

Hot News

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- P7 SAIF Said to Aim to Buy US\$260M Stake in China's Huiyuan from Danone
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★ Zero2IPO Exclusive

H1'10 Sees PE

Raising New Funding over

US\$19B

» P2



SAIF Said to Aim to Buy US\$260M Stake in China's Huiyuan from Danone > P7

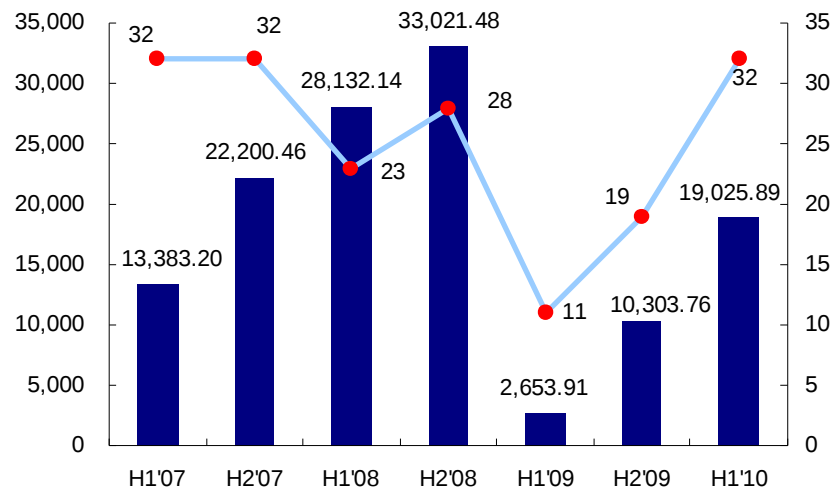
H1'10 Sees PE Raising New Funding over US\$19B

Released by Zero2IPO Research Center

According to the data from the China Private Equity Report Q2 2010 recently published by Zero2IPO Research Center, a well-known VC and PE research institute in Greater China, by the end of July 1, 2010, there were 32 funds available for the investment in Chinese mainland completing fundraising worth US \$19.02B in total. The number of funds newly raised came back to the highest record created in 2007, while the amount raised surpassed the

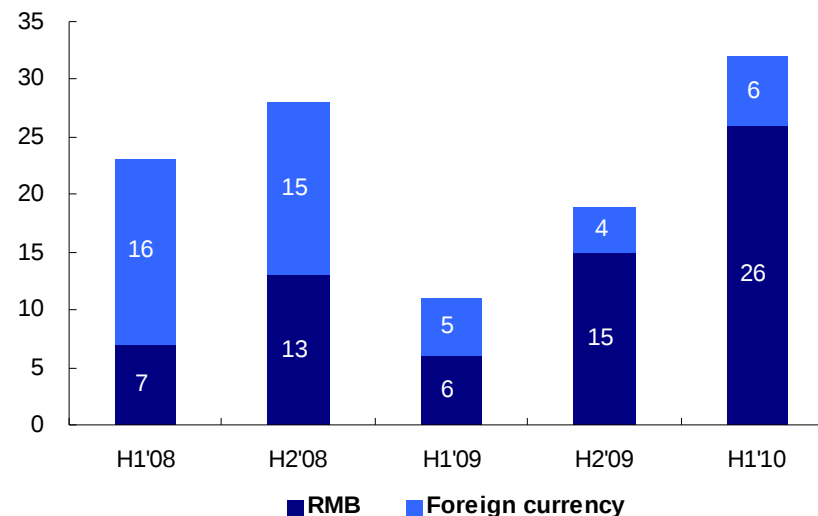
aggregate fundraising amount in the previous year. In terms of investment, 75 deals took place in H1'10, among which 65 disclosed a total amount of US \$2.27B, registering an upsurge from the same period of the last year in terms of the number of investment deals but each reporting a relatively thin individual transaction value. As for exits, H1'10 saw 41 PE funds exiting from their investment projects, 39 via IPOs and 2 via trade sale.

