



ChinaVenture

投中集团

China Venture Capital and Private Equity Market Fundraising Report Q2 2008

Key Facts

A total of **US\$3.008 billion** was put over 24 new funds.

The average fund size was **US\$125 million**, decreasing by 51.6% quarter-over-quarter.

Number of newly raised **venture funds** reached 16, representing 66.7% of the total.

National Council for Social Security Fund injected US\$2 billion to CDH RMB Fund and Hony PE RMB Fund respectively.

China Greenstar Resource Utilization Investment Fund, one of the largest funds focusing on China environmental protection field, aims to raise US\$1 billion.

China Environment Industry Investment Fund launched fundraising, targeting RMB50 billion.

The number of newly raised domestic funds was **12**, surging by 100.0% quarter-over-quarter.

6 non-government guide funds were closed and private capital has gradually become a key source for domestic funds.

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1. Analysis by Fund Size

1.1 Newly Raised Funds

In Q2 2008, 24 new funds raised a total of US\$3.008 billion. This quarter's figures represented a 71.4% increase in terms of the number of funds but a 17.1% decrease in terms of amount raised quarter-over-quarter. The average fund size was only US\$125 million, decreasing by 51.6% quarter-over-quarter. This led to the increase of the number of funds and the decrease of amount raised in this quarter.

Newly Raised Funds by Quarter (Q1-Q2 2008)

Time	Fund No.	Amt. Raised (US\$M)	Average Fund Size (US\$M)
Q1 2008	14	3627.17	259.08
Q2 2008	24	3007.76	125.32
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table 1.1-1 Newly Raised Funds by Quarter (Q1-Q2 2008)

In Q2 2008, there were 9 funds that raised less than US\$20 million, tripling the number of such funds in the previous month. The number of funds surged by 200.0% quarter-over-quarter. The number of funds that raised US\$100-500 million was 6, decreasing by 25.0% quarter-over-quarter. The number of funds raised more than US\$500 million was 2, one more than that of the previous quarter. However, in Q1 2008, Blue Ridge China Partners II was closed with US\$1.45 billion, even higher than the collective amount raised by the 2 funds in Q2 2008. The average fund size of Q2 was smaller than that of Q1 mainly due to the above mentioned factors.

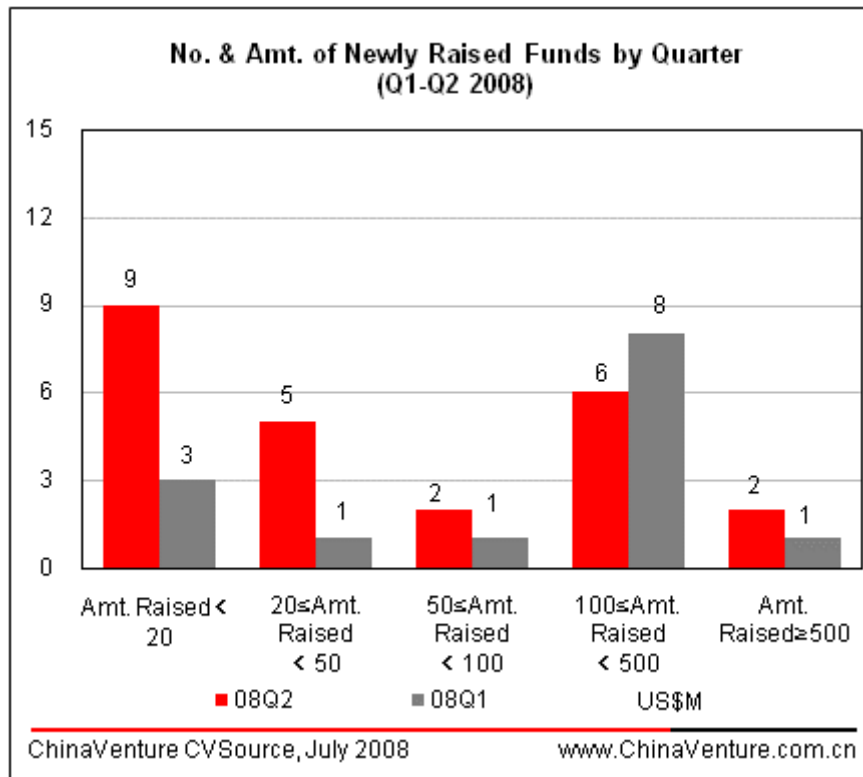


Figure 1.1-1 No. & Amt. of Newly Raised Funds by Quarter (Q1-Q2 2008)

1.2 Funds Holding First Closing

10 funds successfully completed their First Closing in Q2 2008, aiming to secure US\$6.249 million and the targeted average fund size is US\$625 million.

