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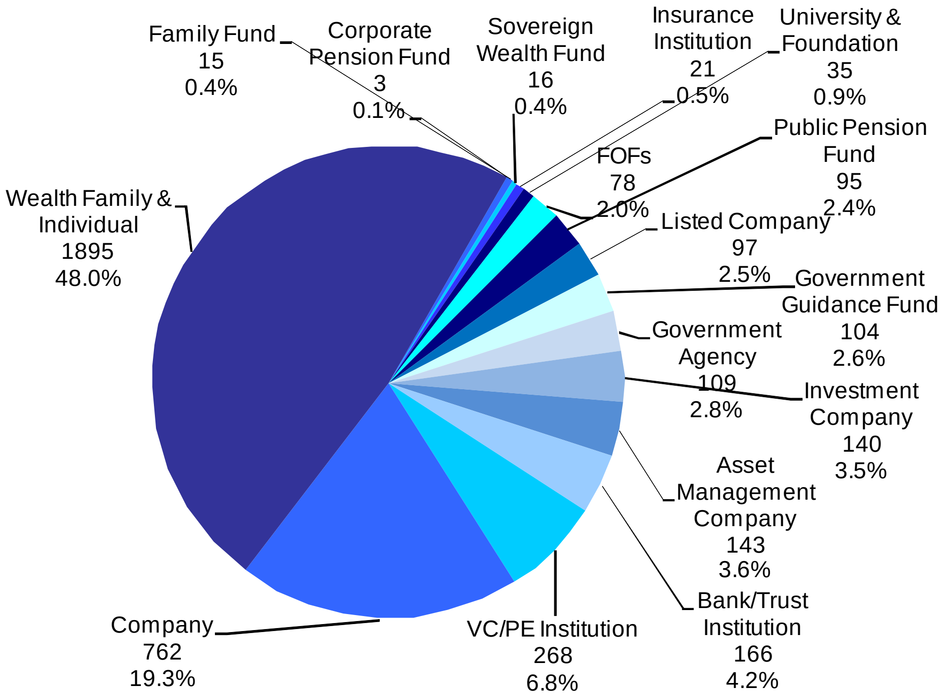
China's LPs Boom to 3,947 in H1'11

Analyst with Zero2IPO Research Center

In H1'11, China's VC and PE market still saw great enthusiasm for fundraising. Besides foreign-funded LPs that continued to beef up input in China for strategic deployment, local LPs expanded fast as well thanks to the consistent improvement in the policy environment concerning local LPs, particularly the opening of the market to big-sized local institutional investors. As China's VC and PE market rapidly developed, China's LP market embraced a new round of growth. Zero2IPO Research Center, a famous VC & PE research institute in Great China region, first released the Research Report on Limited Partners in China's VC and PE Market in 2011 to keep updated with LPs and offer analysis concerning the investment concepts and development trends for current and potential LPs.

Figure 1 Comparison of LPs in China's VC/PE Market in H1'11 by Type (By No. of LPs)

