



China's VC Market Posted Record Highs on Fundraising, Investment & Return on IPO Exits in Jan-Nov 2010

Zero2IPO Research Center

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China's VC market boasts the historically best performance in 2010, hitting record highs on fundraising, investment and exit during January and November, as per the statistics recently released by Zero2IPO Research Center, a famous VC and PE research institution in the Greater China region.

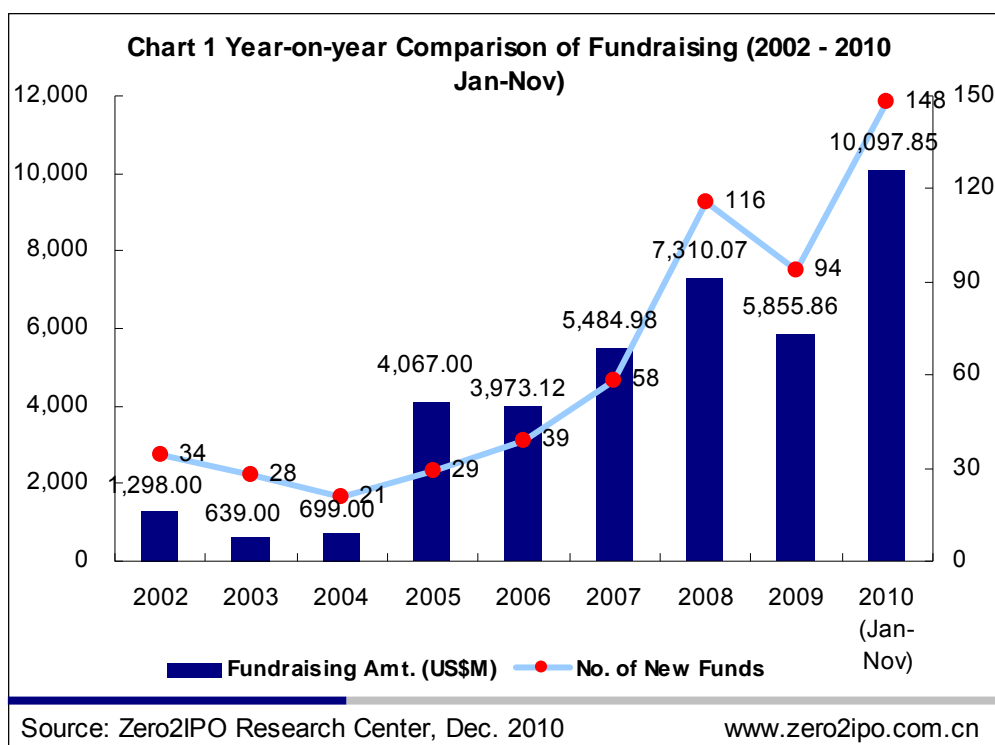
From the perspective of fundraising of newly-established funds, both the domestic and foreign VC institutions displayed an unparalleled enthusiasm. To be specific, RMB fund furthered consolidated its overwhelming position with a proportion of over 90% in the number of new funds. In terms of investment, with considerable improvement in the number and the amount, VC investment witnessed a policy-orientated and market-based industry distribution, as the Internet, clean-tech and bio/healthcare remained as the top three sectors. In reference to the exit, VC truly garnered rich return, benefiting from both the expanding domestic capital market and new wave of US-based IPOs of Chinese enterprises.

In accordance with statistics by Zero2IPO Research Center, the first 11 months of 2010 witnessed 148 newly-launched funds by domestic and foreign VC institutions, with a total newly-raised capital of US\$10.01B available for investment in Chinese Mainland. In terms of investment, the first 11 months completed 707 deals, 582 of which disclosed a total investment amount of US\$4.45B. As for exit, 331 VC-backed exits were closed in the first 11 months, including 285 exits via IPO.

China's VC market showed unparalleled enthusiasm in fundraising

From 2002 till now, experiencing increasingly remarkable surge in the number of new funds and fundraising amount, China's VC market saw unparalleled even fanatical enthusiasm in fundraising, despite overall fallback due to financial crisis in the end of 2008. As the statistics by Zero2IPO Research Center suggest, the first 11 months in 2010

registered 148 new funds and US\$10.01B raised by domestic and overseas VC institutions, which were up 57.4% and 72.4% from the full year 2009, eclipsing the historical highs in 2008 by 27.6% and 38.1%. (See Chart 1)



During recent years, with expanded Chinese LPs, completed policy environment, improved exit channels and other favorable factors, it has been clear that RMB funds will outperform USD funds. According to the statistics by Zero2IPO Research Center, 11 out of 148 new funds raised in the first 11 months in 2010 were USD dominated, accounting for just less than 10%; the other 137 were all RMB funds.