Out of the 10 funds at First Closing, 5 funds aim to raise US\$700-1000 million. Notably, CDH RMB Fund and Hony PE RMB Fund each aim to take in roughly US\$5000 million. National Social Security Fund injected US\$2 billion to each of the 2 funds. This is the first deal made by Social Security Fund since the fund was approved to invest in China PE market. GPE Investment Fund targets \$2 billion and will mostly invest in established firms that focused on environmental protection.

1.3 Funds Launching Fundraising

17 funds launched fundraising in Q2 2008, increasing by 30.8% quarter-over-quarter. The targeted amount reaches US\$5.997 billion, up 37.1% quarter-over-quarter and the targeted average fund size is US\$484 million.

ChinaVenture holds that the substantial increase in number of funds completing First Closing and funds launching fundraising indicates that China investment market will sustain a growth in short term and competition will become intensified with increasing

capital in the market.

Funds Launching Fundraising by Quarter (Q1-Q2 2008)

Time	Fund No.	Targeted Amt. Raise (US\$M)	Targeted Average Fund Size (US\$M)
Q1 2008	13	5997.25	461.33
Q2 2008	17	8222.72	483.69
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table 1.3-1 Funds Launching Fundraising by Quarter (Q1-Q2 2008)

2. Analysis by Fund Type

2.1 Newly Raised Funds by Type

Out of 24 new funds, venture funds were the dominant fundraiser with 16 funds raising US\$1.47 billion. The number of venture funds increased by 60.0% quarter-over-quarter. Growth funds put US\$299 million over 3 deals, basically the same number as that of the previous quarter. 2 buyout funds secured US\$1.16 billion. Meanwhile, 3 new FoFs took in US\$79.01 million. Buyout funds witnessed the largest average size of US\$580 million, far exceeding that of the others.

Newly Raised Funds by Type in Q2 2008

Type	Fund No.	Amt. Raised (US\$M)	Average Fund Size (US\$M)
Venture Fund	16	1469.84	91.87
Growth Fund	3	298.91	99.64
FoF	3	79.01	26.34
Buyout Fund	2	1160.00	580.00
Total	24	3007.76	125.32
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table 2.1-1 Newly Raised Funds by Type in Q2 2008

The leading venture fund is Dovalue Capital China Fund with RMB 1 billion. It is a RMB dominated private equity fund that established by copying the form of Limited Partnership of Tianjin Binhai New Area. The fund will focus on follow-on and pre-IPO stage companies with target turnover of about US\$100-300 million and net profit of roughly US\$10-30 million in sectors such as new energy, new materials and environmental protection.

Out of the 3 FoFs, 2 funds were foreign ones and the other 1 was domestic. Set up in April 2008, Hangzhou Venture Capital Policy Fund is financed by Hangzhou Ministry of Finance with RMB200 million. The fund will invest in early-stage high-tech companies in sectors such as e-information, biomedicine, new energy, new materials, environmental protection, knowledge-based services and efficient pesticide in Hangzhou.

A Buyout fund, Warburg Pincus Private Equity X, L.P. was closed in April 2008 and has invested in a domestic Telecom Value-added Services company. Meanwhile, CVC Capital Partners Asia Pacific III L.P. acquired stake of a Manufacturing company in May 2008.

