Zero2IPO eWeekly 清科投资资讯
Aug. 27 2010 No.0451
http://www.zero2ipo.com.cn/eweekly/0451/en

Hot News

>>P2

BizArk Gains US$40M from IDG

>>P4

RMB220B Insurance Funds Allowed to Enter PE Market

Written by Ada Lin, Zero2IPO Research Center

On Aug. 5, 2010, the China Insurance Regulatory Commission (CIRC) issued a chairman order to officially promulgate the *Temporary Measures on the Use of Insurance Funds* (the Measures). The Measures specified that insurance funds can be invested in the equity of unlisted firms. Article 16 of the Measures pointed out expressly: The book balance of insurance group (holding) companies and insurance companies investing in equity of unlisted firms shall not be higher than 5% of the total assets of the companies at the end of the last quarter; the book balance investing in relevant financial products[1] related with the equity of unlisted firms shall not be higher than 4% of the total assets of the companies at the end of the last quarter. The summation of the two investments shall not be higher than 5% of the total assets of the companies at the end of the last quarter. According to the insurance fund size of RMB4.52 trillion at the end of Jun. 2010, as much as RMB226B funds are allowed to enter in China's PE market, injecting energy to LP market which has been troubling by fund shortage.

Insurance Funds' Acquiring of LP Qualification Has Milestone Significance

Featured with a huge capital size and long investment cycle, Insurance funds are incommensurate with the generally 5-7 years of investment cycle and relatively low liquidity and are the institutional investors best fitting for investing in PEs only next to pension funds. Quality enterprise equity is an important investment target for insurance funds abroad and insurance funds' investing in the equity of unlisted enterprises is an internationally prevailing practice. In China, as early as in Oct. 2008, the State Council approved that insurance funds can be invested in the equity of unlisted quality enterprises. Although the implementation specifications were not promulgated, this measure no doubt offered opportunities for insurers to add and expand investment channels and even invest in PEs

Note[1] Relevant financial products related with the equity of unlisted firms refer to the investment plans or investment funds established or issued by equity investment management institutions with equity of unlisted firms as the base asset in the territory of China in accordance with law.

in the future. As a programmatic document in the field of the use of insurance funds, the Measures promulgated by the CIRC this time officially lifted the restrictions for insurance funds to invest in unlisted firms, implying that insurance funds will become a key player in the PE market following social insurance. The further expansion of the LP group and the qualified institutional investors will exert key and profound influences on China's PE market.

The Promulgation of the Insurance Funds' Investing in Equity of Unlisted Firms Needs Urgently

Currently, relevant policies already allow insurers to invest in equity and relevant financial products of unlisted firms, but Article 15 of the Measures stipulated specifically: Insurance funds' engagement in VC is strictly prohibited. But this regulation shall be further specified at the implementation level. As VCs focus on early-stage investment, the so-called "investing in equity of unlisted firms" mainly refers to the investment in the mid and late stage and pre-IPO stage. As insurance funds don't aim to seek high returns, but seek a reasonable asset/liability ratio and stable value maintenance and appreciation, therefore, the attitude of laws on the regulations of insurance funds' investment has been moderate. In light of the liquidity and various risks of VC, the insurance funds will be more cautious in pushing forward business in this field. The promulgation of the implementation specifications is expected to specify relevant concept.

As for insurance funds investing in equity of unlisted firms, authorities including the CIRC hope to select some insurance bodies with standard operation management, strong investment capabilities and good risk control ability to make pilot. But the Measures promulgated this time didn't make specific regulations on the access conditions. On the other hand, specific operational guidelines for insurers to carry out PE investment business (investing in equity of listed firms) or invest in PE fund in the capacity of LP (investing in relevant financial products related with equity of listed firms) are still lacking. Therefore, *the Insurance Funds' Investing in Equity of Unlisted Firms* shall be promulgated as soon as possible.

It' can be predicated that once relevant specifications are promulgated, PE market is sure to be a new investment field of insurers. However, making equity investments involves a very complicated flow and large amount of time and energy is required in the early stage of investments. Therefore, although insurers are allowed to make equity investments by policy, many small and medium-sized insurers shall strengthen their capabilities in risk assessment. In addition, the establishment of PE professional team and the reserve of quality project resources having growth potentials are also keys for the development of PE business.

