投资界 PEdaily.cn
电子周刊 MAGAZINE
NO.0485
2011-05

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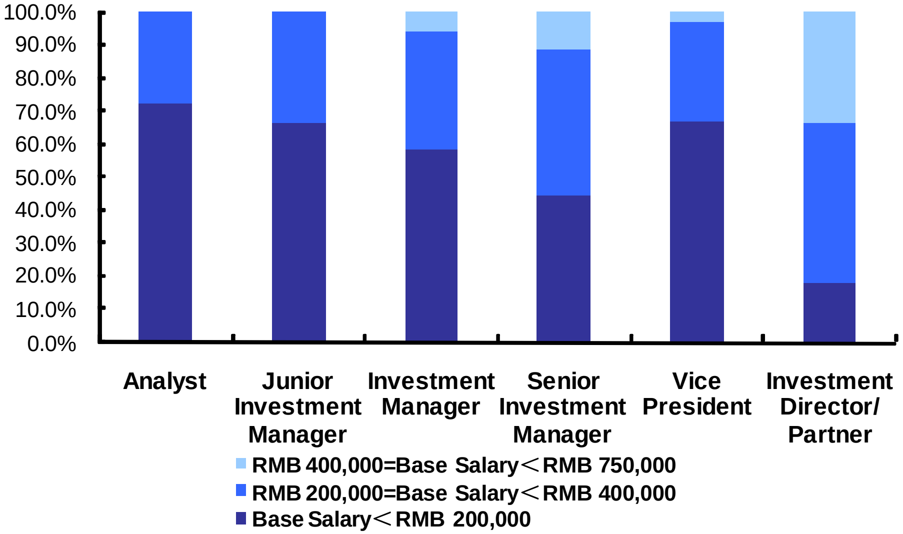
Inadequate Salary System, Main Reason for Brain Drain of Local VC/PE

Analyst with Zero2IPO Research Center

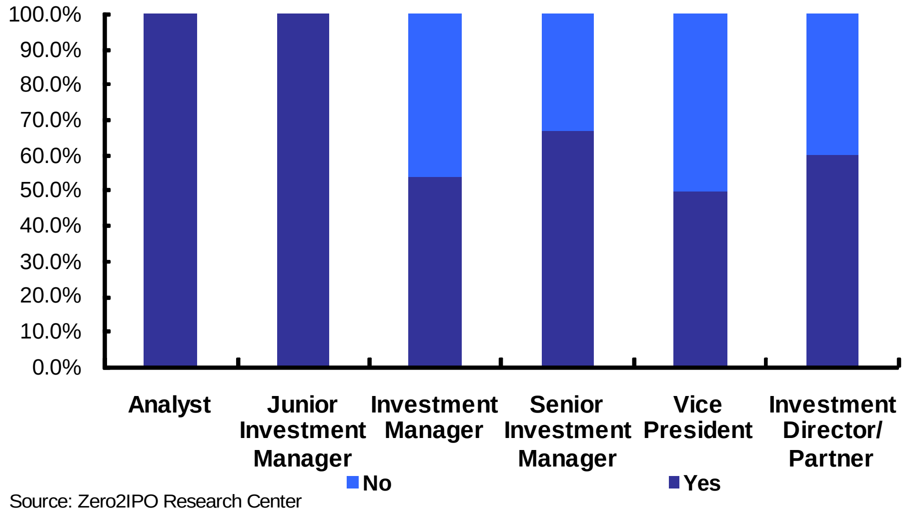
The concept of Venture Capital and Private Equity Investment (referred to as "VC/PE") has been adopted by China only for over a decade. However, this market has entered into a stage of rapid development thanks to the steady growth of national economy and continuous improvement of the capital market. The trend is followed by problems such as the intensifying competition of human resources, the substantial increase in employee turnover rate and some practitioners taking advantage of their occupational conveniences to seek for own interests. While the industry insiders have called for the establishment and improvement of a sound external supervision mechanism, how to improve the internal governance mechanisms and salary systems of the investment institutions and enhance their competitiveness has also become a hot topic of all parties. Recently, Zero2IPO Research Center, a leading VC/PE research institution in Greater China released a report titled "Research on Management Mechanism and Salary System of Chinese VC/PE Institutions." During the completion of the report, we conducted research on all levels of personnel working in the institutions of different organizational forms and institution natures.

