing amount exceeding US $100.00M.

Beijing Became Focus of Investment; PE Favored Private Placement of Energy & Mineral Enterprises

In terms of investment sizes, 15 out of the 48 deals with the values disclosed had an individual size of US$10.00M and below, accounting for 31.3% and involving US $100.45M in total; 11 sized US $10.00M-US $30.00M involved US $213.59M and comprised 22.9%; 22 scaled over US $30.00M, involved US$859.67M and represented a 45.8% of the total.

Table 1 Industry Breakdown of Investments in China's VC/PE Market in Aug. 2011

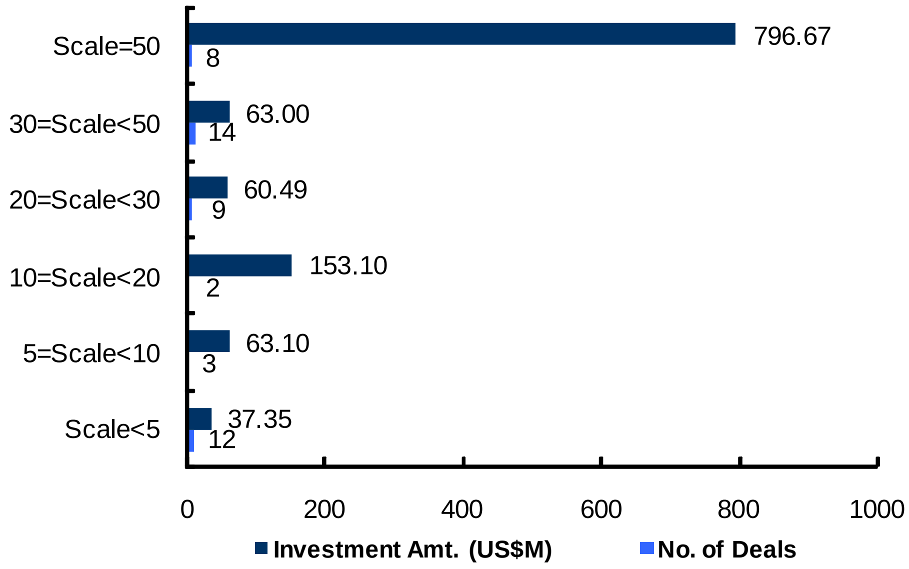
Industry	No. of Deals (Total)	% of Total	No. of Deals (Disclosed)	Investment Amt. (US$M)	% of Total	Average Investment Amt. (US$M)
Internet	11	19.3%	8	175.41	15.0%	21.93
Clean-tech	5	8.8%	5	144.21	12.3%	28.84
Machinery Manufacturing	5	8.8%	5	92.02	7.8%	18.4
Energy & Mineral	4	6.9%	4	266.43	22.8%	66.61
Telecom & Value-added Services	4	6.9%	4	32.02	2.7%	8
Chemical Raw Materials & Processing	4	6.9%	3	211.7	18.0%	70.57
Finance	3	5.3%	1	11.5	1.0%	11.5
IT	2	3.5%	2	27.57	2.3%	13.79
Construction/Engineering	2	3.5%	2	23.42	2.0%	11.71
Broadcasting & Digital TV	2	3.5%	2	18.46	1.6%	9.23
Entertainment & Media	2	3.5%	2	15.64	1.3%	7.82
Agr/Forestry/Fishing	2	3.5%	2	3.9	0.3%	1.95
Real Estate	2	3.5%	1	69.06	5.9%	69.06
Automobiles	2	3.5%	1	10	0.9%	10
Bio/Healthcare	1	1.8%	1	32.46	2.8%	32.46
Logistics	1	1.8%	1	30.54	2.6%	30.54
Food & Drinks	1	1.8%	1	4.69	0.4%	4.69
IC	1	1.8%	1	1.56	0.1%	1.56
Education & Training	1	1.8%	1	1.56	0.1%	1.56
Chain Retail	1	1.8%	1	1.56	0.1%	1.56
Electronic & Opto-electronics Equipment	1	1.8%	0	N/A	N/A	N/A
Total	**57**	**100.0%**	**48**	**1173.72**	**100.0%**	**24.45**

Source: Zero2IPO Research Center

August completed nine PIPE investment deals. On August 1, KKR announced to purchase US $113.80M of convertible bonds from United Envirotech Ltd., a Chinese sewage treatment company listed in Singapore; On August 8, Sino-platinum Metals Co., Ltd. gained RMB127.00M through PIPE; On August 12, Zhongjin Gold Corporation Limited raised RMB889.00M via PIPE; On the same day, Tianrun Crankshaft Co., Ltd. obtained RMB463.00M by means of PIPE; On August 15, China XD Plastics Co., Ltd. announced US $100.00M investment from the Direct Investment Department of Morgan Stanley; On August 22, DeHua TB New Decoration Material Co., Ltd. obtained RMB131.00M PIPE; On August 24, Tangshan Port Group Co., Ltd. raised RMB195.00M in PIPE; On August 26, Shangdong Humon Smelting Co., Ltd. gained RMB656.00M in total through PIPE; On August 31, Hainan Haiyao Co., Ltd. obtained RMB207.00M in PIPE financing. In particular, Sino-platinum Metals, Humon Smelting and Zhongjin Gold are all listed companies in the energy & mineral industry.

