

Zero2IPO Data

- P4 H1'10 Sees 212 Chinese Enterprises Completing IPOs, VC/PEs' Exits Slowing down, Average ROI Standing at 12.4 Times

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Investment Grows
Quarter-on-Quarter in
China's Equity Market
in Q2'10; RMB Funds'
Investment
Paces up Again

>P2

32%



US\$50M Fifth-round Financing
Tudou.com Completes

>P8

Investment Grows 32 % Quarter-on-Quarter in China's Equity Market in Q2'10; RMB Funds' Investment Paces up Again

Released by Zero2IPO Research Center

According to the statistics from Zero2IPO Research Center, investment grew slightly in Q2'10 in the equity market in China, with a total of 211 investment deals involving a total investment value of US \$2.16B. Compared with that in last quarter, the number of investment deals increased by 52, while the investment value was 32 % higher. By currency, RMB funds significantly paced up

their investment with 124 cases, hitting a new record of quarterly investment activities since 2007.

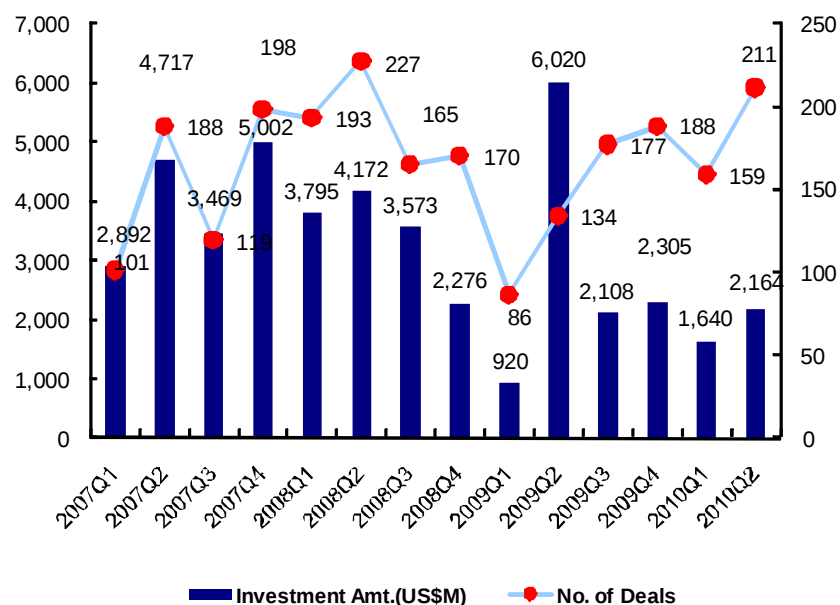
The above data and conclusion are mainly sourced from the quarterly research by the Zero2IPO Research Center, which, since 2001, has been studying on China's venture capital, i.e. private equity market, and producing a league table, both quarterly and annually on national basis, and releasing its quarterly and annually research reports.

Continual Consolidation Seen in China's Equity Investment Market in Q2'10, with Significantly Improved Investment Activities

According to the statistics from Zero2IPO Research

Center, as shown in Table 1, a total of 211 investment cases were seen in Q2'10 in China's equity investment market, involving a total investment value of US \$2.16B. Excluding single investment deals with extraordinary investment value in Q2'09, it can be concluded that China's equity market hasn't get out of the downturn that has persisted since H2'08, and that there is still a long way to the industrial peak seen in 2007. However, from the perspective of investment, we observed that the equity investment market in China in 2010 performed just like the weather in Beijing, straightly entering a hot summer after a short spring season. Various equity investment institutions accelerated their paces to seek, select and invest in projects. We also observed that, as the market gradually warmed up, the entrepreneurs' expectation on financing valuation was improving. The high 10-plus times valuation reemerged in Q2. Under such circumstance, how to leverage on own strengths and characteristics to further clarify investment principles, identify hot industries and expand access to project sources will become the top priority for different equity investment institutions in H2'10.

