



China PE Market Showed Great Enthusiasm in 2010 with 82 New Funds, 363 Investment Deals & 167 Exits

Zero2IPO Research Center

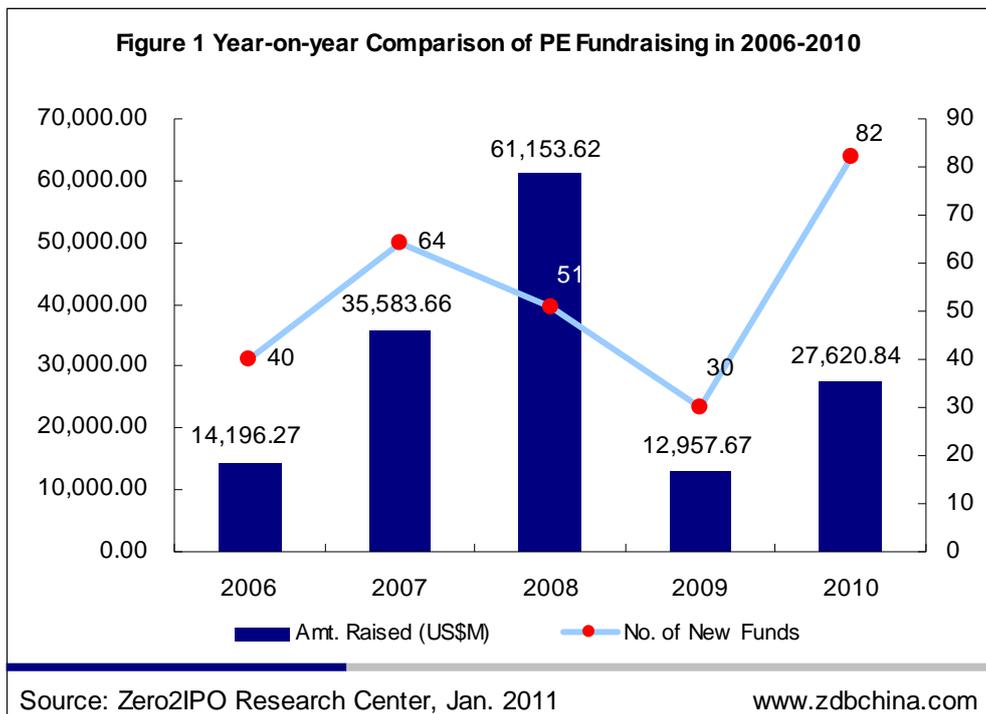
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The year 2010 can be a landmark in the development of China PE investment market to an extent, by staging a strong recovery in China market after the financial crisis in 2008 and a fundraising and investment downturn in 2009. China PE investment market hit record highs of fundraising, investment and exit deals in 2010, when 82 PE funds available for the investment in Chinese mainland completed their fundraising with total proceeds of US\$27.62B; in addition, 2010 triggered an investment fever by closing 363 investment deals and a total transaction amount of US\$10.38B; in terms of exit, 2010 saw 167 exits including 160 IPO exits, five exits via trade sale and two via M&A, outnumbering the record high of 95 exits in 2007.

Fundraising fever arose widening the gap between RMB and USD funds

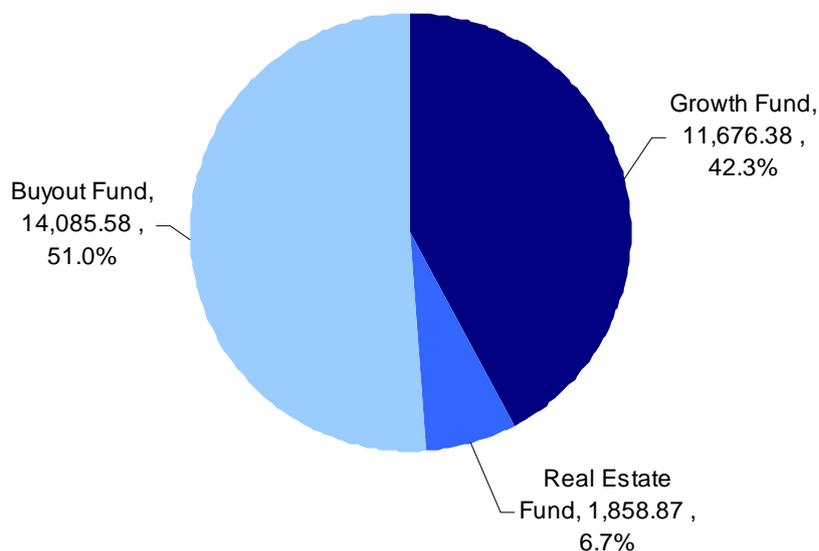
China PE market considerably picked up its fundraising enthusiasm in 2010, when 82 PE funds available for the investment in Chinese mainland successfully raised US\$27.62B in total, 2.73 and 2.13 times respectively as many as that in 2009. Zero2IPO Research Center notices that the year 2010 witnessed decreasing scale in new funds, for the funds of less than US\$200.00M accounted for 74.4% in 2010 climbing from 66.7% in 2009.