Such an enthusiasm of China's VC market in raising RMB funds in 2010 can be attributed to the following aspects:

Firstly, as China National Development and Reform Commission, the Ministry of Finance have established VC funds in succession jointly with municipal and provincial governments of Beijing, Anhui, Hunan, Jilin, etc, 14 ones among the first batch of 20 national VC funds positioned for strategic emerging industries have been publicly listed so far and nine funds were closed within this year. Furthermore, the original purpose in the

national planning has been fully manifested in such aspects as launching mode, investment direction and local features.

Then, the nationwide boom of government guide funds has substantially facilitated fundraising of RMB funds, for instance, the “red capital” Shenzhen Capital Group, which has initially setup its nationwide strategy through cooperating with guide funds, launched over ten new funds jointly with local government guide funds of Chengdu, Nanjing, Xiamen, Dalian, etc. Similarly, Cybertaut, Infinity and some other foreign-invested VC have stably expanded their funds by this means.

As for the third aspect, foreign VC institutions such as CDH, DT Capital Partners, DCM, KPCB and Vantage Point have launched and raised RMB funds in succession, expected to maintain the tendency of RMB fund raising. (See Chart 2 and Chart 3)

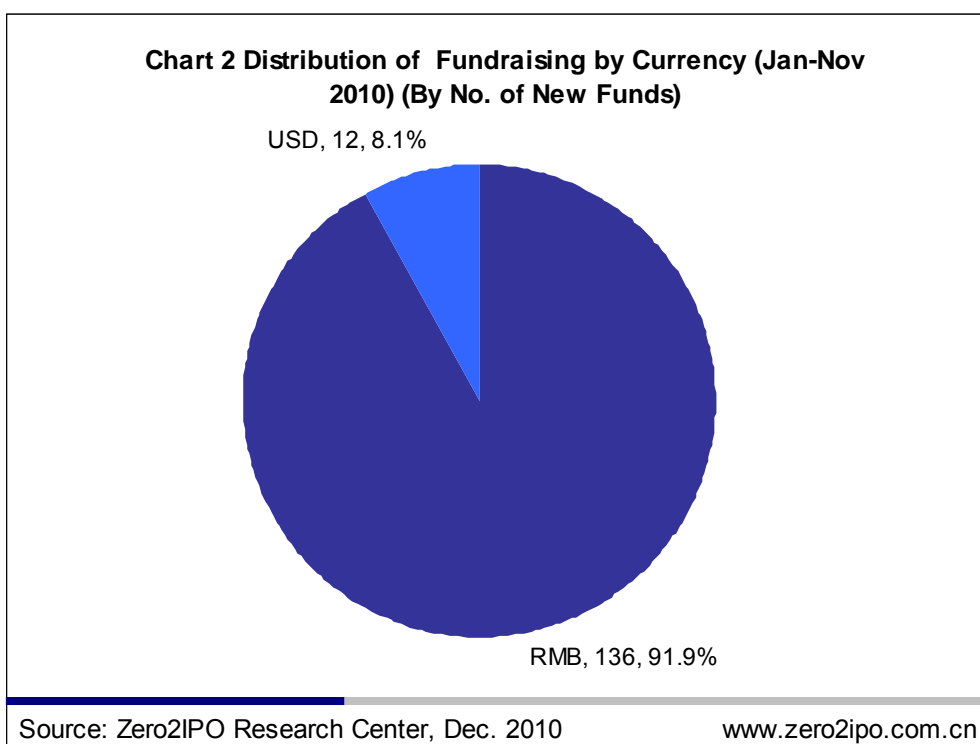
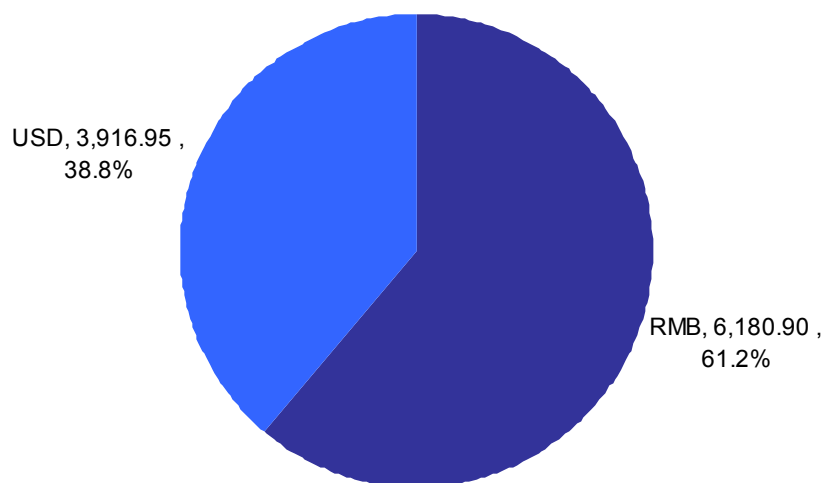