As for geographic distribution of investments, 57 deals that took place in August 2011 were mainly distributed in 19 provinces and municipalities such as Beijing, Shanghai and Guangdong Province (excluding Shenzhen). As for the numbers of deals, Beijing maintained a strong momentum, with 17 deals that accounted for 29.7% of the total; Shanghai ranked the second, with six deals that comprised 10.5%; Guangdong Province (excluding Shenzhen) took the third place, with five deals that represented 8.8%.

Figure 1 Comparison of Investments on Scale
(By No. of Deals and Investment Amt., US$M)



Source: Zero2IPO Research Center

As for the investment amount disclosed, Beijing still topped the list, with 14 deals disclosing the investment amount of US $253.24M that made up 21.7% of the total; Shandong Province ranked the second, with three deals having their amounts disclosed to be about US $179.47M that comprised 15.3%; Hebei Province was the third placer, with two deals disclosing US $130.54M that accounted for 11.1%; Besides, Guangdong Province (excluding Shenzhen), Shenzhen and Heilongjiang Province also reported investment values exceeding US $100.00M.

50 Exits were Mostly Completed via IPO

IChina's VC/PE investment market witnessed 50 exit deals completed in August 2011, according to Zero2IPO Database. Specifically speaking, 47 exits were closed via IPO, representing 94.0% of the total; three were completed through M&As, accounting for 6.0%. When it comes to the markets of IPO, SMEB saw 17 exit deals that involved five VC/PE-backed IPOs, on a par with those in July; ChiNext reported 13 exits that involved six VC/PE-backed enterprises. At a time when China's concept stocks were close to a halt in the US capital market, Tudou.com is worth the compliment as it went traded on NASDAQ, involving 12

Table 2 Geographic Distribution of Investments in China's VC/PE Market in Aug. 2011

Region	No. of Deals (Total)	% of Total	No. of Deals (Disclosed)	Investment Amt. (US$M)	% of Total	Average Investment Amt. (US$M)
Beijing	17	29.7%	14	253.24	21.7%	126.62
Shanghai	6	10.5%	4	33.98	2.9%	16.99
Guangdong (Excl. Shenzhen)	5	8.8%	4	121.39	10.3%	60.69
Jiangsu	4	6.9%	4	34.44	2.9%	17.22
Anhui	4	6.9%	2	8.8	0.7%	4.4
Shandong	3	5.3%	3	179.47	15.3%	89.73
Hebei	2	3.5%	2	130.54	11.1%	65.27
Shenzhen	2	3.5%	2	107.8	9.2%	53.9
Heilongjiang	2	3.5%	2	105.15	9.0%	52.57
Zhejiang	2	3.5%	2	29.87	2.5%	14.93
Fujian	2	3.5%	2	9.47	0.8%	4.73
Tianjin	1	1.8%	1	69.06	5.9%	34.53
Hainan	1	1.8%	1	32.46	2.8%	16.23
Yunnan	1	1.8%	1	19.77	1.7%	9.89
Sichuan	1	1.8%	1	11.5	1.0%	5.75
Xinjiang	1	1.8%	1	11.13	0.9%	5.57
Hunan	1	1.8%	1	10.95	0.9%	5.47
Jilin	1	1.8%	1	4.69	0.4%	2.34
Jiangxi	1	1.8%	0	N/A	N/A	N/A
Total	**57**	**100.0%**	**48**	**1173.72**	**100.0%**	**24.45**

Source: Zero2IPO Research Center

exit deals in total. In addition, Shanghai Stock Exchange witnessed five exits that involved four VC/PE-backed enterprises.

In addition, three exit deals were closed through M&As in August. On August 5, EVA Precision Industrial Holdings Limited announced the acquisition of 100.0% equity in Chongqing Digidie Auto Body Ltd., an auto mould manufacturer, at a price of RMB61.02M; specifically, it acquired 30.19% equity in Chongqing Digidie Auto Body Ltd. held by Kaichuang High-tech Investment, which thus made its exit. On August 10, Tianjin Chase Sun Pharmaceutical Co., Ltd. acquired 21.75% equity of Beijing Tcmages Pharmaceutical Co., Ltd. held by Xinjiang Lelege Investment, a fund under Beijing Lelege Investment, with over-raised fund totaling RMB177.82M, realizing the exit by Lelege Investment. On August 18, Dahu Aquaculture Co., Ltd. announced that it has received 50.0% equity of Hunan Xiangyun Biological Technology Co., Ltd. held by Hunan Xiangtou Hi-Tech Venture Capital Co., Ltd. at a price of RMB18.11M, helping the later successfully exit. ■

Table 3 Market Distribution of IPO Exits in Aug. 2011

Market	No. of Exits	% of Total	No. of IPOs	% of Total
SMEB	17	36.2%	5	31.2%
ChiNext	13	27.7%	6	37.5%
NASDAQ	12	25.5%	1	6.3%
Shanghai Stock Exchange	5	10.6%	4	25.0%
Total	**47**	**100.0%**	**16**	**100.0%**

Source: Zero2IPO Research Center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