Chart 1 Quarter - on - quarter Comparison of Investment in Chinese Equity Market (Q1'07 - Q2'10)

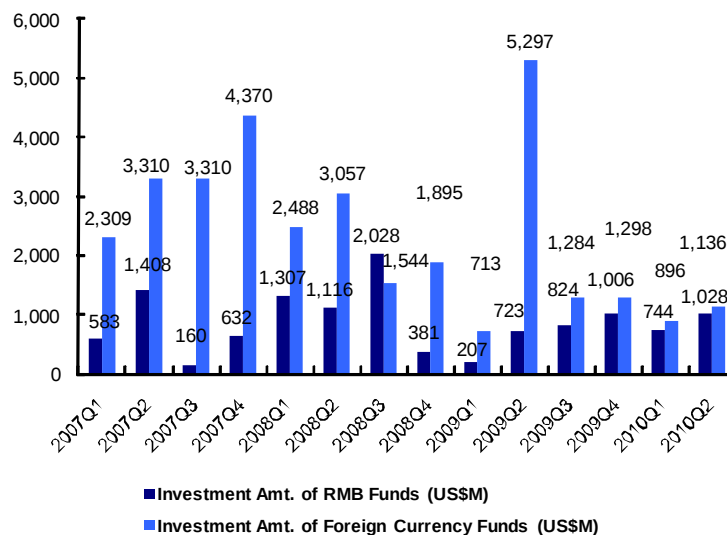


Source: Zero2IPO Research Center

RMB Fund Investment Paces up Again; Future Investment Pressure likely to Grow

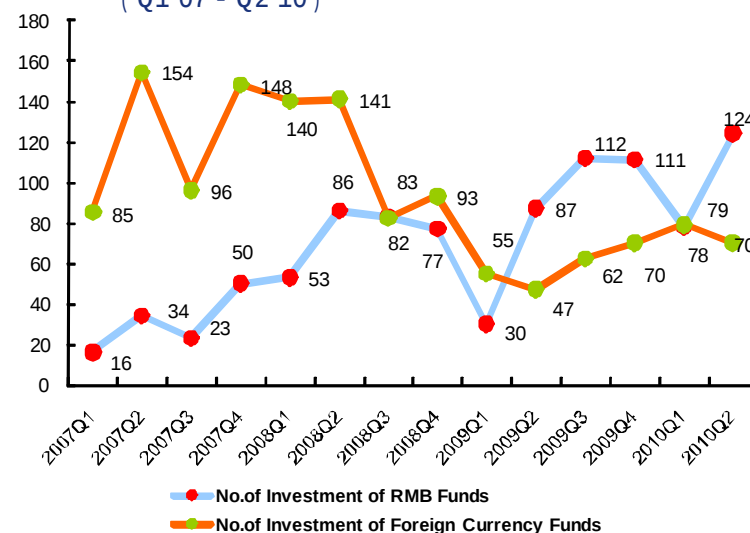
In Q2'10, there were 124 investment conducted by RMB funds in the equity investment market in China, hitting a new record of quarterly investment activities since 2007. As shown in Chart 3, the RMB fund investment has actually paced up since H1'09, and as we observed, the flow of a large amount of RMB funds into China's equity market has driven the pace of investment by RMB funds. Although the size of single investments is still lower than foreign currency funds, in accordance with the statistics from Zero2IPO Research Center, the difference degree in the scale of investment between RMB funds and foreign currency funds has declined from 76% in the same period of last year to 6% in this quarter. Meanwhile, with the hot fundraising situation in the equity market in China in H1'10, we believe that RMB funds with a relatively shorter investment horizon will face greater investment pressure in H2'10 and 2011. In a period of time to come, management teams of RMB funds will face rigorous market examination on the selection of project, valuation of the proposed companies to be invested, control of overall investment pace and selection of exit options for the invested companies and other fields. ■

Chart 2 Quarter - on - quarter Comparison of Investment Amount of RMB and Foreign Currency Funds (Q1'07 - Q2'10)



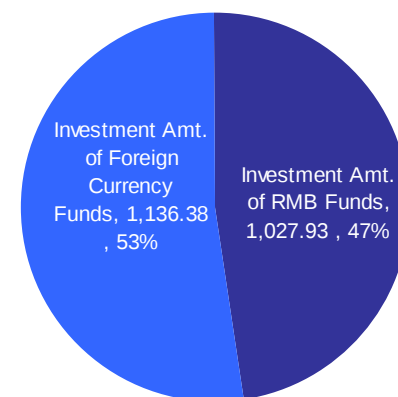
Source: Zero2IPO Research Center

Chart 3 Quarter - on - quarter Comparison of Investment Deals of RMB and Foreign Currency Funds (Q1'07 - Q2'10)



