



China Venture Capital and Private Equity Market Fundraising Report Q3 2008

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Statutory Findings

20 new funds raised **US\$5.069 Billion**.

Average fund size reached **US\$280 Million**, rising by 123.8% quarter on quarter.

15 Venture Funds completed fundraising, making up 75.0% of the total number of newly raised funds.

Fundraising index of funds completing the first closing and those launching fundraising plunged, slowing down the overall fundraising activities.

The number of foreign funds raised decreased quarter on quarter, making it more arduous to raise foreign funds of recent.

Amount Raised by Infrastructure Funds increased quarter on quarter, and industries that are not easily impacted by the investment period are preferred.

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1. Analysis by Fundraising Activities in China's VC & PE

Market in Q3 2008

1.1 Analysis by Fund Completing Fundraising

In Q3 2008, 20 new funds raised US\$5.069 Billion in China's venture capital and private equity market, representing a 16.7% decrease in number of funds while an increase of 86.5% in amount raised quarter on quarter is observed. The average fund size reached US\$280 Million, rising by 123.8% quarter on quarter. HOPU USD Master Fund I and Hony Capital Fund 2008 completed fundraising, each raised US\$2.5 Billion and US\$1.398 Billion respectively, uplifting the overall amount raised (Figure1.1.-1).

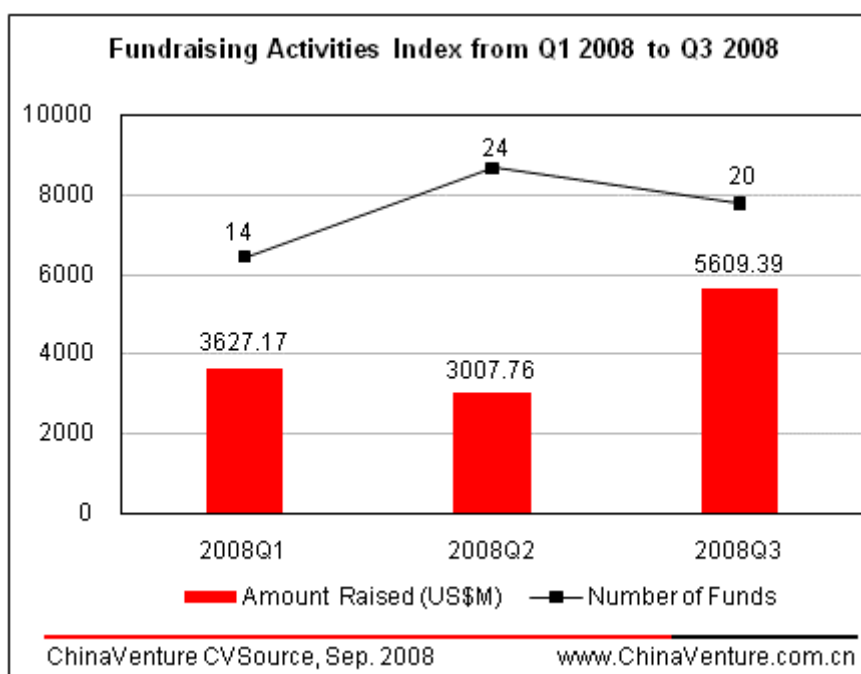


Figure1.1-1 Fundraising Activities Index from Q1 2008 to Q3 2008

A total of 3 funds raised US\$20-50 Million, stating a significant decrease quarter on quarter. This quarter witnessed a decrease in the number of fundraisers which secured US\$20 Million and below, and those which raised between US\$100-500 Million (Figure1.1-2).