Chart 3 Distribution of Fundraising by Currency (Jan-Nov 2010) (By Fundraising Amt., US\$M)

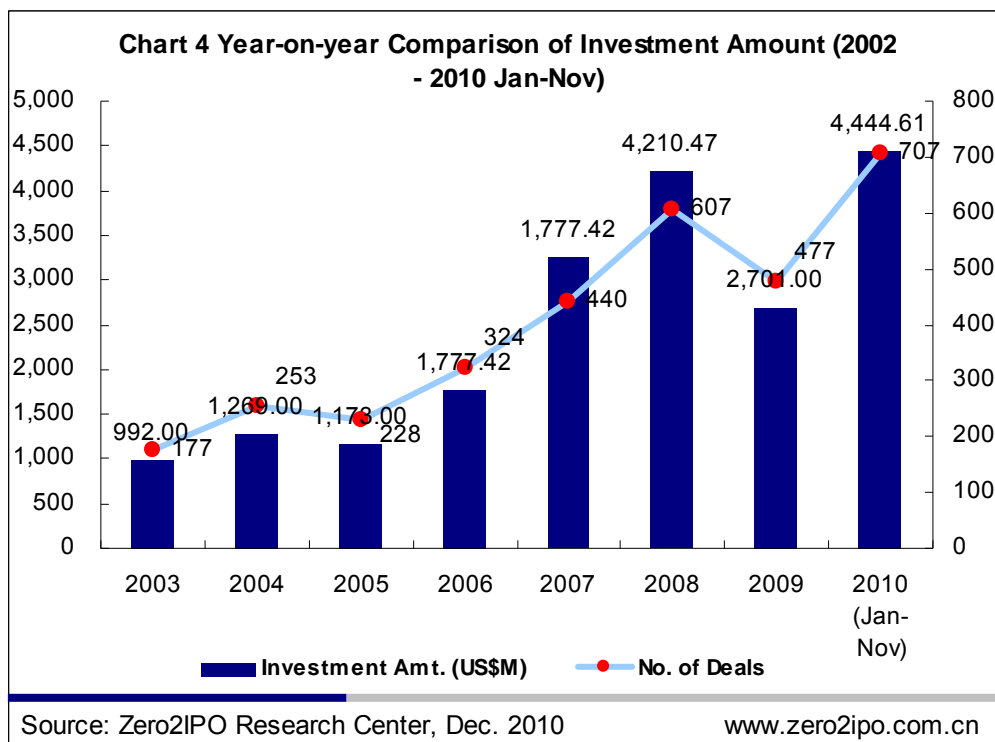


Source: Zero2IPO Research Center, Dec. 2010

www.zero2ipo.com.cn

China's VC market first posted over 700 investment deals

During the first 11 months in 2010, China's VC market closed 707 investment deals, among which 582 deals disclosed a total investment amount of US\$4.45B, not only overwhelming the 477 deals and US\$2.70B in the full year 2009, but also outperforming the 607 deals and US\$4.21B in 2008. (See Chart 4)