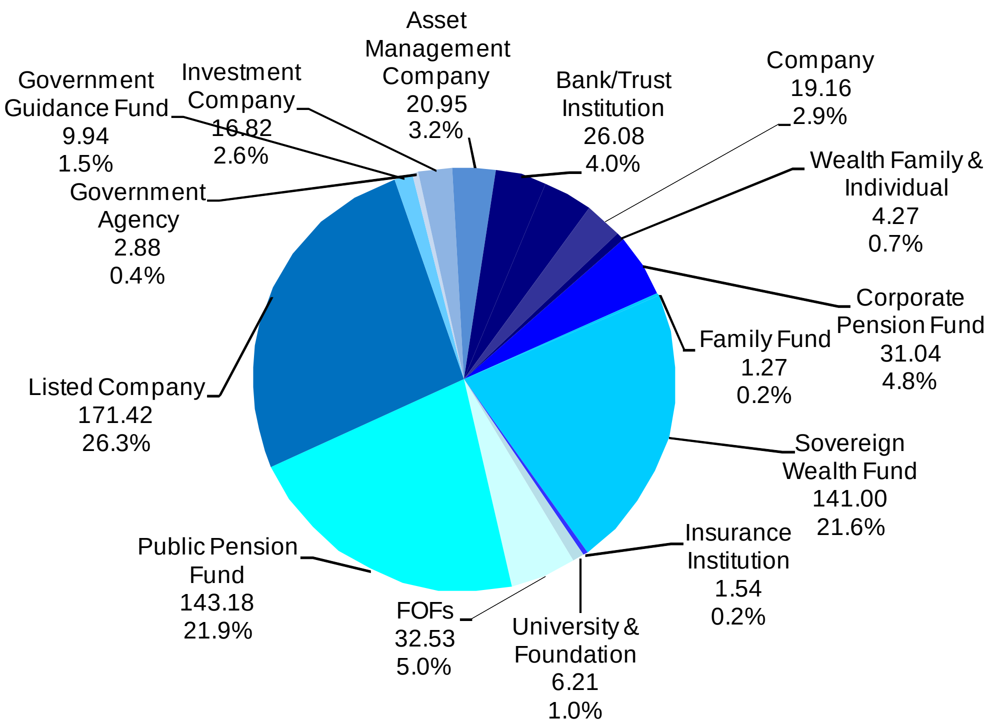


Source: Zero2IPO Research Center

Individual Local Investors Dominated China's LP Market; Enterprises Showed Great Enthusiasm in VC/PE Investments

In H1'11, China's VC & PE market maintained the momentum of growth in fundraising, with vigorous participation from LPs. The statistics from Zero2IPO database showed that in June 2011, there were 3,947 LPs collected in the database, including 2,434 institutions with the amount of capital available for investment disclosed to be US$652.31B. In terms of the number of LPs, rich families and individuals serve as the major source of fundraising in China's VC & PE market, numbering 1,895 that represented 48.0% of the total and included over 90% of domestic investors. There are two reasons behind the huge number of high net worth individuals: i) As the number and wealth of domestic high net worth individuals keep climbing, equity investment becomes the focus of more and more individual investors in asset allocation and some individual LPs also hope to learn from top GPs through investments and thus explore their own equity investment businesses in the future; ii) The third part intermediaries, such as NOAH Private Wealth Management and the private banking divisions of some banks, help more high net worth individuals participate in equity investments. On one hand, the professional wealth management abilities of the third party intermediaries win recognition from more and more high net worth individuals; on the other hand, the concentration of wealth resulted from the closer ties between the third party intermediaries and excellent fund

Figure 2 Comparison of LPs in China's VC/PE Market in H1'11 by Type (By Capital Available for Investments, US$B)



Source: Zero2IPO Research Center

management companies that active in China's market helps GP accomplish RMB fundraising in a more rapid and efficient manner.

Enterprise LPs ranked second by the number of funds raised, totaling 762, 19.3% of the total investors. Specifically speaking, local enterprises numbered 543, representing 71.3% of enterprise investors. With long periods of equity investments, big-sized state-owned enterprises and central enterprises mostly make investments for strategic purposes and conduct M&As for extension into upstream and downstream of the industrial chain. Zero2IPO Research Center finds that private enterprises have appeared active when expanding from industrial operation to VC/PE field in recent years, and many of them quickly set up subordinate VC/PE institutions or equity investment divisions. According to Zero2IPO Research Center, the motives mainly include the following two aspects: i) They conduct equity investments to serve their main businesses and integrate industrial resources; ii) Under the inflationary pressure, traditional industries yield increasingly shrinking profit affected by such factors as rising cost, whereas equity investments can offer higher returns and added value for the assets accumulated for years.

Foreign-funded Institutional Investors Held Huge Quantities of Capital while Their Local Counterparts Had Smaller Amounts of Capital Available for Investment