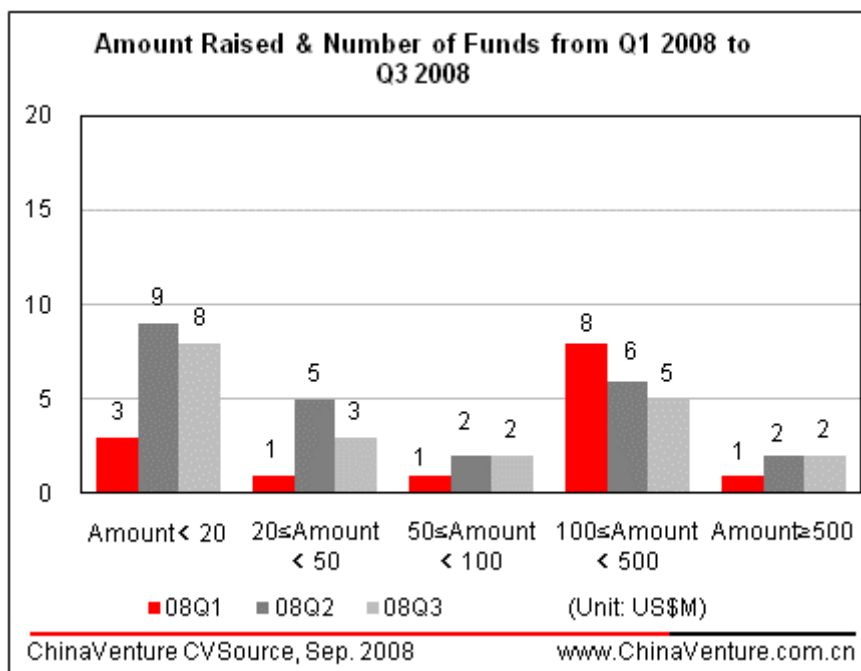


Figure1.1-2 Amount Raised & Number of Funds from Q1 2008 to Q3 2008

1.2 Analysis by Fund Completing First Closing

In Q3 2008, 12 funds completed first closing representing a 20.0% increment in the number of funds with an aggregate of US\$1.531 Billion representing a 75.5% decrease in the amount raised quarter on quarter. Average amount raised was US\$128 Million (Table1.2-1). Clean Water Asia Long Only Fund completed first closing meant for investments in water treatment field in Asia. Dovalue Capital China Fund secured RMB150 Million at first closing. The proceed will be used for investments in growth or maturity stage enterprises with an expected yearly turnover between RMB100-300 Million in Resources, New Energy, New Materials and Environment Protection sectors.

Fund Completing First Closing from Q2 2008 to Q3 2008

Period	Number of Funds	Amount Raised (US\$M)	Average Fund Size (US\$M)
Q2 2008	10	6248.62	624.86
Q3 2008	12	1531.33	127.61
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table1.2-1 Fund Completing First Closing Q2 2008 to Q3 2008

1.3 Analysis by Fund Launching Fundraising

In Q3 2008, 17 funds were launched, aiming to secure US\$4.821 Billion. Last quarter saw the same number of fundraisers targeting US\$284 Million, with a 41.4% decrease in target amount quarter on quarter (Table1.3-1).

Impacted by the global financial crisis, fundraising index of funds completing the first closing and those launching fundraising plunged in Q3 2008. ChinaVenture holds the view that fundraising activities would slow down in Q4 2008.