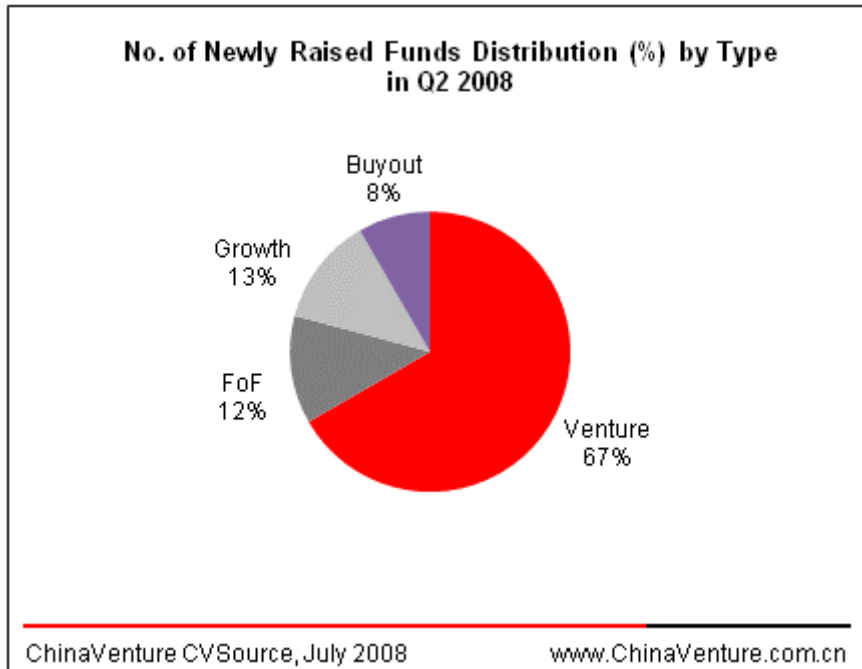


Figure2.1-1 No. of Newly Raised Funds Distribution (%) by Type in Q2 2008

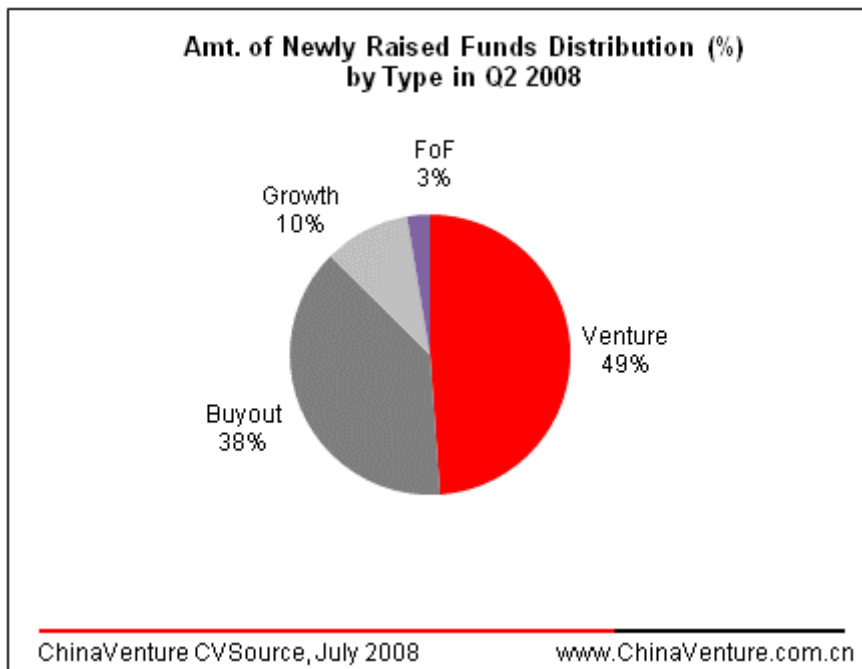


Figure2.1-2 Amt. of Newly Raised Funds Distribution (%) by Type in Q2 2008

2.2 Funds Holding First Closing by Type

4 growth funds have held First Closing, aiming to raise US\$4.468 billion, and the average fund size will be US\$1.117 billion. The targeted amount of the 4 funds is over US\$700

million for each. China Greenstar Resource Utilization Investment Fund, one of the largest funds in the world focusing on China environmental protection field, plans to secure US\$1000 million. 1 real estate fund completed First Closing. It was financed by CapitaLand Limited and CITIC Trust Co., Ltd. and is the first Yuan denominated real estate private equity fund that will invest in business parks in the mainland.