Chart 1 Comparison of Aggregate Fundraising Amount of PE Investment Funds between H1'06 - H1'10



Source: Zero2IPO Research Center

Chart 2 Comparison of PE Funds Newly Raised between H1'08 - H1'10 by Currency (By No. of Deals)



Source: Zero2IPO Research Center

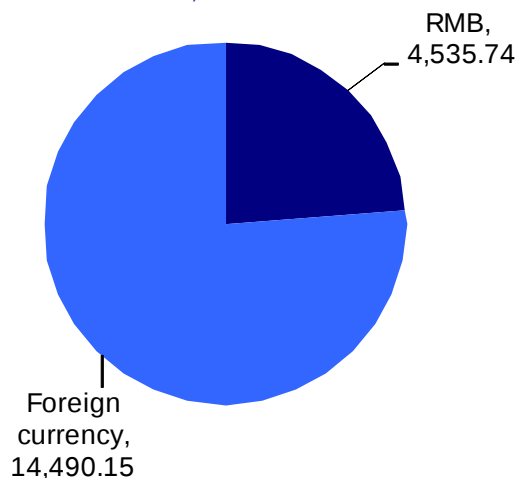
PE Investment Funds' Fundraising in H1'10

Number of New Funds Reaches the Highest Record Posted in 2007; Big-sized Funds Complete Fundraising

According to the study of Zero2IPO Research Center, the number of funds raised in H1'10

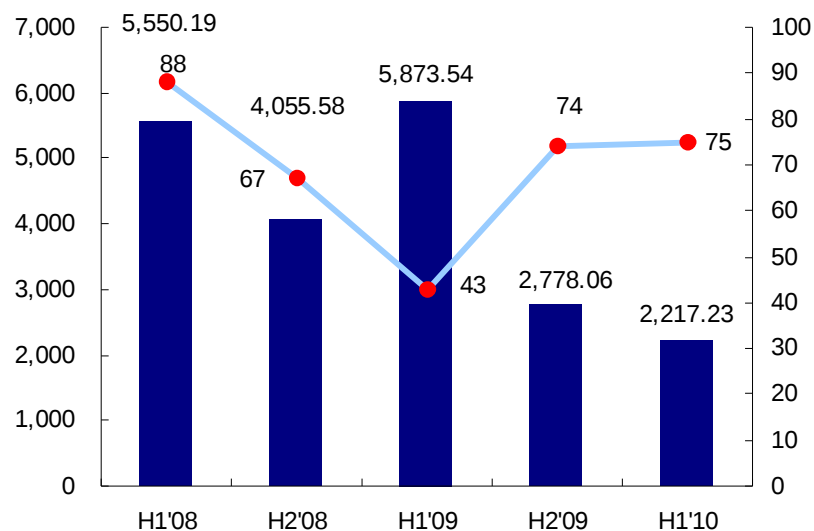
returned to the highest record made in 2007, namely 32 fundraising completed by PE funds available for the investment in Chinese mainland, soaring by 68.4% and 190.9% from H2'09 and H1'09 respectively. Moreover, the newly raised funding surged in H1'10 with US \$19.03B involved, up 84.6% from H2'09 and even 616.9% from H1'09, outnumbering the to-

Chart 3 Comparison of PE Funds Newly Raised between H1'08 - H1'10 by Currency (By Amt. Raised, US \$ M)



Source: Zero2IPO Research Center

Chart 4 Comparison of Aggregate Investment Amount of PE Investment Funds between H1'08 - H1'10



Source: Zero2IPO Research Center

tal funding raised in the entire year of 2009. This is mainly attributable to the two large-scale fundraising initiated by Blackstone Fund VI and Shanghai Financial Industrial Investment Fund.

II RMB Funds' Fundraising Boom Continues; Foreign Currency Funds' Scale Moves up

In 2009, RMB funds have outperformed their foreign currency peers in both the number and amount raised for the first time, dominating the market. The fundraising boom remained surging in 2010. As of July 1, 2010, there have been 26 RMB PE funds fulfilling fundraising, soared by

73.3% from H2'09 or surged by 333.3% from H1'09. However, RMB funds still had a thinner individual fundraising scale below RMB1.00B, excluding the deal of Shanghai Financial Industrial Investment Fund with RMB11.00B involved.

Foreign currency funds available for the investment in Chinese mainland saw a slowdown in fundraising due to

the impact of the financial crisis, only six deals completed, up 50.0% from H2'09 or 20.0% year-on-year. Thanks to the fundraising of Blackstone Fund VI, foreign currency funds outshone RMB ones again to raise a total of US \$14.49B, 76.2% of the total amount raised in H1'10.