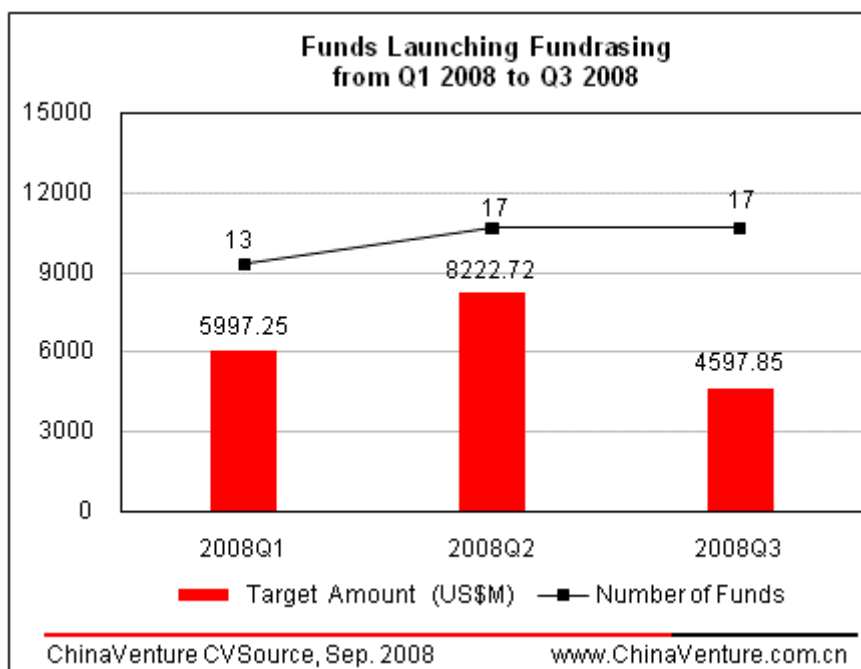


Figure1.3-1 Funds Launching Fundraising from Q1 2008 to Q3 2008

2. Analysis by Fund Type in China's VC & PE Market in Q3 2008

2.1 Newly Raised Funds by Type

Out of the 20 newly raised funds, Venture funds were the dominant fundraiser with 15 funds raising US\$1.117 Billion. Last quarter saw the same number of Venture funds. 2 Growth funds secured US\$2.75 Billion, decreasing by 33.3% in number of funds, while seeing a significant increment in amount raised quarter on quarter. 1 Buyout fund garnered US\$1.398 Billion. This quarter witnessed 1 Fund of Fund and 2 Real Estate funds (Table2.1-1).

Newly Raised Funds by Type in Q3 2008

Fund Type	No. of Funds	Amount Raised (US\$M)	Average Fund Size (US\$M)
Venture	15	1117.53	74.50
Growth	2	2750.00	1375.00
FOF	1	43.87	43.87
Buyout	1	1398.00	1398.00
Real Estate	1	300.00	300.00
Total	20	5609.39	280.47
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table2.1-1 Newly Raised Funds by Type in Q3 2008

HOPU USD Master Fund I had successfully completed fundraising, securing US\$2.5 Billion; with US\$500 Million surplus above its initial targeted amount. Its LPs include many investment firms such as Temasek Holdings Pte, Goldman Sachs and Canada Pension Plan. Notably, Temasek Holdings Pte had injected US\$800 Million making up 32.0% of the total amount raised.

China F&B Venture Investments L.P. was established by Taiwan Uni-President Group, Singapore United Overseas Bank Limited and SIP Venture Capital Fund of Funds focusing on the Food & Beverage sector.

Hony Capital Fund 2008 completed fundraising, raised US\$1.398 Billion in Q3 2008. Hony was involved in 2 investments; one of which is assisting Changsha Zoomlion Heavy Industry Science & Technology Development to acquire CIFA, a leading company

specializing in construction equipment & machinery.