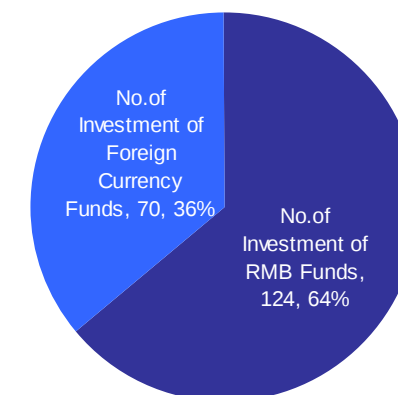
Source: Zero2IPO Research Center

Chart 4 RMB and Foreign Currency Funds' Investment in Q2'10 (By Investment Amt., US\$M)



Source: Zero2IPO Research Center

Chart 5 RMB and Foreign Currency Funds' Investment in China's Equity Market in Q2'10 (By No. of Deals)



Source: Zero2IPO Research Center

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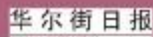


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H1'10 Sees 212 Chinese Enterprises Completing IPOs, VC/PEs' Exits Slowing down, Average ROI Standing at 12.4 Times

Released by Zero2IPO Research Center

According to the data from the China Enterprises IPO Report Q2 2010 recently published by Zero2IPO Research Center, a well-known VC and PE research institute in Greater China, H1'10 witnessed 332 Chinese enterprises listing on 13 overseas markets and three domestic markets observed by the Center, among which 212 ones got public both on domestic and overseas markets. The figure far outnumbered that of other countries and regions by 76.7%. Chinese enterprises raked in US \$35.00B from IPOs in total, 52.2% of the total worldwide, or US\$165.00M on average.

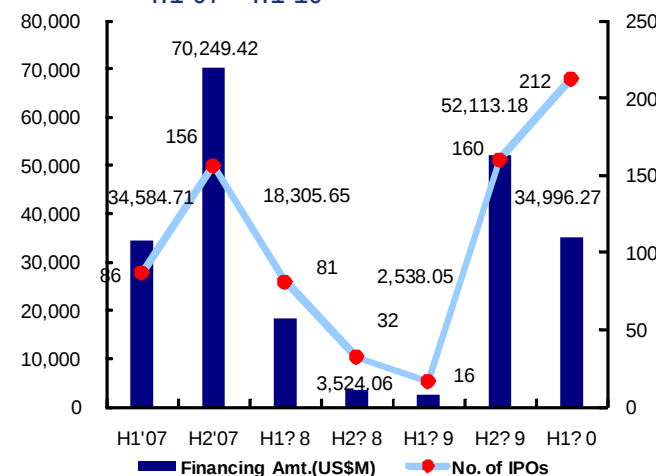
332 Enterprises Listed Worldwide in H1'10; Chinese Enterprises Account for 60.0% IPOs

Under the study sphere of Zero2IPO Re-

search Center, global market has stepped out of the shadow casted by the financial crisis in H1'10, while staggering forward. There were 332 IPOs in the first six months of the year involving a total financing amount up to US\$67.03B, higher than the figures of the entire previous year. Among them, 212 were completed by Chinese enterprises, accounting for 63.9% of the total, with US \$35.00B raised in total, 52.2% of global aggregate financing amount, or US\$165.00M on average.

As for market distribution, 37 out of the 212 Chinese listed enterprises chose to seek IPOs on overseas markets, with US \$3.40B raised, increased by 21 in terms of the number of IPOs and 40.6% financing amount year-on-year. Domestic capital markets caught eyeballs with the brilliant performance

Chart 1 Comparison of Chinese Enterprises' Overseas and Domestic IPOs between H1'07 - H1'10



Source: Zero2IPO Research Center

of 175 IPOs and US\$31.60B raised, surged by 175 in terms of the number of IPOs year-on-year.