Funds Holding First Closing by Type in Q2 2008

Fund Type	Fund No.	Targeted Amt. Raised (US\$M)	Targeted Average Fund Size (US\$M)
Growth	4	4467.92	1116.98
Buyout	2	1435.84	717.92
Venture	2	103.08	51.54
FoF	1	170.00	170.00
Real Estate	1	71.79	71.79
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table 2.2-1 Funds Holding First Closing by Type in Q2 2008

2.3 Funds Launching Fundraising by Type

Out of the 17 funds launching fundraising, 14 funds were venture funds, accounting for 82.4% of total number. 1 growth fund, 1 FoF and 1 Real Estate fund launched fundraising. Notably, growth funds witnessed the most capital, higher than the combined targeted amount raised by 14 venture funds. Financed by China General Technology (Group) Holding Co., Ltd. and China Environment Service Industry Association partnering with other 5 companies, China Environment Industry Investment Fund focuses on investing in water management, solid waste and renewable energy fields. Industrial investment is pretty concentrated. Specifically, 75% of the capital will invest in environmental projects and the other 25% will back pre-IPO companies in the environment field to accelerate development.

Funds Launching Fundraising by Type in Q2 2008

Fund Type	Fund No.	Targeted Amt. Raised (US\$M)	Targeted Average Fund Size (US\$M)
Venture	14	623.54	44.54
Growth	1	7179.18	7179.18
Real Estate	1	300.00	300.00
FoF	1	120.00	120.00
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table2.3-1 Funds Launching Fundraising by Type in Q2 2008

3. Analysis by Investor Type

3.1 Newly Raised Funds by Investor Type

RMB fundraising activity continued to grow in Q2 2008. Remarkably, the number of newly raised RMB funds was 12, surging by 100.0% and that of the foreign counterparts was 12, increasing only by 50.0%. Domestic funds raised US\$436 million, accounting for 14.5% of total amount raised and the weight increased by 5.2 quarter-over-quarter. US\$2.571 billion was secured by overseas funds, representing 85.5% of total capital (Table3.1-1).

Despite the fact that both domestic and foreign funds witnessed the same number, the average size of foreign funds is larger than that of the domestic ones. In all, foreign funds still dominates the market. Specifically, 11 funds of the 12 RMB funds witnessed newly raised capital of less than US\$100 million, representing 91.7% of total number of RMB funds. Only 1 RMB fund raised US\$100-500 million. In contrast, the number of foreign funds raising less than US\$100 million was 5 while another 5 foreign funds each secured US\$100-500 million and the number of foreign funds securing over US\$500 million was 2 (Figure3.1-1).

Notably, among the 12 RMB funds, 6 LPs were private wealth distributed in Zhejiang, Shanghai, Shenzhen and Beijing. Private wealth of Zhejiang financed 2 funds. Zhejiang Zheshang Haipeng Venture Capital L.P. raised RMB150 million, focusing on investing in pre-IPO companies. Zheshang Lanshi Venture Capital Co., Ltd., is financed by Zhejiang Sino Wisdom Investment Co., Ltd. and Zhejiang Zheshang Media Com., Ltd. with RMB350 million.

Private wealth has become a key source for RMB funds and the fundraising channel in China VC and PE market has been broadened. ChinaVenture points out that private wealth has some advantages in investing pre-IPO companies. On one hand, private wealth has more government resources than foreign counterparts; On the other hand, private wealth as LP of the funds has rich managerial experiences in traditional industries.

Meanwhile, private wealth has some disadvantages: First, local investment firms could not provide investees a global strategy; secondly, private wealth could not invest in large-scale projects due to its smaller size; thirdly, domestic private wealth is lack of investment experience.