As for type of investment institutions, among 26 RMB funds, 21 were domestic ones, three foreign and only two joint ventures.

PE Investment Funds' Investment in H1'10

I PE Funds' Investment Increases; Investment Scale Remains Low

H1'10 witnessed 75 investment deals in Chinese PE market involving US \$2.22B in total. The number of investment deals in H1'10 increased by 43 or 74.4% of the total compared with the same period of the previous year, showing a prosperous market. However, the amount invested fell back 62.3% from the same period of the last year due to the big PIPE deals occurring in H1'09 and persistent cautious attitude held by investors towards domestic PE market. As a result, the investment amount of individual deals remained at a low level.

II Macalline Gets Joint Investment ; Chain Retail Garner More Investment

In H1'10, bio/healthcare claimed 11 investment deals, coming first with 14.7% of the total, which concentrated in pharmaceuticals and medical device & equipment sectors. Internet was under the spotlight again with nine deals sized at US \$227.00M in total, gaining the second and fourth places in terms of the number and amount of investment. The investment in Internet was scattered in such sub-industries as E-commerce, B2C, online video

and E-payment. Food & drinks listed as the third, both in terms of the number and amount of investment, with six deals or US \$267.00M investment distributed in food processing and alcohol production sectors and so on.

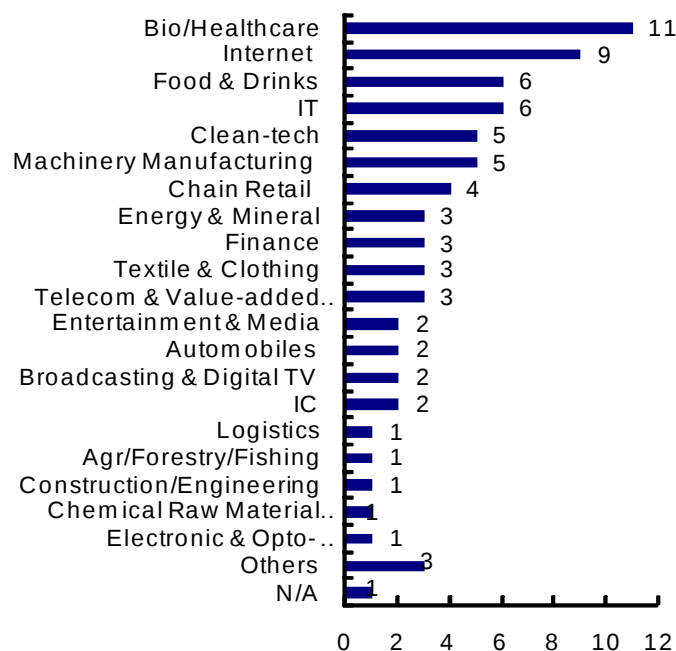
Chain retail ranked first with US \$462.00M investment or 20.8% of the total in H1'10, thanks to the joint investment initiated by Warburg Pincus in Macalline. Machinery manufacturing came next with the PIPE deal made by Hony Capital, CCB International and Xiangjiang Indus-

trial Investment Fund in Zoomlion in Q1'10 which reported a combined investment amount up to US \$389.00M, 17.6% of the total in H1'10.

III Beijing Takes Lead in Aggregate Investment Amount ; Internet Gains the Highest Popularity