Overseas IPOs and Financing Amount Drop from H2'09 But Soar Year-on-year with the High Concentration in Some Markets and Industries

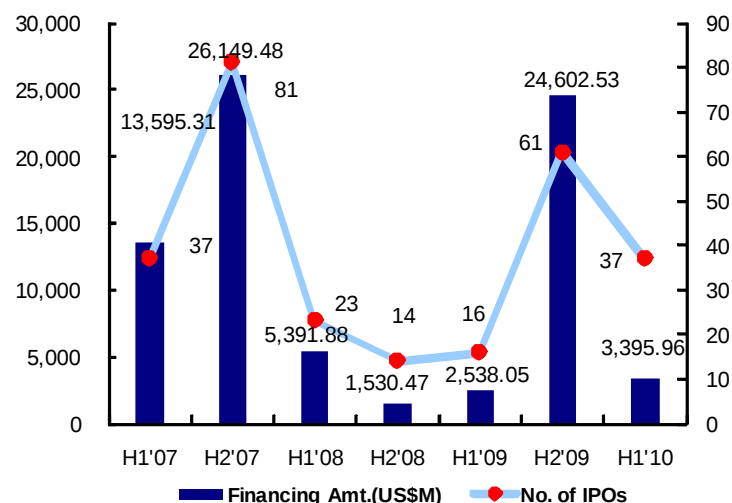
In H1'10, the news from South Europe, especially Greece debt crisis and US economic recovery, deliv-

Table 1 Geographical Distribution of IPOs Worldwide in H1'10

Type	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
Chinese Enterprise	34,996.27	52.2%	212	63.9%	165.08
Non-Chinese Enterprise	32,034.06	47.8%	120	36.1%	266.95
Total	67,030.33	100.0%	332	100.0%	201.90

Source: Zero2IPO Research Center

Chart 2 Comparison of Chinese Enterprises' Overseas IPOs between H1'07 - H1'10



Source: ZeroIPO Research Center

ered a blow to the confidence of investors worldwide, leading to a wild fluctuation of major stock indexes. However, the ups and downs on secondary markets failed to upset the positive momentums featured by the issuance of new stocks worldwide, more IPOs took place. Against this backdrop, there were 37 Chinese enterprises listing on six overseas markets in H1'10, raising a total of US \$3.40B. Compared with the same peri-

od in the past years, the number of overseas IPOs launched by Chinese enterprises was more than those of others, increased by 21 from H1'09 or 14 over H1'08, and equal with that of 2007. The financing amount increased slightly from the same period of 2009.

In terms of market distribution, Chinese enterprises' overseas IPOs in H1'10 concentrated, with 37 ones on HKMB, SGD, NASDAQ and NYSE. Hong Kong remained as the primary option for Chinese enterprises seeking overseas IPOs. To be specific, 19 enterprises settled down on HKMB with US \$2.41B raised, accounting for 51.4% and 71.0% of the total number and financing amount of Chinese enterprises' overseas IPOs. Moreover, Chinese enterprises also tend to seek IPOs on SGD, NASDAQ and NYSE. FWB and KOSDAQ saw a few IPOs and lower amount raised.

Table 2 Chinese Enterprises' Domestic and Overseas IPOs in H1'10

Listing Market	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
Domestic Market	31,600.31	90.3%	175	82.5%	180.57
Overseas Market	3,395.96	9.7%	37	17.5%	91.78
Total	34,996.27	100.0%	212	100.0%	165.08

Source: ZeroIPO Research Center

Table 3 Distribution of Chinese Enterprises' Overseas IPOs in H1'10 by Listing Market

Listing Market	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
HKMB	2,409.40	71.0%	19	51.4%	126.81
NASDAQ	328.72	9.7%	7	18.9%	46.96
NYSE	287.67	8.5%	4	10.8%	71.92
SGX	131.61	3.9%	4	10.8%	32.90
FWB	121.33	3.6%	1	2.7%	121.33
KOSDAQ	117.23	3.5%	2	5.4%	58.62
Total	3,395.96	100.0%	37	100.0%	91.78

Source: ZeroIPO Research Center

As for industry breakdown, there were 14 IPOs concentrating in such five fields as energy & mineral, construction/engineering, bio/healthcare, automobiles and real estate, raising a combined US \$1.93B, 56.8% of the total amount raised in H1'10. Energy & mineral saw three enterprise fulfilling IPOs with US \$521.00M raised or 15.3% of the total financing amount. Construction/Engineering, bio/healthcare, automobiles and real estate claimed two, five, one and three IPOs respectively, but with all but equal financing amount. Among them, bio/healthcare sector contributed more IPOs, showing the focus of investors. On the contrary, automobiles only gained one IPOs, but pocketed US \$369.00M, accounting for 10.9% of the total financing amount in H1'10.