Newly Raised Funds by Investor Type in Q2 2008

	Fund No.	Amt. Raised (US\$M)	Average Fund Size (US\$M)
Foreign	12	2571.27	214.27
Domestic	12	436.49	36.37
Total	24	3007.76	125.32

ChinaVenture CVSource, July 2008 www.ChinaVenture.com.cn

Table3.1-1 Newly Raised Funds by Investor Type in Q2 2008

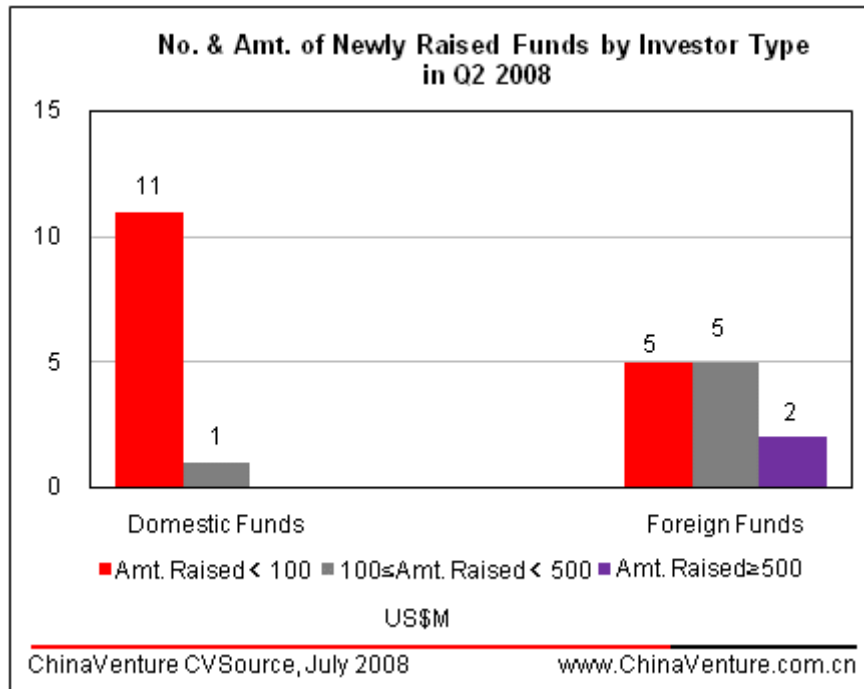


Figure3.1-1 No. & Amt. of Newly Raised Funds by Investor Type in Q2 2008

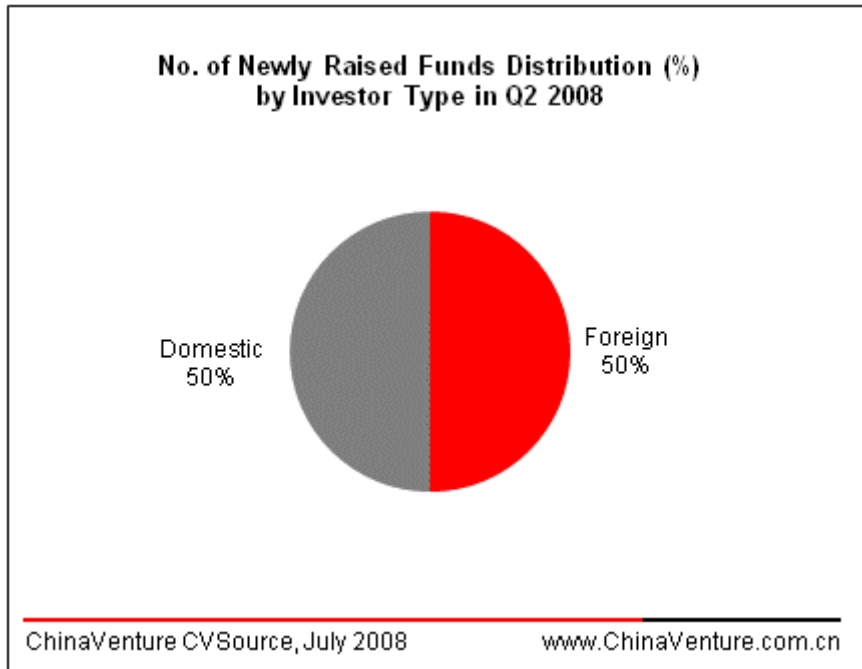


Figure3.1-2 No. of Newly Raised Funds Distribution (%) by Investor Type in Q2 2008

