

# China Equity Investment Report, 2009-2010



Equity investment includes private equity (PE) investment and venture capital (VC) investment. In 2009, there were 542 equity investments occurred in China, including 114 PE investments and 428 VC investments; the equity investment valued US\$22.4 billion, average PE investment was US\$164 million, and average VC investment was US\$8.8 million. The remarkable 19:1 gap between average PE and VC investments mainly resulted from the fact that PE investments are often made in the enterprises that are making profits and need larger amounts of money for mergers and reorganization, while VC investments mostly are financial investments made in the enterprises that are developing or expanding their business and require smaller amounts of money. In 2009, in terms of the number of equity investments made in China, the manufacturing industry got the largest share (19%), followed by the IT, Internet, energy, and healthcare industries; in terms of the amount of equity investments, the financial industry got US\$18.36 billion, followed by the chain operation, energy, manufacturing, food and beverage industries.

From 2009 to 2010, among the equity investment companies in China, PE investment companies are mainly foreign-funded companies, while VC investment companies are generally Chinese-funded companies. The reason for foreign-funded companies holding a leading position in the PE sector is: PE investments often involve larger amounts of money, and compared with domestic companies, foreign companies have more solid financial strength. Famous PE investment companies include The Carlyle Group, The Goldman Sachs Group, Inc., and CDH Investments. The reason for Chinese-funded companies holding a leading position in the VC sector is: domestic equity funds were encouraged by the launch of GEM, while foreign companies were relatively cautious in venture capital activities due to the financial crisis. Active VC investment companies in 2009 included Shenzhen Capital Group, Legend Capital and Shenzhen Fortune Venture Capital Company Limited.

Shenzhen Fortune Venture Capital (Fortune VC) was established on April 19, 2000. Now, it manages seven funds, and is entrusted to manage the fund of nearly RMB3 billion. By June 3, 2010, Fortune VC had invested in over 70 SMEs , 11 of which went public successfully, including COSHIP Electronics, Talkweb Information System, Joint-Wit Medical & Pharmaceutical, Fujian Sunner Development, EVE Energy, Aier Eye Hospital Group, ChinaNetCenter, BlueFocus Communication , Sumavision Technologies, H&T Intelligent Control, and Kingold Jewelry (NASDAQ-listed). The eleven enterprises plus the Xi'an Dagang Road Machinery that was approved the listing by China Securities Regulatory Commission on May 28, 2010, are expected to deliver at least a 15x ROI on average.

### Investments of Fortune VC, 2009-2010

Date	Enterprise	Value (US\$M)
April 20, 2010	Juxing Building Materials	10.25
April 19, 2010	Biote	N/A
April 19, 2010	Shenzhen Champion Connection	N/A
April 16, 2010	Sichuan Xunyou Network Technology	14.64
April 9, 2010	Gvitech Technologies	8.78
April 1, 2010	Kai Xing Electronic	2.2
March 31, 2010	Meidiclone	N/A
March 10, 2010	Sino Data	N/A
December 29, 2009	Sky Scenery Food	N/A
December 29, 2009	Huatu Education	29.28
December 28, 2009	Tian Hua Bo Shi Electric	N/A
November 18, 2009	Job36	N/A
November 5, 2009	Gpcsoft	2.93
September 1, 2009	Chenguang Biotech	6.59
August 28, 2009	New Auto	N/A
August 21, 2009	Hunan Yuyuan Biotech	N/A
August 19, 2009	Shang Pin Zhai Pei	10.25
July 29, 2009	Hunan Publishing Investment Holding Group	66.6
June 30, 2009	315.com.cn	14.64
June 30, 2009	Xi'an Dagang Road Machinery	3.8
June 19, 2009	Hantele	2.2
April 24, 2009	Sunbird Yacht	4.54
April 24, 2009	Bosscos	N/A
April 1, 2009	TJ Innova Engineering &	7.32
January 4, 2009	iPanel	37.35

Source: ResearchInChina

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