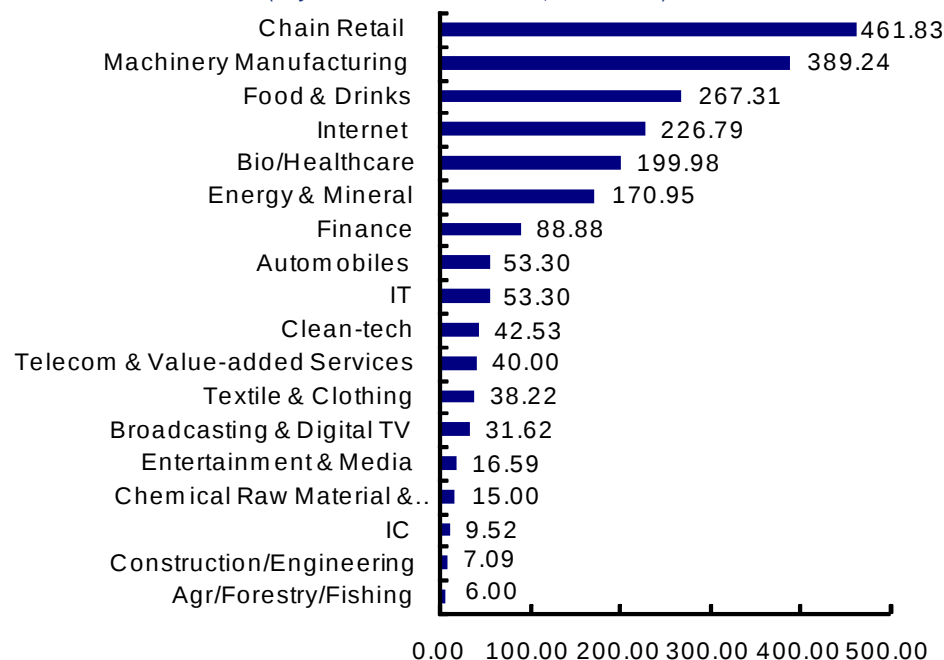
The PE investment deals in H1'10 were scattered across 18 provinces and cities of Chinese mainland. Beijing outshone others with both the highest number and amount of investment, namely 24 deals involving

Chart 5 Industry Breakdown of Investment of PE Investment Funds in H1'10 (By No. of Deals)



Source: Zero2IPO Research Center

Chart 6 Industry Breakdown of Investment of PE Investment Funds in H1'10 (By Investment Amt., US\$ M)



Source: Zero2IPO Research Center

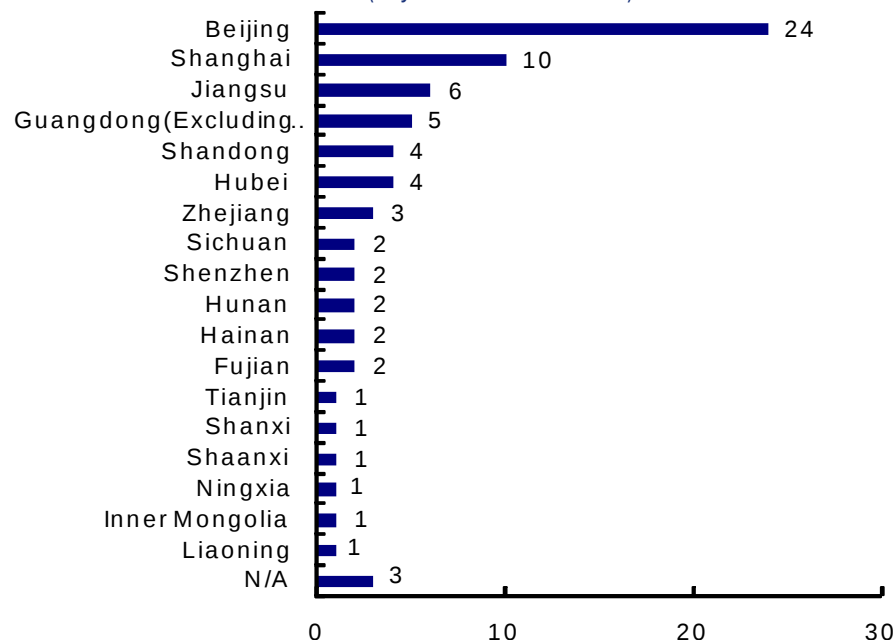
US \$ 591.00M in total. Internet industry in Beijing attracted more attention from investors with seven deals completed, contributing US \$ 216.00M. E-commerce, B2C and online video were in the spotlight.

PE Investment Funds' Exits in H1'10

| Overseas IPOs Remain as Major Exit Option; Six Investors Exit within One Year after Investment

There were 41 PE funds exiting from

Chart 7 Geographical Distribution of Investment of PE Investment Funds in H1'10 (By No. of Deals)



Source: Zero2IPO Research Center

their investment projects in H1'10. 39 of them were materialized via IPOs and two via trade sale.

As for industry breakdown, PE funds exited from 15 Grade-1 industries in H1'10, with the focuses on bio/healthcare, machinery manufacturing, food & drinks and so on, accounting for 48.8% of the total.