Figure 1 Comparison of Base Salary in Local VC/PE Institutions by Position



Source: Zero2IPO Research Center

Figure 2 More Base Salary for Personnel in Local VC/PE Institutions in Previous Year?

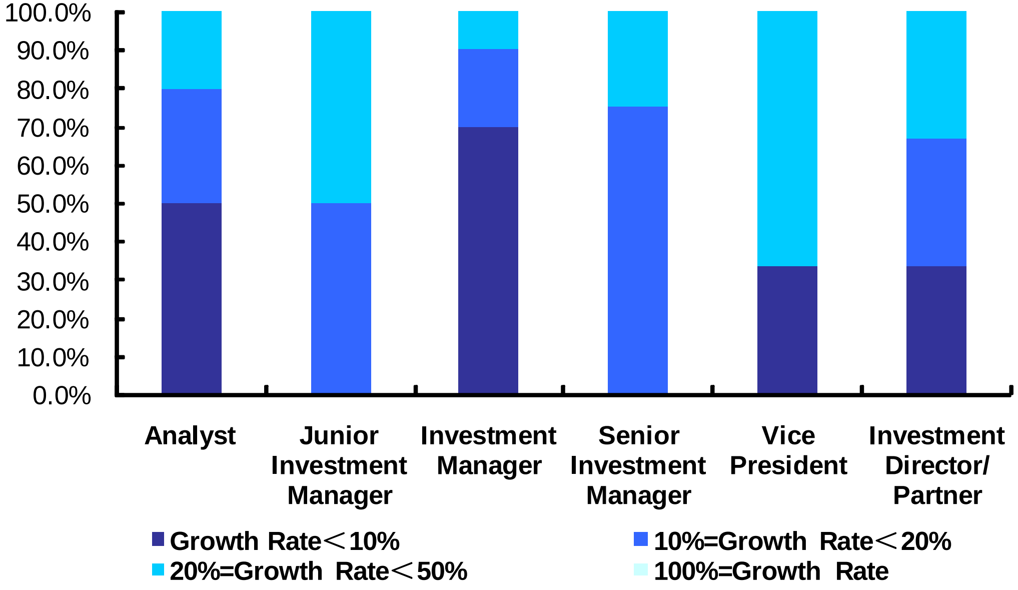


Source: Zero2IPO Research Center

In the following sections, some researches on industry insiders' salaries are excerpted by Zero2IPO Research Center for analysis. For more information, please refer to the full report -Research on Management Mechanism and Salary System of Chinese VC/PE Institutions.

Among the interviewed industry insiders of local institutions, 76.0% are from the limited corporations while 24.0% are from the limited partnership institutions. In accordance with the overall base salary levels of employees at all

Figure 3 Comparison of Growth Rate of Base Salary in Local VC/PE Institutions in Previous Year



Source: Zero2IPO Research Center

levels, it is not difficult to conclude that the base salaries of middle-and senior-level managers show in incremental trends with the promotion of positions.