Domestic IPOs in Spotlight with All-time High Record in Number and Financing Amount

In H1'10, Chinese economy has evolved into the engine behind the resumption of world economy at an over-expected growth speed of macro-economy. Along with the launch of ChiNext, index futures and margin trading and margin transaction, IPOs on Chinese domestic markets has caught the eyeballs of investors worldwide. In H1'10, there were 175 enterprises listing on the three bourses in China and raising US \$31.60B in total or US \$181.00M on average.

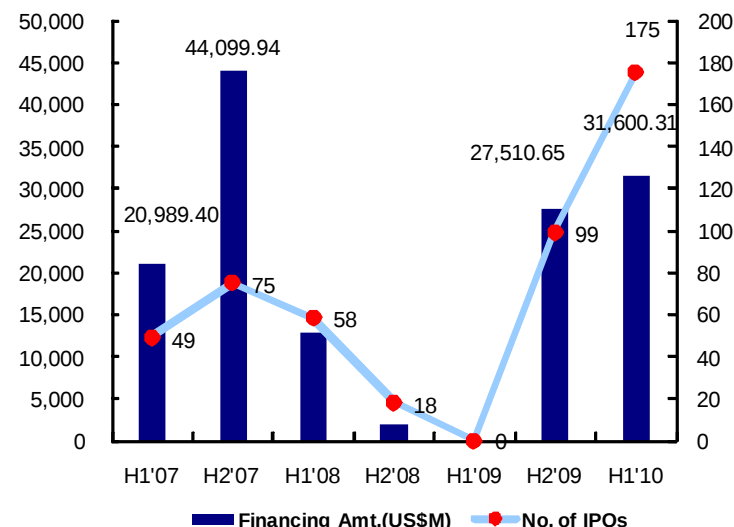
Capital market gained enough attention on the coattails of the issuance of large-cap blue chips like China First Heavy Industries, China XD Electric, Huatai Securities and Hai Purui, among which Hai Purui created a new record for the issue price of new stocks. In this context, the number of enterprises seeking for IPOs at home surpassed that of enterprises listed in the entire year of 2007, and the financing amount also leaped to the second place from original third place. Chinese enterprises continued the momentum inherited from previous quarters with domestic IPOs outnumbering overseas ones by 138 and garnering more financing amount, i.e. 8.3 times of overseas ones.

Most domestic IPOs in Q2'10 were launched by

small and-medium-sized enterprises (SMEs). Among 175 listed enterprises on domestic markets, 164 got public on Shenzhen Stock Exchange, namely 110 on the SMEB and 54 on the ChiNext, except for 11 ones listing on Shanghai Stock Exchange.

As for industry breakdown, machinery manufacturing sector stood out with more deals and amount raised, the same on international market. The sector reported 34 IPOs with US \$7.31B involved, representing 19.4% and 23.1% of the total number and amount

Chart 3 Comparison of Chinese Enterprises' Domestic IPOs between H1'07 - H1'10



Source: Zero2IPO Research Center

Table 4 Top Five Industries with the Highest Financing Amount of Chinese Enterprises' Overseas IPOs in H1'10

Industry	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
Energy & Mineral	520.73	15.3%	3	8.1%	173.58
Construction/Engineering	371.98	11.0%	2	5.4%	185.99
Bio/Healthcare	371.97	11.0%	5	13.5%	74.39
Automobiles	368.76	10.9%	1	2.7%	368.76
Real Estate	296.07	8.7%	3	8.1%	98.69

Source: Zero2IPO Research Center

Table 5 Distribution of Chinese Enterprises' Domestic IPOs in H1'10 by Market

Listing Market	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
SMEB	15,967.91	50.5%	110	62.9%	145.16
Shanghai Stock Exchange	8,936.89	28.3%	11	6.3%	812.44
ChiNext	6,695.51	21.2%	54	30.9%	123.99
Total	31,600.31	100.0%	175	100.0%	180.57

Source: Zero2IPO Research Center

Table 6 Top Five Industries with the Highest Financing Amount via Chinese Enterprises' Domestic IPOs in H1'10