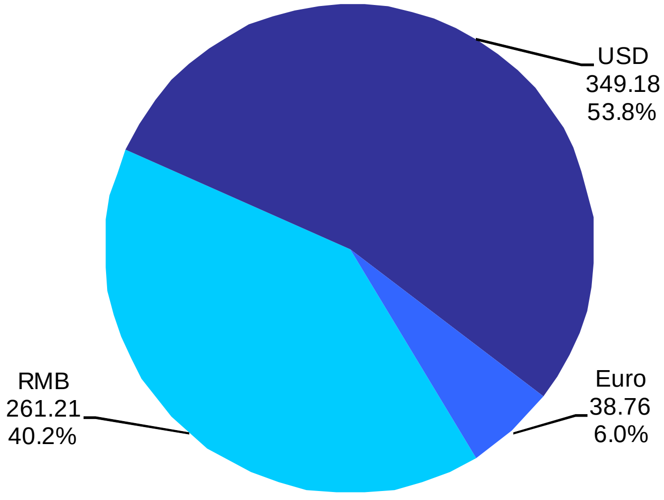
Among the VC/PE fund investors in China during H1'11, big-sized institutional investors represented by listed companies, public pensions, sovereign wealth funds, FOFs and enterprise annuities held 79.6% of the total quantity of capital available for investment in China, with the foreign-funded institutional investors respectively accounting for more than 85.0% of each type; by contrast, local institutional investors that held bigger amounts of capital available for investment were sovereign wealth funds, investment companies, enterprises and investment companies, with the capital available for investment far less than the LPs with years of investment experiences, showing their limited abilities in investing.

The National Social Security Fund (NSSF), which has local benchmarking effect in China's VC/PE market, made frequent investments in H1'11. In April 2011, CDH Investments Phase II RMB Fund amongst others became the first batch of institutions that won the capital commitment of NSSF in 2011. At the end of April, NSSF strategically invested RMB10.00B in China Development Bank (CDB) in exchange for a 2.19% stake, becoming the first strategic investor of CDB after CDB's transformation into a joint-stake corporation. The move was also conducive to the further strategic cooperation between CDB and NSSF in fund sources, project investment and entrusted project management, and the commitment of NSSF to invest in CDB-SVG FOF marked the upgraded cooperation between both sides. In June 2011, NSSF signed an investment agreement with CBC Capital, inputting RMB500.00M in the RMB fund established by CBC Capital-- Tianjin Cheng Bo Equity Investment Partnership (limited partnership), in which NSSF acts as a key investor. As China's strategic reserve fund, NSSF's investing in equity investment fund has far-reaching significance. It is believed that the maturity of big-sized institutional investors can be expected soon.

RMB LPs Comprised up to 77% by Number Whereas Foreign Currency LPs Still Had the Edge in the Amount of Capital Available for Investment

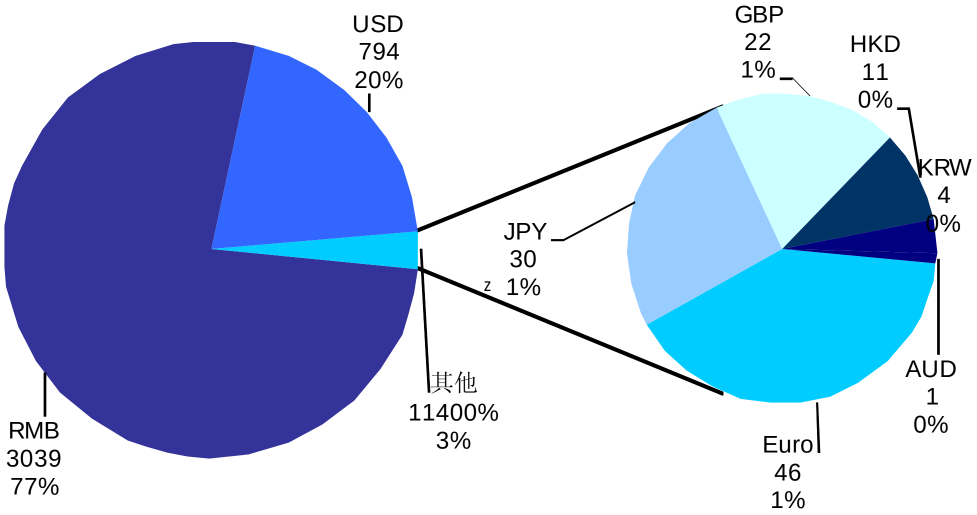
The capital available for investment in RMB, USD and EUR collectively accounted for 98.28% of the total. Specifically speaking, LPs holding RMB had the biggest number, being 3.83 times and 66.07 times that of LPs holding USD and EUR respectively. In terms of the amount of capital available for investment, however, USD funds gained comparable advantages, with the amount of capital totaling US $349.18B that made up 53.53% of the total.