Figure 1 Year-on-year Comparison of PE Fundraising in 2006-2010



In terms of the fund type, among these 82 newly raised funds, there were 68 growth funds, ten real estate funds and four buyout funds. As to the institution type, domestic emerging investment institutions staged an upsurge in raising real estate funds in 2010, when domestic PE firms boasted up to 90.0% and 80.0% respectively in terms of number of fund and amount raised.

Figure 2 Distribution of New Funds in 2010 by Fund Type (By Amt. Raised, US\$M)

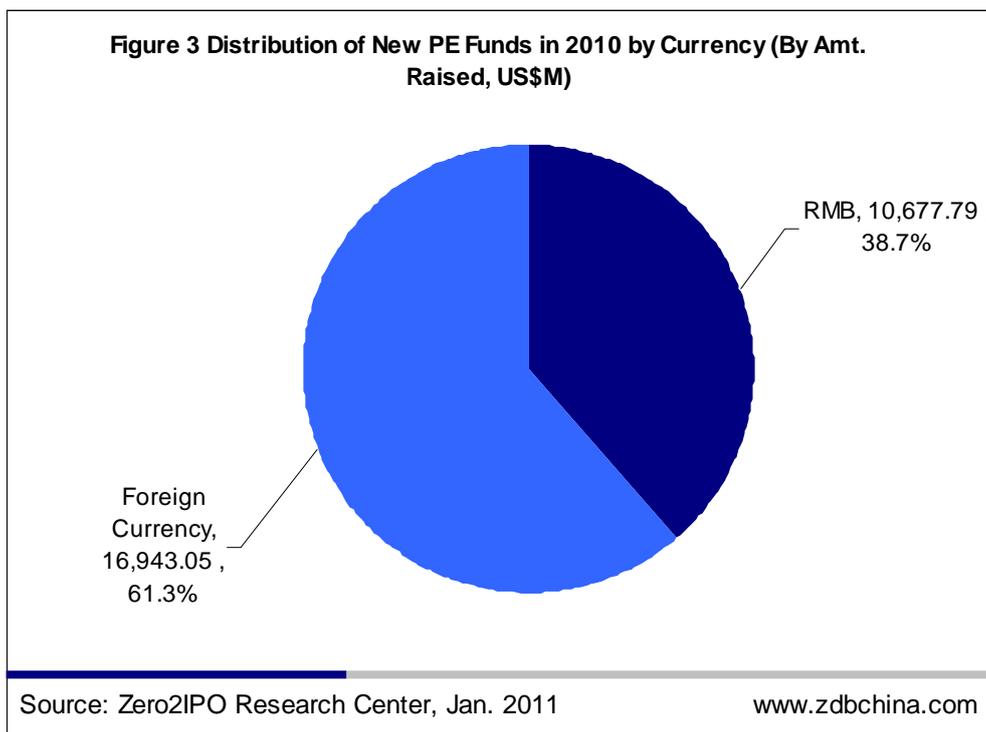


Source: Zero2IPO Research Center, Jan. 2011

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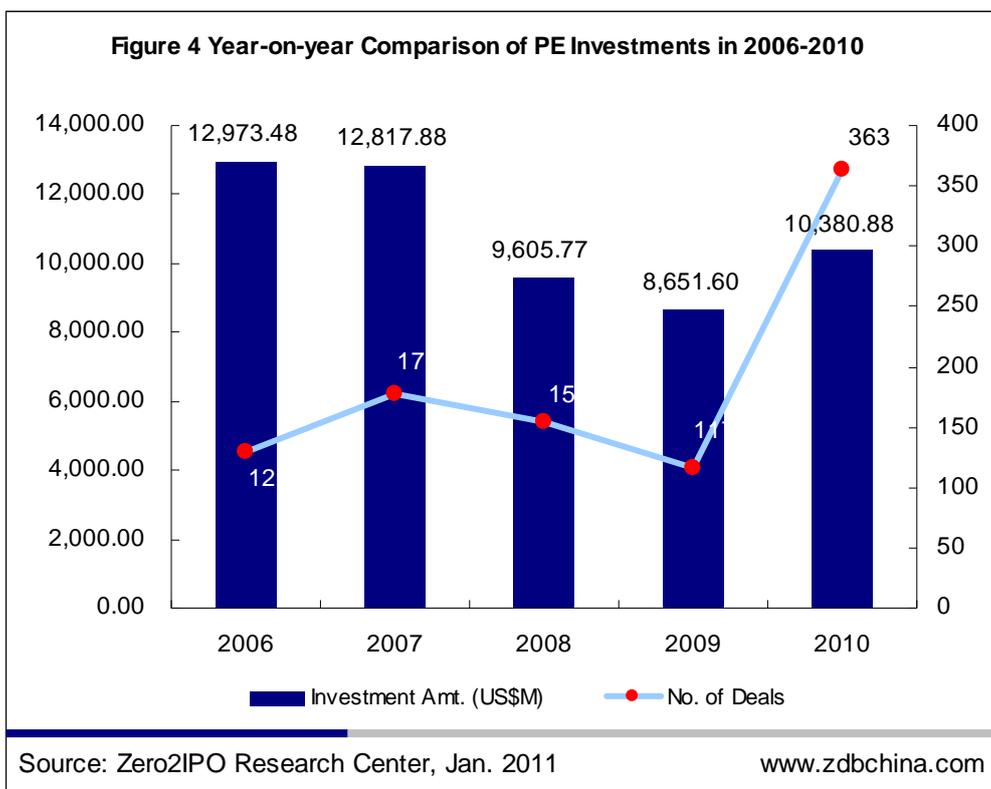