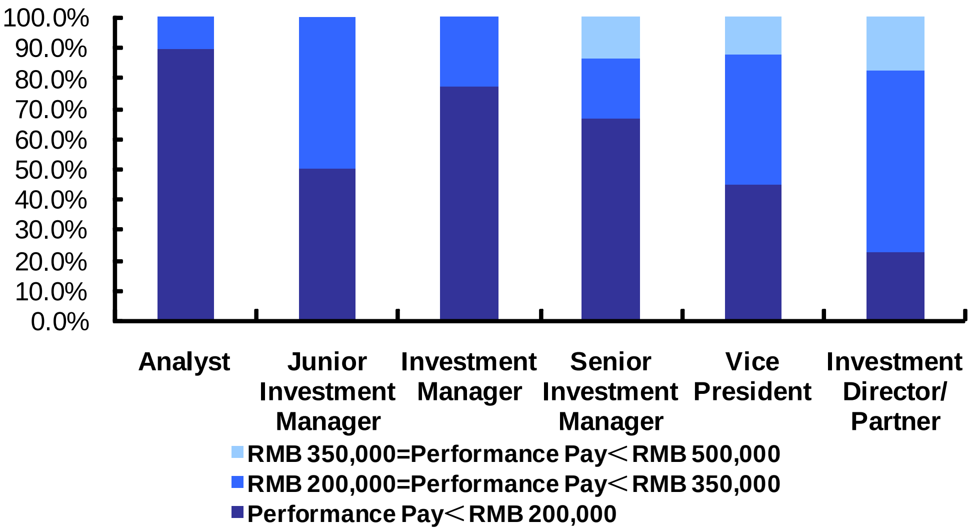
70.0% of the respondents from the local institutions indicated that their base salaries increased in the past year. In accordance with the analysis based on different positions, all analysts and primary investment managers involved in the research got increases in their salaries in the past year. In contrast, nearly half of employees at senior positions got an increase of 0.0% in their base salaries in the previous year.

According to the research results, among these respondents working in the local VC/PE institutions and getting increases in their base salaries, the salary increases gradually with the rise of positions. Taking Senior Investment Managers, Vice Presidents and the personnel at the level of Investment Directors/Partners for example, the proportion of these with a salary increase rate of more than 10.0% is apparently higher than that of analysts and other positions. In local VC/PE institutions, the personnel with an annual performance pay of less than RMB 200,000 account for up to 66.8%, and no respondents' performance pay is more than RMB 500,000, which is far from the level of foreign institutions.

Among the interviewed industry insiders of local VC/PE institutions, 30.8% of the respondents believe that the unreasonable salary system is the main reason of employee turnover while the limited vocational development is the secondary one. The personnel leaving due to the insufficient platforms by the corporations and the non-recognition of the corporate cultures account for a relatively low proportion.

After suggestions and recommendations on remunerations are raised, most interviewed

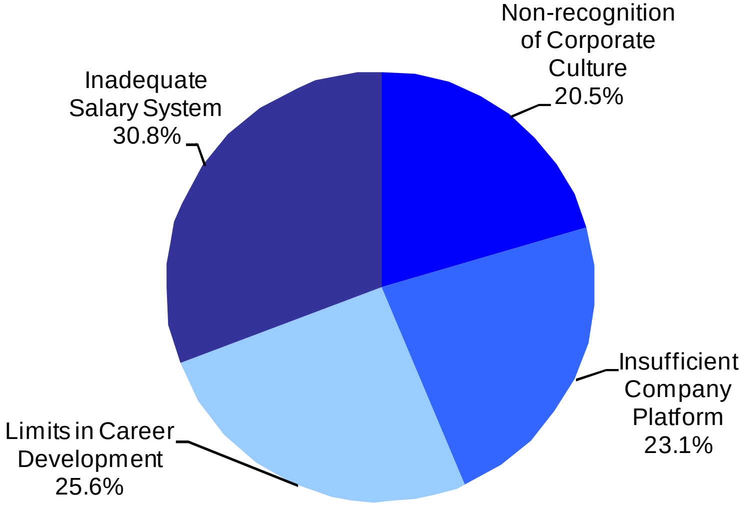
Figure 4 Comparison of Performance Pay in Local VC/PE Institutions by Position