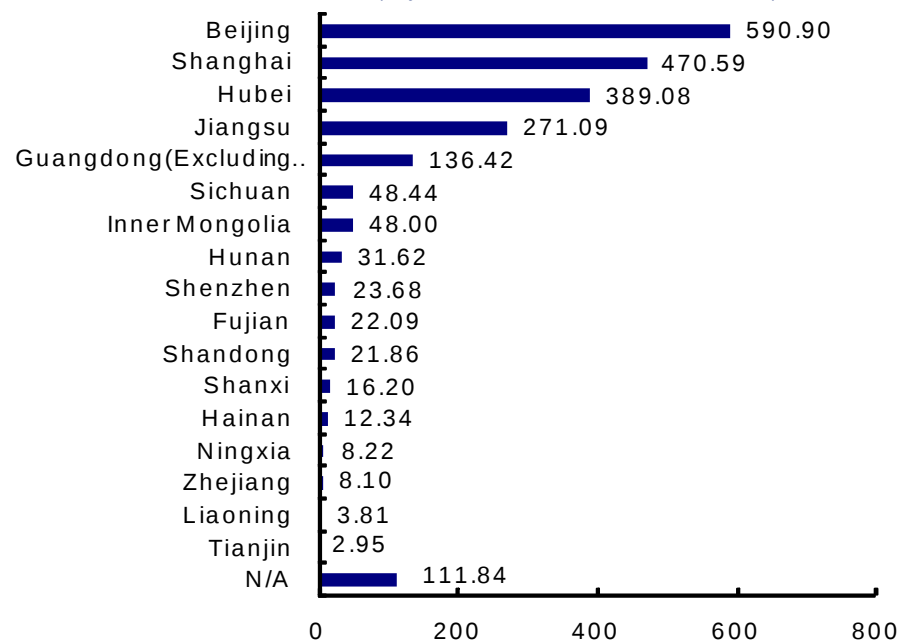
In terms of exit option, overseas market remained as the primary choice for PE funds, Hong Kong for particular with 25.6% of the total exits in H1'10. After ChiNext was launched in October 2009,

11 PE-backed enterprises got public on it in Q4'09. In this year, the exit boom on the ChiNext gradually cooled down, with merely four exits in H1'10, down 63.6% from H2'09. At the same time, SMEB saw seven PE exits, outnumbering all records from 2006 and 2009.

Among 13 domestic exits, 10 were conducted by domestic institutions, one by foreign investor and two by joint ventures.

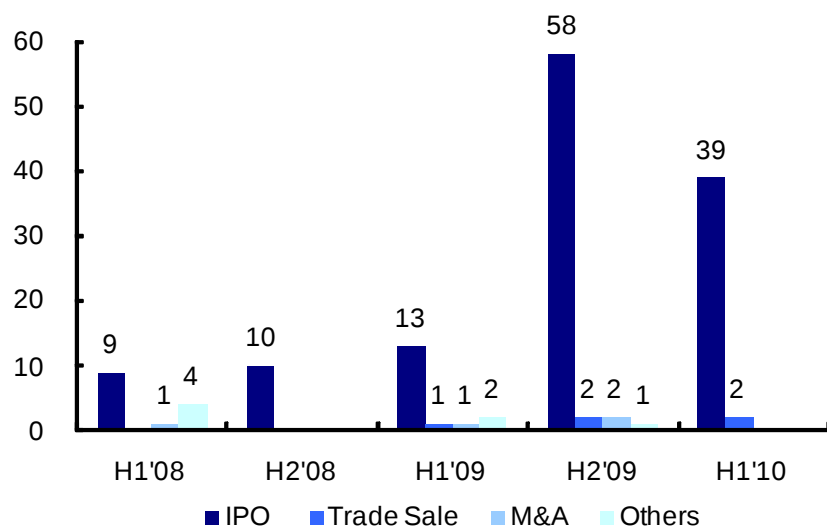
In H1'10, Beijing Haohua Energy Resource Co., Ltd. and Shaanxi Blower (Group) Co., Ltd. got public on the Shanghai

Chart 8 Geographical Distribution of Investment of PE Investment Funds in H1'10 (By Investment Amt., US\$M)