RMB funds continued to gain steam in fundraising during 2010, further outstripping foreign currency funds in terms of number of funds. Totally 71 RMB funds had completed fundraising, with an aggregate amount of US\$10.68B available. On the other hand, foreign currency funds raised only less than 20% of RMB funds in number of new funds in 2010, yet 1.59 times over RMB funds in terms of the aggregate amount.

In addition, 31 funds targeting US\$12.21B were newly launched but uncompleted in 2010, among which RMB funds accounted for 80.6% and 79.3% respectively in number and target size.



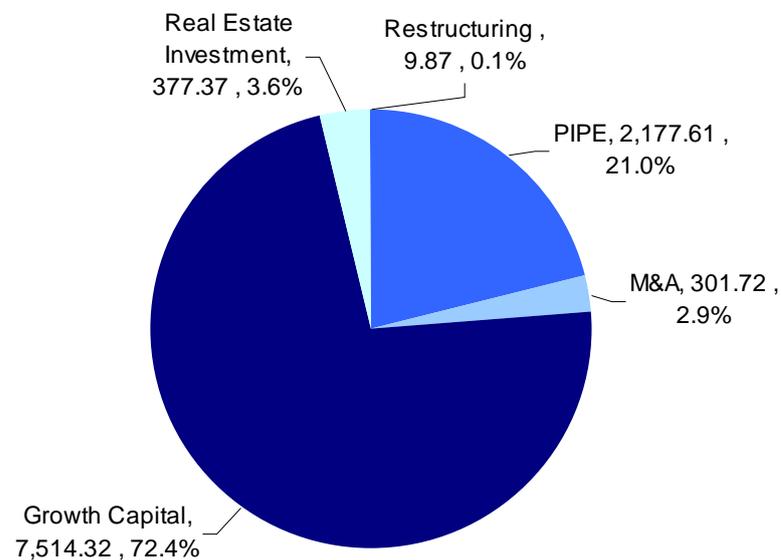
PE funds saw great enthusiasm and diversifying tendency in investment