Source: Zero2IPO Research Center

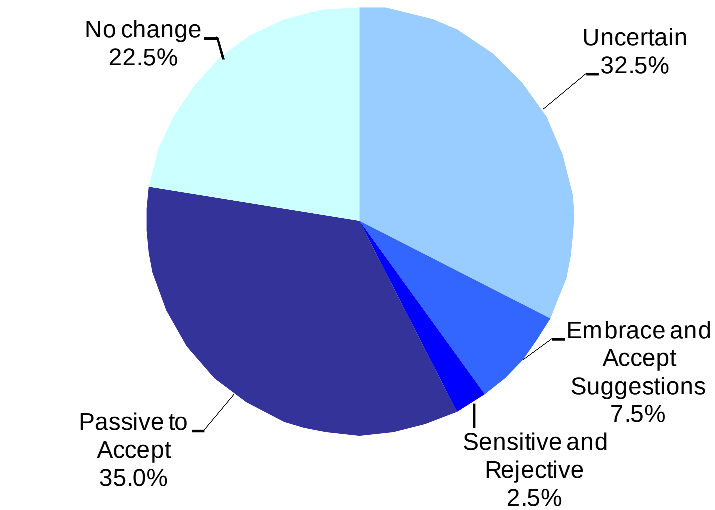
staffs from the local VC/PE institutions said that the companies would adopt a more positive attitude. The institutions welcoming and accepting the suggestions account for 7.5% while those improving to a certain extent but appearing more passive account for 35.0%. However, 22.5% of the respondents said that the VC/PE institutions didn't make any improvement after receiving recommendations from their staffs.

Figure 5 Reason for Brain Drain in Local VC/PE Institutions



Source: Zero2IPO Research Center

Figure 6 VC/PE Institutions' Response to Salary Suggestions of Employees



Source: Zero2IPO Research Center

CVCF 2011 @ Europe
Zero2IPO-China Venture Capital & Private Equity Forum

The 3rd China Venture Capital & Private Equity Forum @ Europe

2011第三届 中国创业投资暨私募股权投资 欧洲论坛

June 24th, 2011, Zurich, Switzerland

2011年6月24日，瑞士 苏黎世

主办单位 Organizers: Zero2IPO 清科集团 Zero2IPO Group; b-to-v where brains meet ventures

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2011 China Venture Capital & Private Equity Forum @ Europe will lead you on a fantasy journey in Zurich. One day forum will cover most of the hot topics on investment market in China. There will be more than 30 industries titans share experience with you. Investment issues and opportunities will be discussed in depth.

Jiayuan.com Gets Listed on NASDAQ Producing 5x Returns for Qiming Venture Partners

May 12, 2011, PEdaily.cn, Christina Chao

Jiayuan.com, the largest online dating site in China, was listed on NASDAQ on May 11 (US time), trading under the symbol "DATE". Jiayuan.com issued altogether 7.1 million American Deposit Stocks (ADS). The offering and opening price is US$11.00. At the offering price, Jiayuan.com raised US $78.1M through IPO, with a capitalization of US$343M.

According to the prospectus, Qian Yongqiang, Board Chairman of Jiayuan.com holds 31.03% of stocks before the listing; CEO Gong Haiyan holds 25.79% and JP Gan, Managing Director of Shanghai Qiming Venture Partners, holds 21.23% of stocks.

This means that 77.98% of the stocks of the Company are held by top executives and directors of the BOD.

Qiming Venture Partners is the holder of 7.8332 million common stocks, or 5.2221 million ADS, which is equivalent to US $57.44M on book value at the opening price of US $11.00. After deducting US $10M investment made previously, Qiming Venture Partners gains US$47.44M in proceeds from Jiayuan.com and the return on investment is nearly five times.

Inner Mongolia Sets up the First PE Guidance Fund

May 11, 2011, 21st Century Business Herald, Fan Jing

Recently, Erdos City Wealth Equity Investment Guidance Fund (Guidance Fund) was incorporated. It is the first guidance fund focusing on equity investments in Inner Mongolia. This fund is set up as a parent fund with several sub-funds, and currently has established cooperation with Quintana Group and JP Morgan Chase to establish an energy sub-fund.

It is learned that the guidance fund is initiated and managed by State Assets Holding

size and RMB600M as its objective in the first phase.

The objectives of the fund also include: Setting up no less than 10 sub-funds within 2 years based on the foreign capital cooperation and attraction with the size of RMB3B for the guidance fund and RMB10B for the sub-funds, to lead investments worth RMB100B and foster 10 locally listed companies within 3 years.

Huaxia Yinkong Sets up A RMB5B