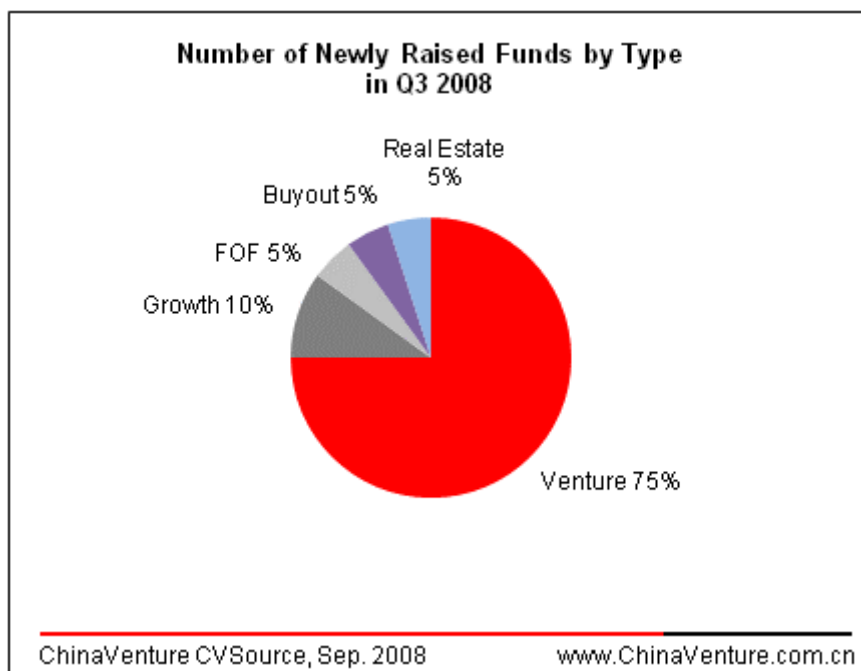


Figure2.1-1 Number of Newly Raised Funds by Type in Q3 2008

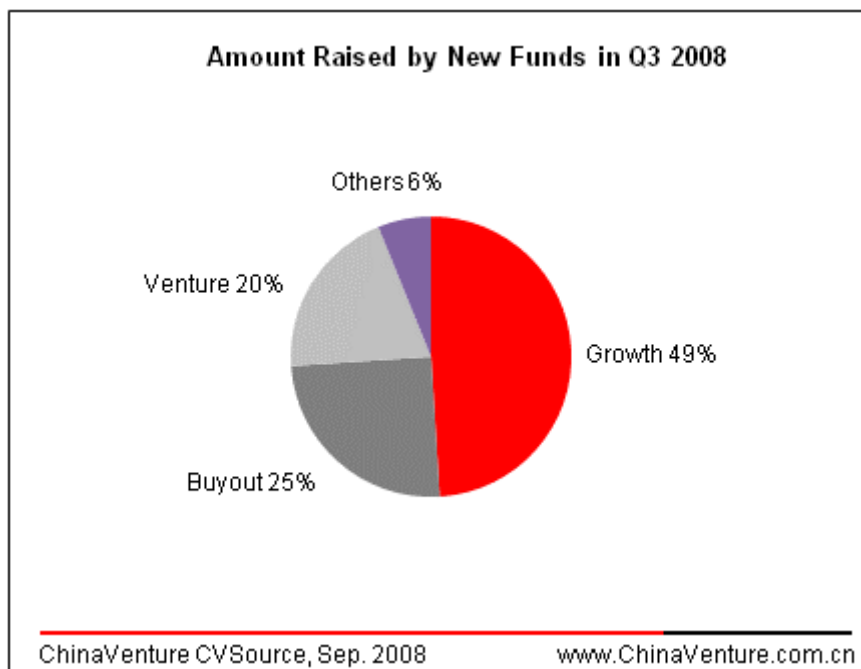


Figure2.1-2 Amount Raised by New Funds in Q3 2008

2.2 Funds Completing First Closing by Type

In Q3 2008, 6 Venture funds secured US\$450 Million, making up 50% of the total number

of funds completing first closing. The average fund size was US\$75.04 Million (Table2.2-1). JPMorgan Asian Infrastructure & Related Resources Opportunity Fund secured US\$500 Million at first closing with targeted IRR of 19.0%, aiming to invest in the infrastructure field in China, India and other Southeast countries.

The Infrastructure fund features long investment period and relatively stable returns, and is not vulnerable to the impact of the economic environment. Under current economic situation, LPs prefer to invest in industries that are not easily impacted by the investment period to guarantee returns.

Funds Completing First Closing by Type in Q3 2008

Fund Type	Number of Funds	Amount Raised (US\$M)	Average Fund Size (US\$M)
Venture	6	450.23	75.04
Growth	3	909.74	303.25
Infrastructure	2	127.50	63.75
FOF	1	43.87	43.87
Total	12	1531.33	127.61
ChinaVenture CVSource, Sep. 2008			www.ChinaVenture.com.cn

Table2.2-1 Funds Completing First Closing by Type in Q3 2008

2.3 Funds Launching Fundraising by Type

Q3 2008 witnessed 6 Venture funds and 6 Growth funds launched fundraising as well as 2 Real Estate funds (Table2.3-1). The Real Estate fund took the lead by the targeted amount raised, exceeding the aggregate amount of the other 15 funds. Morgan Stanley Real Estate Fund VII Global aims to secure US\$10 Billion of which US\$1.5 Billion will be invested in China. China's real estate market has cooled down in 2008; however, Morgan Stanley and some other investment firms have not ceased piping in investments into China. Agile Property has gained investment, which indicates investment firms still favor China's real estate market for a long term.