Industry	Financing Amt.(US\$M)	% of Total	No. of IPOs	% of Total	Average Financing Amt.(US\$M)
Machinery Manufacturing	7,312.83	23.1%	34	19.4%	215.08
Bio/Healthcare	3,586.56	11.4%	16	9.1%	224.16
Chemicals Raw Materials & Processing	3,491.82	11.1%	19	10.9%	183.78
IT	2,352.57	7.4%	23	13.1%	102.29
Finance	2,297.40	7.3%	1	0.6%	2,297.40

Source: ZeroIPO Research Center

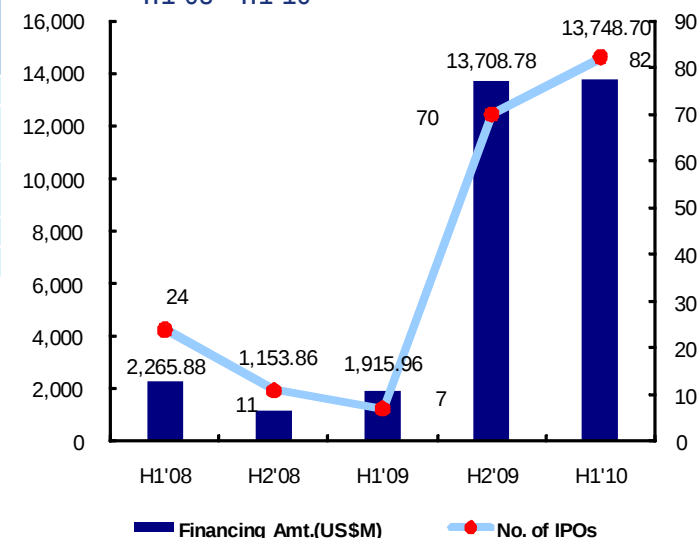
of IPOs in H1'10 respectively. Bio/Healthcare came next in terms of financing amount with 16 IPOs attracting US\$3.59B, mirroring the great potential of the sector. Chemicals materials & processing sector ranked third and saw 19 IPOs with US\$3.49B involved. IT sector claimed 23 IPOs and US\$2.35B. Finance sector only saw one IPO completed by Huatai Securities, which secured US\$2.30B at a stroke, far ahead of other IPO deals.

VC/PE Institutions Firstly Restore Confidence; Exits Are Active; ROI Varies from Market to Market and Industry to Industry

raised, as same as the bottom level in the same period of 2009. The number of VC/PE-backed Chinese enterprises increased by 75 in Q2'10, and the amount raised accordingly surged by 6.25 times, which are on a par with those in H2'09. The number of IPOs and financing amount also climbed a bit. All of this herald VC/PE institutions have come out of the shadow of financial crisis ahead of time in making exits.

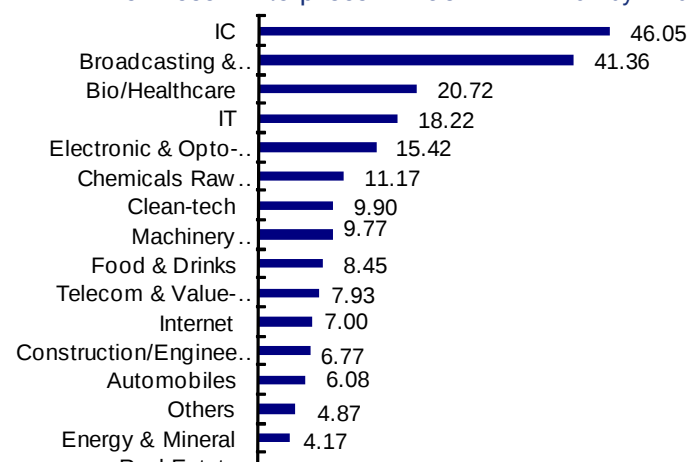
VC/PE-backed listed enterprises, totaling 82, brought about a ROI of 12.4 times for investors. The average ROI of domestic listed enterprises registered at 14.9 times and that of overseas ones 4.05 times. In terms of listing market, ChiNext saw an average ROI

Chart 4 Comparison of VC/PE-backed Chinese Enterprises' Overseas and Overseas IPOs between H1'08 - H1'10



Source: ZeroIPO Research Center

Chart 5 Comparison of Average ROI of VC/PE-backed Chinese Enterprises' IPOs in H1'10 by Industry



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