China PE market closed 363 investment deals in 2010, with an investment amount of US\$10.38B, representing 3.1 and 1.2 times over the levels in 2009. It is noteworthy that despite the steep increase in the number of investment deals, the year 2010 witnessed a weak improvement in the investment amount, merely achieving US\$28.60M per deal on average, hitting a record low. From the perspective of the investment deals and institution type, domestic institutions generally garnered relatively small investment scale and few large-scale deals, while investment deals of over US\$200.00B were mostly completed or participated by foreign-funded institutions.



In terms of investment strategy, institutions showed more diversification in 2010, as 363 investment deals included 325 growth capital deals, 19 PIPE deals (Private Investment in Public Equity), five M&A deals, 12 real estate investment deals and two restructuring deals. As for the number of investment deals, except for M&A investment deals slightly shrinking from the level in 2009, investment deals of other strategies all witnessed improvements.

Figure 5 Distribution of PE Investments in 2010 by Strategy (By Investment Amt., US\$M)



Source: Zero2IPO Research Center, Jan. 2011

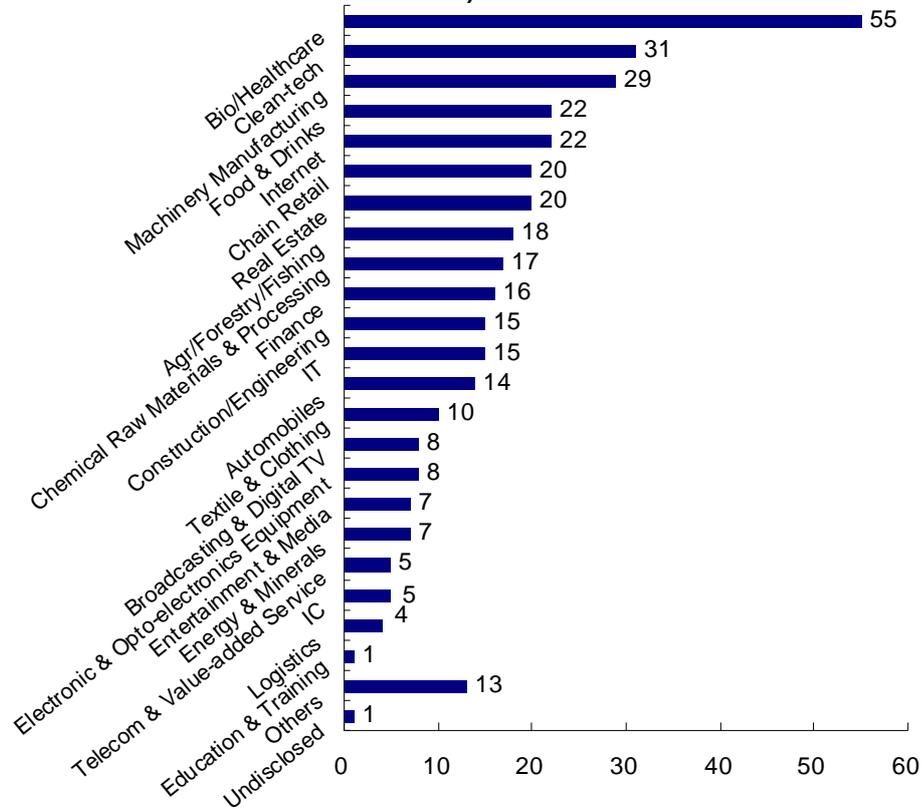
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Favorable policies led to a boom year for many industries

Many industries had benefited from the national industrial revitalization plans issued in 2010, seeing marked improvements in the ranking by the number of investment deals. To be specific, 363 investment deals in 2010 were distributed in 23 grade-1 industries, among which the bio/healthcare industry took the lead with 55 investment deals, and clean-tech, machinery manufacturing, food & drinks, chain retail and agr/forestry/fishing industries followed with remarkable improvements in attentions and activity from investment institutions. The above-mentioned data had shown that PE investment market was greatly orientated by macro-economy policies. In terms of investment amount, in spite of more investees, the bio/healthcare industry produced relatively small transaction scale. In contrast, the machinery manufacturing and Internet industries closed many large-scale PIPE and M&A deals, topping other industries with a total investment amount of US\$1.18B and US\$1.11B respectively.