Funds Launching Fundraising by Type in Q3 2008

Fund Type	Number of Funds	Target Amount (US\$M)	Average Target Amount (US\$M)
Growth	6	330.67	55.11
Venture	6	916.22	152.70
Real Estate	2	2500.00	1250.00
Buyout	1	731.09	731.09
FOF	1	43.87	43.87
Mezzanine	1	300.00	300.00
Total	17	4821.85	283.64
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table2.3-1 Funds Launching Fundraising by Type in Q3 2008

3. Analysis of Fundraising Activities by Investor Type in Q3 2008

3.1 Funds Completing Fundraising by Investor Type

Local investor forms the highest number, investing in the fundraising effort conducted by domestic funds in Q3 2008. 12 domestic funds completed fundraising, a decrement by 50.0% quarter on quarter. This quarter sees 2 Sino-foreign funds newly raised. In terms of amount raised, Chinese funds secured US\$396 Million, making up 7.1% of the total amount. Foreign funds raised US\$4.293 Billion, accounting for 87.8% of the total. Sino-foreign funds garnered US\$290 Million (Table3.1-1). With China Development Bank as one of its LPs, Pudong Growth-Oriented SME Venture Investment Fund was set up with registered capital of US\$200 Million focused on investing in growth stage SMEs. China Development Bank has invested in many government-aided funds such as Tianjin Binhai New Area Venture Capital Fund of Funds and SIP Venture Capital Fund of Funds. China Development Bank has been instrumental in promoting the development of China's venture capital and private equity market.

Out of the 12 Chinese funds completing fundraising, the majority secured US\$100 Million and below. The trend of foreign funds favouring investment in China has not been changed; however, it is not as easy to raise foreign funds as of recent (Figure3.1-2).

Funds Completing Fundraising by Investor Type in Q3 2008

Investor Type	Number of Funds	Amount Raised (US\$M)	Average Fund Size (US\$M)
Chinese	12	396.25	33.02
Foreign	6	4923.00	820.50
Sino-foreign	2	290.14	145.07
Total	20	5609.39	280.47
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table3.1-1 Funds Completing Fundraising by Investor Type in Q3 2008

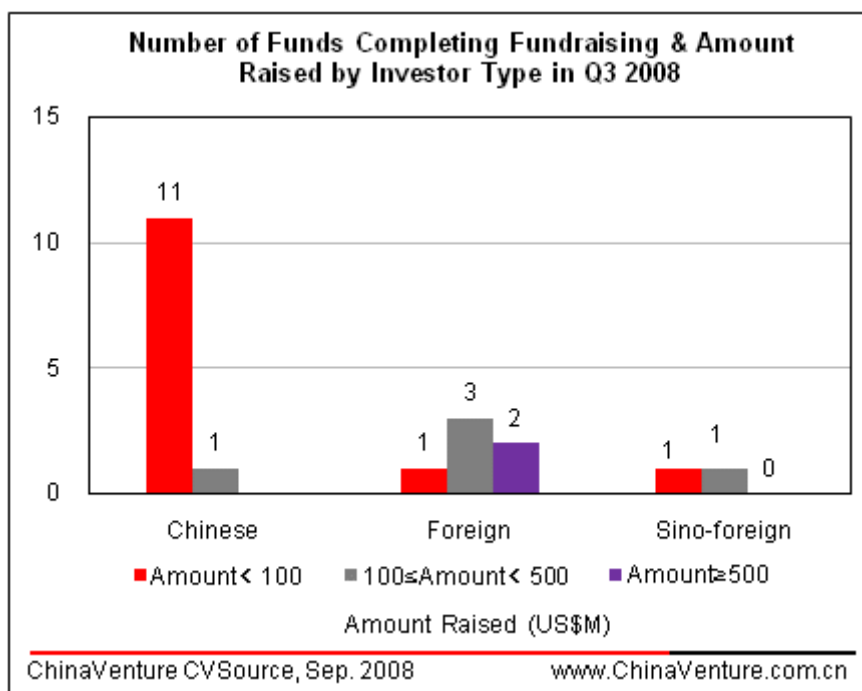


Figure3.1-1 Number of Funds Completing Fundraising & Amount Raised by Investor Type in Q3 2008