Time: September 15th, 2010 | **Venue:** Sheraton Miyako Hotel Tokyo | http://events.zero2ipo.com.cn/2010/jp2010/

Special International Media Partner 华尔街日报 THE WALL STREET JOURNAL Exclusive Finance Media Partner 财经 Strategic Media Partner 上海证券报 Special Portal Site Media Partner sina

Special Finance Web Media Patner 财新网 Caing.com Co-Media 投资界 创业邦 Strategic Web Media Partner 东方财富网 eastmoney.com Special Finance Portal Media Partner 金融界

Speical Web Media Partner caixun Special Chinese Wealth Management Meida Partner 钱经 Media Partners CHINA BUSINESS 国际融资 DoNews 资本时代 capital times 中华广告网 价值中国 China Value 首席 ELITE

Sponsorship:
Kitty Guan
Tel: 8610 8458 0476 分机ext 8035
Fax: 8610 8458 0480
Email: kittyguan@zero2ipo.com.cn

Sponsorship:
Sally Song
Tel: 8610 8458 0476 分机ext 8014
Fax: 8610 8458 0480
Email: sallysong@zero2ipo.com.cn

Attendees Registration, Exhibition and Advertisement:
Lulu Wang
Tel: 8610 8458 0476 分机ext 8058
Fax: 8610 8458 0480
Email: cvcf2010jp@zero2ipo.com.cn

Media & Marketing Cooperation:
Annie Gao
Tel: 8610 8458 0476 分机ext 8726
Fax: 8610 8458 0480
Email: anniegao@zero2ipo.com.cn

Organizer: Zero2IPO 清科集团 Zero2IPO Group

Zero2IPO
CHINA CEO SUMMIT
清科-中国高成长企业CEO峰会

Zero2IPO-2010 CEO Summit

Time: October 21th,2010 Venue：Beijing, China

黄金赞助商 Gold Sponsors：IDG ACCEL 北极光创投 northern light venture capital

银牌赞助商 Silver Sponsors：SVB Financial Group SBCVC intel capital

酒会赞助商 Cocktail Sponsor：KPCB

Special International Media Partner 华尔街日报 Exclusive Finance Media Partner 财经 Strategic Media Partner 上海证券报 Special Portal Site Media Partner

Special Finance Web Media Patner 财新网 Co–Media 投资界 创业邦 Strategic Web Media Partner 东方财富网 eastmoney.com Special Finance Portal Media Partner 金融界

Speical Web Media Partner caixun Special Chinese Wealth Management Meida Partner Media Partners

Sponsorship:

Kitty Guan
Tel: 8610 8458 0476 分机ext 8035
Fax: 8610 8458 0480
Email: kittyguan@zero2ipo.com.cn

Sponsorship:

Sally Song
Tel: 8610 8458 0476 分机ext 8014
Fax: 8610 8458 0480
Email: sallysong@zero2ipo.com.cn

Attendees Registration, Exhibition and Advertisement:

Lulu Wang
Tel: 8610 8458 0476 分机ext 8058
Fax: 8610 8458 0480
Email: CEO2010@zero2ipo.com.cn

Media & Marketing Cooperation:

Annie Gao
Tel: 8610 8458 0476 分机ext 8726
Fax: 8610 8458 0480
Email: anniegao@zero2ipo.com.cn

China's First Livelihood Fund Settles down in Shanghai Jing'an District

Aug. 20, 2010, Oriental Morning Post

It is learnt that with a registered capital of US $2M, Shanghai Minfu Equity Investment Management Co., Ltd. was jointly founded by Shanghai International Group, Uni-President Group and ORIX based on a contribution proportion of 2:4:4. Minfu Equity Investment Management Co., Ltd. will act as the GP of the livelihood fund.

The livelihood fund will be invested in food processing, retail and other fields related to the people's livelihood, said Ding Xuewen, General Manager of Minfu Equity Investment Management Co., Ltd.

Ding added, half of the fund will be used for direct investment and the other half will be FOF, "relevant cooperative agreements have been reached respectively with the local governments in Qingdao and Zhejiang Province."

The proposed fundraising scale was RMB3B a year earlier when the preparation for the fundraising conditions.

Gateway Capital Raises Nearly US$400M to Invest in Real Estate in Tier 2 and Tier 3 Cities

Aug. 25, 2010, Yicai.com, Tang Wenqi

Gateway Capital, the Hong Kong-based real estate PE fund management company, declared on Aug. 25 that its 3rd PE fund with the newly-developed key investment projects in China as the main targets has already raised US$373.5M. According to the plan, the fund will be dedicated to the rapidly-growing real estate industry in Tier 2 and Tier 3 cities in the country.

As early as in 2007, Gateway Capital began to cast its eyes to the residential building sector in Tier 2 and Tier 3 cities. Besides the continuation investment in previous objects, the

fund will also invest in the retail, office buildings and hotels of Tier 2 and Tier 3 cities. It's learned that the LPs of Gateway's 3rd real estate fund mainly were US trust and pension funds, sovereignty wealth funds and multi-family offices and more than one investor ever invested the previous two funds.

BizArk Gains US $40M from IDG

Aug. 24, 2010, Oriental Morning Post

BizArk, an e-commerce company devoted to providing companies with overall foreign trade solutions, was officially put on the line on Aug. 23. It is learnt that the behind-the-scenes investor IDG invested tens of millions of dollars in BizArk.

IDG spent as much as US$40M in this round of investment.

Zhou Ning, founder of BizArk, hopes they can build BizArk into the second Alibaba.

Besides attracting IDG, BizArk also drew attention from Google. It is learnt that BizArk and Google has reached cooperation, agreeing to develop a personalized platform to meet the needs of overseas target customers based on