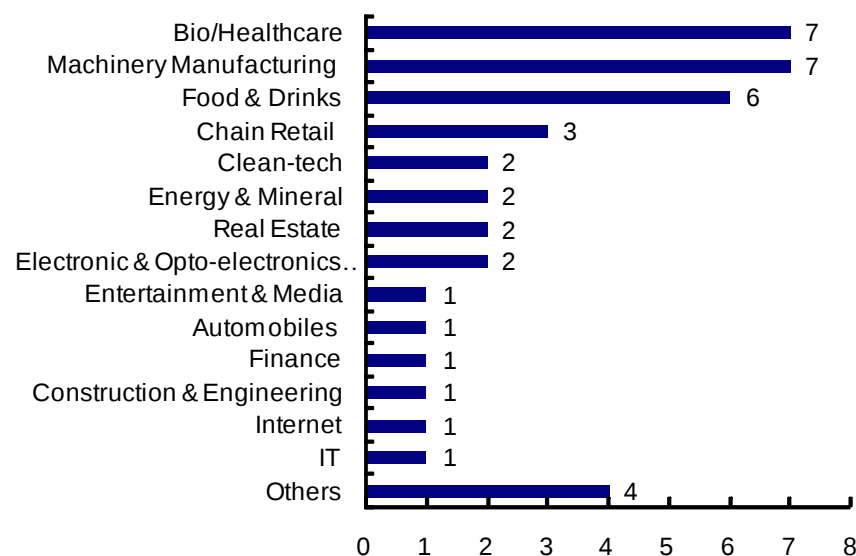
Source: Zero2IPO Research Center

Chart 9 Comparison of Exits of PE Investment Funds between H1'08 - H1'10 by Exit Option (By No. of Deals)



Source: Zero2IPO Research Center

Chart 10 Industry Breakdown of Exits of PE Investment Funds in H1'10 (By No. of Deals)



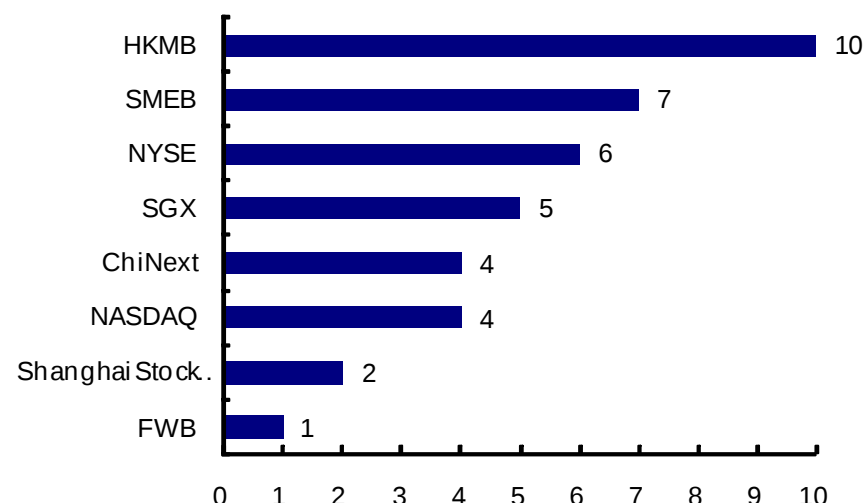
Source: Zero2IPO Research Center

Stock Exchange, the first PE exit via a IPO on the bourse since 2008. The investors of the two companies were Goldstone Investment and Fosun Industrial Investment.

In May 2010, Shenzhen Hepalink Pharmaceutical Co., Ltd. landed on the SMEB and quickly came under the limelight with its high IPO P/E ratio and financing amount. After the IPO of the company, the investor Goldman Sachs exited with a huge ROI of 180.25 times on book value, registering as the sore exit of foreign PE via domestic IPO.

In addition, among the exits in H1'10, six were completed via IPOs within one year after the investment, that is, Haitong Capital exiting from Eastmoney.com, Guoxin Hongsheng from Sanchuan Water Meter, PreIPO Capital Partners from NVC Lighting, Cathay Investment Fund from You Yuan International Holdings, TDR Capital from China New Borun Corp. and CCB International from Trauson Holdings. Among them, CCB International exited its investment in Trauson Holdings made in March 2010 in June of the year.

Chart 11 Market Distribution of Exits of PE-backed Enterprises via IPOs in H1'10 (By No. of Deals)



Source: Zero2IPO Research Center

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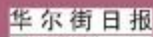


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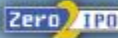
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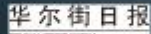


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