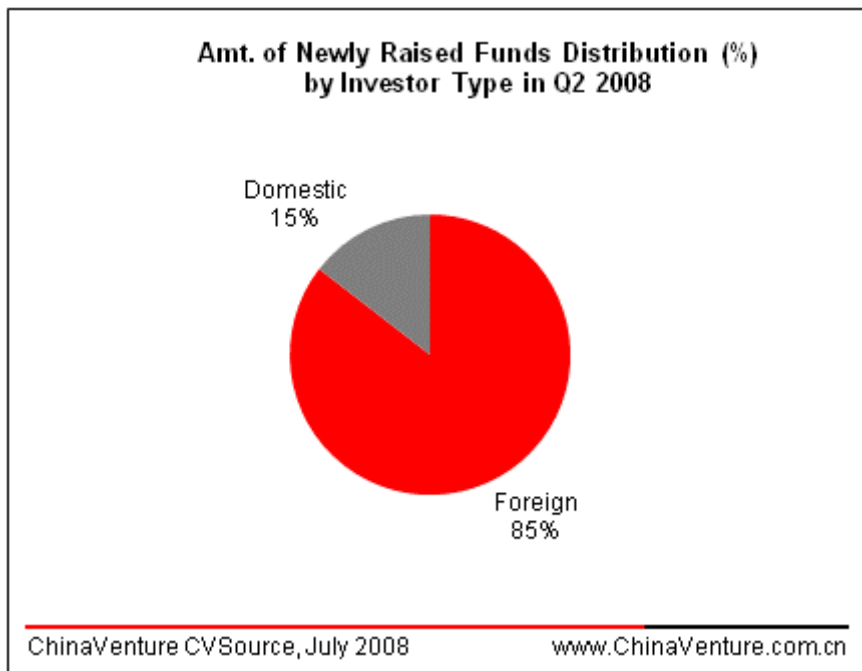


Figure3.1-3 Amt. of Newly Raised Funds Distribution (%) by Investor Type in Q2 2008

3.2 Funds Holding First Closing by Investor Type

5 RMB funds has held First Closing, aiming to secure US\$2.269 billion and 5 foreign ones successfully completed First Closing, planning to raise US\$3.98 billion. CDH PE RMB

Fund, Hony PE RMB Fund and Overseas Chinese Investment Fund each aim to raise as much as RMB5000 million, which uplifting the target average size of RMB funds to US\$454 million.

Funds Holding First Closing by Investor Type in Q2 2008

	Fund No.	Targeted Amt. Raised (US\$M)	Targeted Average Fund Size (US\$M)
Foreign	5	3980.00	796.00
Domestic	5	2268.62	453.72
Total	10	6248.62	624.86
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table3.2-1 Funds Holding First Closing by Investor Type in Q2 2008

3.3 Funds Launching Fundraising by Investor Type

The number of RMB funds launching fundraising far exceeded that of the foreign ones in Q2 2008. Specifically, 12 RMB funds and 5 foreign ones launched fundraising. RMB funds target US\$7.656 billion and foreign counterparts aim to raise only US\$567 million. China Environment Industry Investment Fund aims to raise RMB50 billion, leading to a much larger size of domestic funds than that of foreign ones.

ChinaVenture holds that domestic funds will be more active as China's capital market system is improved and both sources and exit options of LPs are diversified.

Funds Launching Fundraising by Investor Type in Q2 2008

	Fund No.	Targeted Amt. Raised (US\$M)	Targeted Average Fund Size (US\$M)
Foreign	5	566.84	113.37
Domestic	12	7655.88	637.99
Total	17	8222.72	483.69
ChinaVenture CVSource, July 2008		www.ChinaVenture.com.cn	

Table3.3-1 Funds Launching Fundraising by Investor Type in Q2 2008

4. About CVSource

Developed by ChinaVenture, CVSource is an online database on China venture capital and private equity industry. The development of CVSource lasted two years and it was officially released to public in January 2008. Focusing on China equity market, CVSource covers the entire value chain of China venture capital and private equity industry like detailed data and information on LPs, funds, investment firms, investment professionals and companies active in China as well as related financing, M&A and IPOs.

5. About ChinaVenture

ChinaVenture is a leading investment research and consulting firm which provides 3rd party transaction, comprehensive statistics and customized consulting to VC/PE firms, investment banks, and enterprises active in China. ChinaVenture also supports a media platform and organizes investment conferences. ChinaVenture was established in 2003 and has offices in Beijing and Shanghai.

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