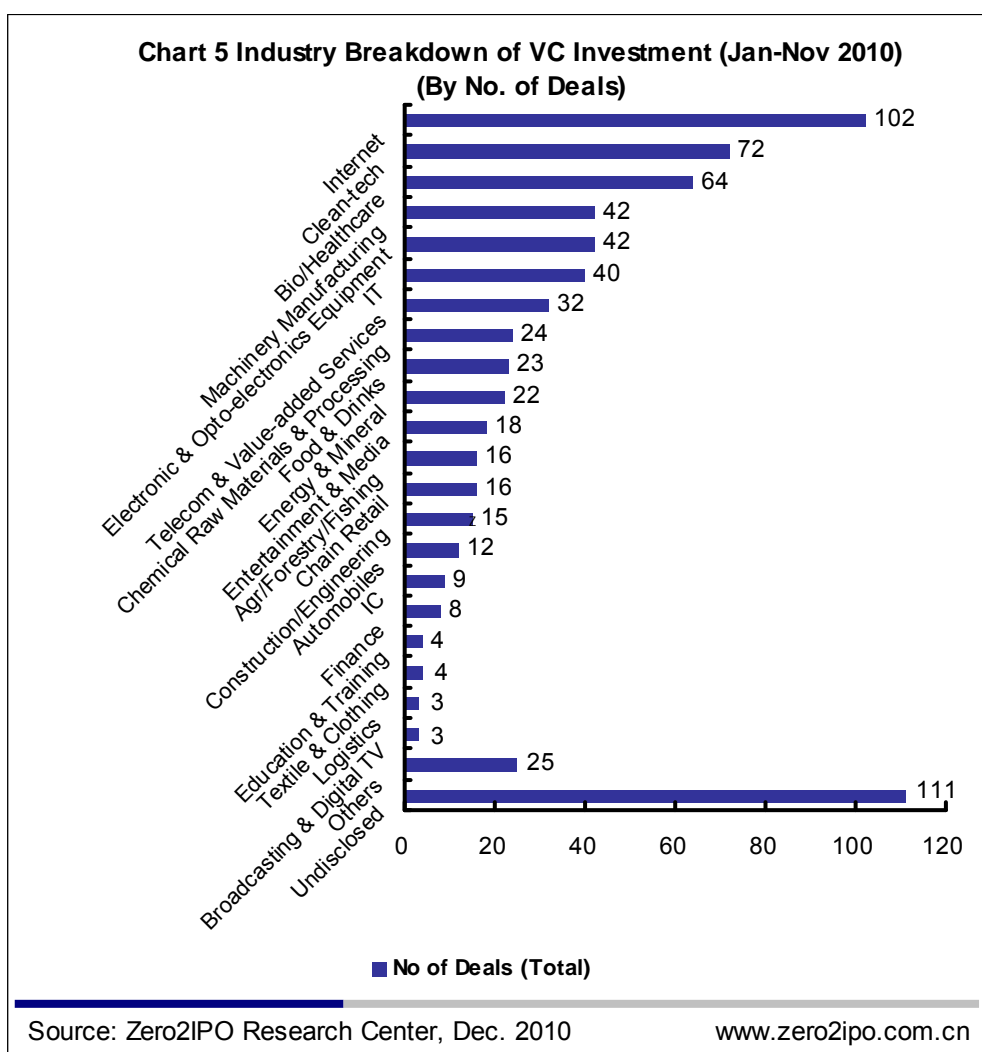


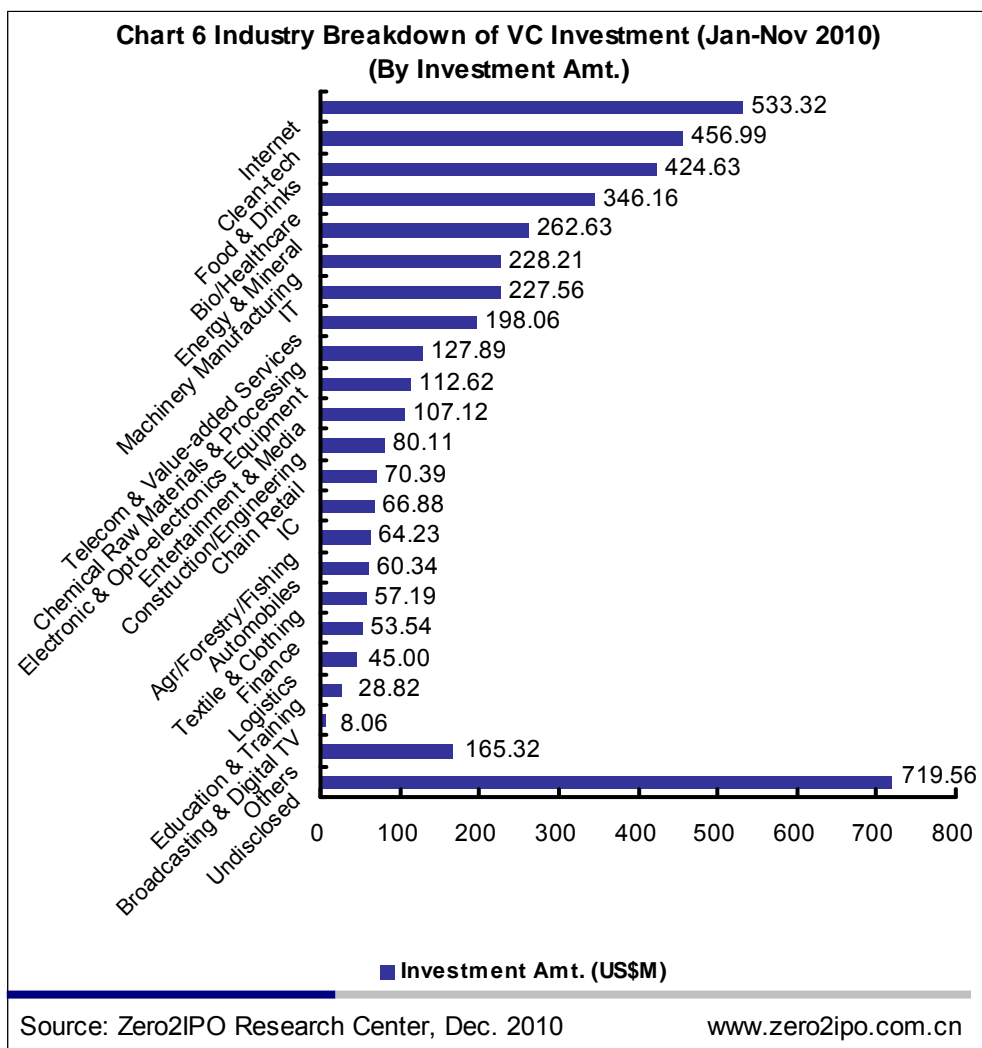
As VC investment is orientated by state policies, Internet, clean-tech and bio/healthcare remained as the top three sectors

707 investment deals closed in China's VC market during the first 11 months in 2010 were distributed in 22 grade-1 industries. Specifically, Internet, clean-tech and bio/healthcare, maintaining the top three positions, were best-received by VC investors, respectively achieving 102, 72 and 64 investment deals, and investment amount of US\$533.32M, US\$456.99M and US\$424.63M. Furthermore, in terms of investment amount, SAIF Partners closed the investment deal of the highest amount so far since 2010 by injecting HK\$2.02B for acquiring 22.98% of shares in China Huiyuan Juice Group, food & drinks therefore ranked among the top three by the investment amount. (See Chart 5 and Chart 6)

According to analysis on the investment opportunities of industries, in terms of the Internet, the *26th Statistical Report on Internet Development in China* by CNNIC showed that China has 420 million netizens by June 2010, with the Internet penetration rate climbing to 31.8%, and it is noteworthy that there are 140 million online shoppers, and e-payment, e-shopping and e-bank users surging by around 30% during the half a year, which

performed better than other Internet applications, therefore, China can foresee most promising market prospect in the coming years. In reference to the investment in the clean-tech, as the state further confirmed the investment support in the environmental protection sector at the Fifth Plenary Session of the 17th CPC Central Committee in October 2010, the investment in the field of solid waste, domestic and industrial sewage treatment is worthwhile, due to severe solid water and sewage issue in China. Lastly, as for the bio/health industry, due to tremendous market base, as well as long-standing national economic growth, aging of population, urbanization drive, new drug R&D and consumption upgrade, China's bio/health sector would definitely deliver the golden development in upcoming years.





In terms of the investment scale, small-scale investment has gradually boosted its proportion, as RMB fund fundraising and RMB-based investment increasingly dominated China's VC market. The first 11 months in 2010 maintained the small-scale investment at

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