Figure 3 Comparison of LPs in China's VC/PE Market in H1'11 by Currency (By Capital Available for Investments, US$B)



Source: Zero2IPO Research Center

Figure 3 Comparison of LPs in China's VC/PE Market in H1'11 by Currency (By No. of LPs)



Source: Zero2IPO Research Center

As for the average amount of capital available for investment, EUR LPs include public pensions, FOFs and European policy banks (including the European banks with long-term focus on China's market such as ABN AMRO, AFD's subsidiaries and DEG) that holding huge amounts of capital. The big-sized institutional investors not only invest through PE, but also provide long-term support to the invested companies with follow-up loans relying on the large amounts of capital they manage. As the access policies for China's VC/PE market keep loosening, more and more mature big-sized institutions managing enormous capital will spring up with increasing presence in both upstream and downstream sectors of the VC/PE field.

CIIF 2011
China Industry Investment Forum

China Mobile-Internet Industry Investment Forum 2011

Date:August 18th, 2011 Venue:Park Hyatt Beijing

Capital Causes Mobile-Internet Storm

3G network is extensively spreading,
Intelligent terminal is rapidly popularized,
Applications witness blossom,
The world of handheld mobile is full of brilliance...

Micro-innovation on fingertips
Leading the way of mobile Internet applications
New application experience
Changing social life in the information age
The tentacle of capital has already preempted its layout and is on the verge of breaking out...

Who will rise in industrial innovation?
Who will stand out from capital selection?
This August in Beijing
Zero21IPO–The 1st China Mobile-Internet Industry Investment Forum
--A Sumptuous Feast for the Industry and Capital
Capital serves as a fuse to trigger a mobile internet storm!

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ChiNext-listed Yimikang Obtained RMB15M Investment from Shanghai Kantop

Aug. 4, 2011, PEdaily.cn, Christina Chao

Sichuan Yimikang Environmental Tech. Co., Ltd. ("Yimikang") got listed on the ChiNext of Shenzhen Stock Exchange on August 3, with an issue price of RMB17.50 per share and a P/E ratio of 44.87. It issued altogether 19.60M shares, 25.0% of total share capital after the IPO, of which 15.68M shares were tradable on the date of issuance.

The IPO proceeds will go to the technical upgrading of precise air conditioner production, technology R&D center, and marketing service network, besides which the fund raised will be also used for operating engineering contracting business. Beyond that, the capital will be allocated to operations relevant to main businesses.

The prospectus indicated that Shanghai Kan top Investments injected RMB15.00M in Yimikang back in January 2008, subscribing for HK $3.25M in the newly-added registered capital.

Before the IPO, Kantop Investments is the sole and only corporate shareholder of

Happy F Secures RMB10M Investment from Suzhou Ruixin

Aug. 4, 2011, Shuichan.cc

Happy F, a China-based aquatic products service company, has acquired RMB10.00M in financing from Suzhou Ruixin VC Management Co., Ltd. According to Li Yueyue, General Manager of Happy F, the finance will be used to enhance the expansion of chain stores, provide training for staffs and purchase fishery-related materials. Sun Xiaolin, Chairman of Suzhou Ruixin, spoke highly of the operation mode of Happy F in the interview and augured well for the development of the company.

Upon the completion of the transaction, Ruixin will serve as a strategic investor and participate in the management of the company in the long run. According to Sun Xiaolin, Happy F's IPO has been put on the agenda, and Ruixin is fully confident on its IPO. Happy F and Jiangsu Ruixin VC Management Co., Ltd. held a press conference on the "Signing Ceremony for Capital Increase of Happy F" at Ramada Pearl Hotel Guangzhou at 10:00am on August 3.

Tudou.com Sets Issue Price Range for NASDAQ Offering

change Commission, one of China's leading online video website operators Tudou.com Inc. has determined the range of issue price at US $28.00-30.00 for NASDQA IPO. On the median price, tudou.com will raise US$162.00M.

Tudou.com is to issue 6 million ADR (Amer ican Depository Receipt), 5.57 million of which will come from tudou.com and the remaining 430,000 will come from the selling shareholder. Each ADR is convertible into four shares of Class B common stock.

According to the IPO documents, Wang Wei, CEO of tudou.com, will be the selling shareholder who will sell 1.72