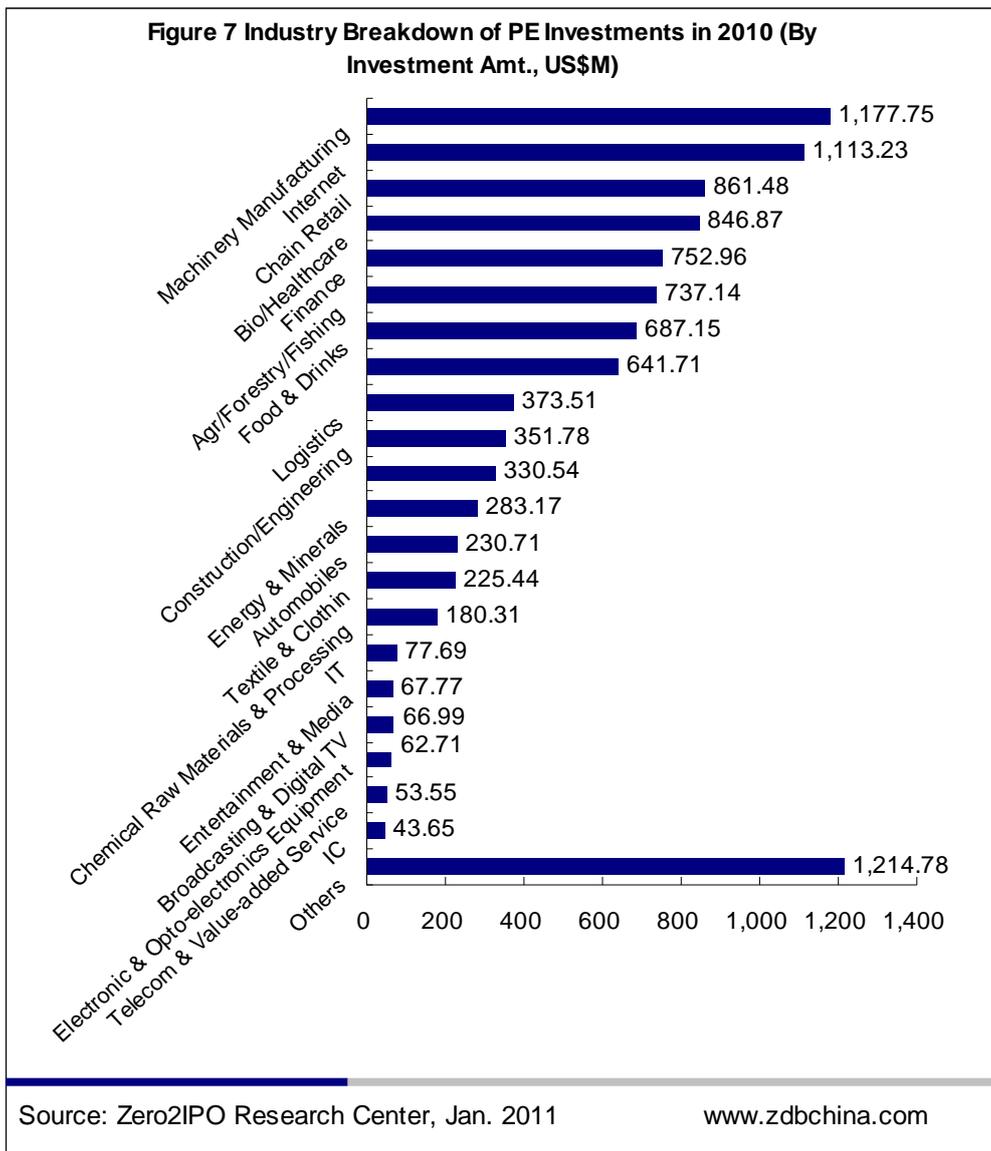


Figure 6 Industry Breakdown of PE Investments in 2010 (By No. of Deals)



Source: Zero2IPO Research Center, Jan. 2011

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In terms of the geographic breakdown, PE investments were scattered in 30 provinces

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