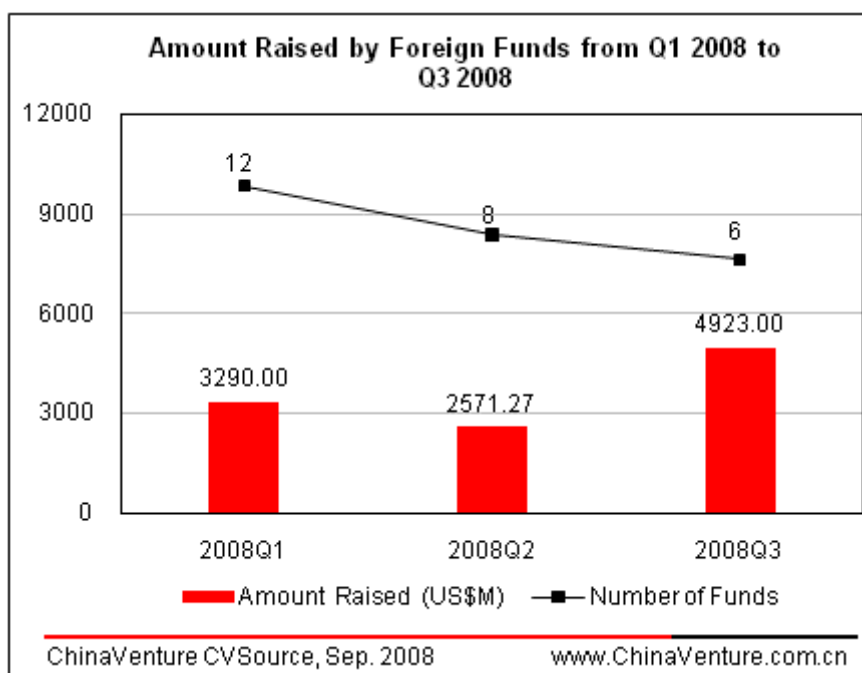


Figure3.1-2 Amount Raised by Foreign Funds from Q1 2008 to Q3 2008

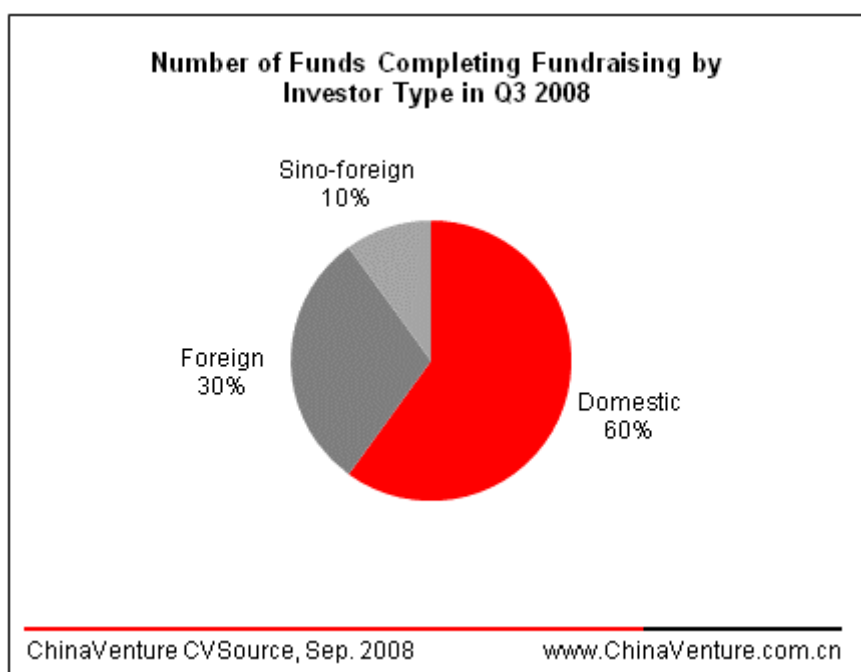


Figure3.1-3 Number of Funds Completing Fundraising by Investor Type in Q3 2008

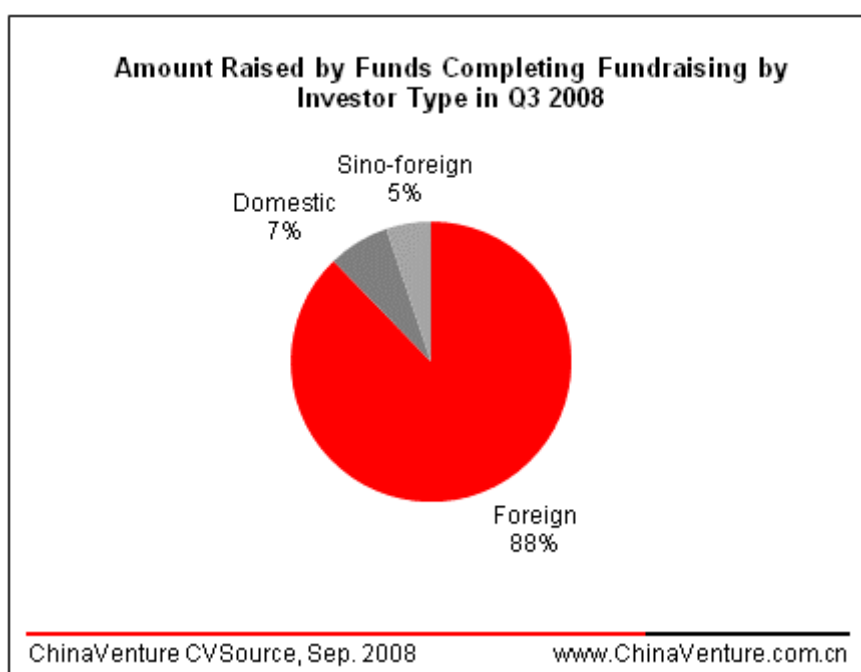


Figure3.1-4 Amount Raised by Funds Completing Fundraising by Investor Type in Q3 2008

3.2 Funds Completing First Closing by Investor Type

7 domestic funds secured US\$1.021 Billion at first closing, and 5 foreign funds raised US\$510 Million in Q3 2008 (Table3.2-1). Shanxi Energy Industry Investment Fund

garnered RMB6 Billion at first closing, making up 85.9% of the total amount raised by domestic funds.

Funds Completing First Closing by Investor Type in Q3 2008

Investor Type	Number of Funds	Amount Raised (US\$M)	Average Fund Size (US\$M)
Domestic	7	1021.33	145.90
Overseas	5	510.00	102.00
Total	12	1531.33	127.61
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table3.2-1 Funds Completing First Closing by Investor Type in Q3 2008

3.3 Funds Commencing Fundraising by Investor Type

11 domestic funds commenced fundraising, aiming to secure US\$1.252 Billion. 6 foreign funds raised US\$3.57 Billion (Table3.3-1).

Regulations will be promulgated to facilitate institutions' investments. Governments at various levels are optimistic about investment. ChinaVenture forecasts more government aided funds would enter China's venture capital and private equity market.

Funds Commencing Fundraising by Investor Type in Q3 2008

Fund Type	Number of Funds	Target Amount (US\$M)	Average Target Amount (US\$M)
Domestic	11	1251.85	113.80
Foreign	6	3570.00	595.00
Total	17	4821.85	283.64
ChinaVenture CVSource, Sep. 2008		www.ChinaVenture.com.cn	

Table3.3-1 Funds Commencing Fundraising by Investor Type in Q3 2008

4. About CVSource

Developed by ChinaVenture, CVSource is an online database on China's venture capital and private equity industry. The development of CVSource lasted two years and was officially released to public in January 2008. Focusing on China equity market, CVSource covers the entire value chain of China's venture capital and private equity industry providing 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 media platform and organizes investment conferences. ChinaVenture was established in 2003 and has offices in Beijing and Shanghai.

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