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About 20% Companies Applying ChiNext Listing Fail to Pass Review

>>P2

Hot News

D.cn Receives US$12M from Qiming Venture Partners >>P8

About 20% Companies Applying ChiNext Listing Fail to Pass Review

Written by Roc Zhao, Zero2IPO Research Center

It has been almost one year since the launch of ChiNext which is a landmark of China capital market. During this period, the ChiNext grew and expanded rapidly, the investment market has also gradually stepped into maturity and rationality from the crazy pursuing at the time of board opening. Till September 29, 2010, the number of companies listed in Shenzhen ChiNext reached 123 with a total market capitalization of RMB10.9B. While among these 123 companies, 71 companies are supported by VC/PE institutions, successful IPOs also brought enviable returns to these speculative institutions.

In its early days of inception, facing the huge wealth-creation effect brought by the ChiNext which has characteristics of "three highs", i.e. high P/E ratio, high offer issue price and high oversubscription rate, it was difficult for small and medium enterprises to feel indifferent, almost all of them exerted all measures they could do and expected to be listed on the board and became one of the lucky stars of the ChiNext. However, the reality is very cruel. Till now, among 184 listing applications reviewed by issuance and review committee of the ChiNext, 36 companies did not pass the review, accounting for 19.6% of total applications. (See Table 1)

Among these companies that did not pass the review, 15 companies are supported by VC/PEs, accounting for 41.7% of the companies that did not pass the review, mainly in machinery manufacturing, IT and clean-tech industries. Because a listed company in the ChiNext needs to have characteristics of "two highs and six news", namely high growth, high technology content as well as new economy, new service, new agriculture, new material, new energy and new business mode. Therefore, whether the company can reach the above requirements becomes the important criteria for the review. The root reason for a number of companies' failure in passing the review is that their net profit and

Table 1 List of Applicants for Listings on ChiNext

Review	No. of Applicants	% of Total
Approved	145	78.8%
Fail to be approved	36	19.6%
Cancel review	2	1.1%
Uncertain	1	0.5%
Total	**184**	**100.0%**

Source: Zero2IPO Research Center

sustain able growth are not identified and qualified. For instance, Hunan Kenon Technology Co., Ltd. is a company engaged in the producing industrial explosive engineering explosive materials, because its net profit sized at RMB20M in 2009 can not ensure its future growth, it was rejected by the Issuance and Review Committee of CSRC. TJ Innova Engineering & Technology, which is engaged in the design of complete automobile vehicles and parts, was not approved, because its profit in 2008 was lower than that in 2007, which leads to unqualified financial index. Among other reasons that may cause a company can not pass the review of ChiNext, all situations such as material changes in the controlling person of the applying party, problems of registration and incorporation of the applicant, lacking of independence of the applying company, intentionally hiding information disclosure can cause the applying company's failure of listing application.

The following table is the name list of all companies supported by VC/PEs but did no pass the review of ChiNext till now. (See Table 2 and Table 3)

Table 2 List of VC / PE - backed Enterprises without Passing ChiNext Listing Review

Enterprise Name	Industry	Application Date	VC/PE Institution
Hunan Kenon Technology Co., Ltd.	Chemical Raw Materials &	2010-6-28	Beijing Zhaoxing Investment Co., Ltd.
GMG International Tendering Co., Ltd.	Others	2010-6-25	Guangdong Finance Investment
Suzhou Goldengreen Technologies Ltd.	Electronic & Opto-electronics Equipment	2010-6-11	Jiangsu Suzhou New & Hi-tech Venture Jiangsu Changshengfu Venture Capital Suzhou Industrial Park Chenrong
Shandong Tongda Island New Material Co., Ltd.	Clean-tech	2010-5-14	Sureland Capital Group Qingdao Haikerui Investment Consulting
Shining 3D Tech Co., Ltd.	Machinery Manufacturing	2010-4-23	Merill Lynch Ventures Hangzhou Tianhui
Shanghai Canature Environmental Products Co., Ltd.	Machinery Manufacturing	2010-4-16	Lute Investment
Hangzhou Zhengfang Software Co.,Ltd	IT	2010-3-31	Guangfa Xinde Investment Management
Grandhope Biotech Co., Ltd.	Bio/Healthcare	2010-3-31	Venture Star Shanghai
Shanghai Magus Technology Co., Ltd.	IT	2009-12-29	Beijing Zhongtonheda Venture Capital Shzhen Yuanyu Investment Co., Ltd. Shenzhen Hangyuanfu Venture Capital
Shenzhen Joaboa Technology Co., Ltd.	Clean-tech	2009-12-25	Shenzhen Cowin Capital Co., Ltd.
Wuhan Intime Power Technology Co., Ltd.	Clean-tech	2009-12-1	Shenzhen Capital Group Co., Ltd. Wuhan Torch Technology Investment
Anhui Suanaking Co., Ltd.	Machinery Manufacturing	2009-11-20	Kunwu Jiuding Capital Co., Ltd. Good Capital Group Jiangsu Tianshi Venture Capital Co., Ltd. Jiangsu Xingke Venture Capital Co., Ltd.
Tianjin Sainteagle Welding Co., Ltd.	Others	2009-11-17	Keruiyin Investment Tianjin Technology Venture Capital Ltd.
Shanghai QXQC Chemical Technology	Chemical Raw Materials &	2009-11-10	Shanghai Industrial Investment
TJ Innova Engineering & Technology Co., Ltd	Automobiles	2009-9-22	China Science & Merchants Venture Sino-JP Fund Co.,Ltd Shenzhen Fortune Venture Co., Ltd. Shanghai Bofeng Venture Capital Co., Shenzhen CDF-Capital Company Prelpo Capital Partners

Source: Zero2IPO Research Center

Table 3 List of Enterprises without Passing ChiNext Listing Review

Company Name	Review	Application Date	Planned Issuance Scale (10,000)
SVG Optronics Co., Ltd.	Fail to be approved	2010-9-29	1550
Sinomine Resource Exploration Co., Ltd.	Fail to be approved	2010-9-29	2200
Shenzhen Easttop Supply Chain Management Ltd.	Fail to be approved	2010-9-13	3340
Zhuhai Topsun Electronic Technology Co., Ltd.	Fail to be approved	2010-9-13	1670
Hunan Kenon Technology Co., Ltd	Fail to be approved	2010-6-28	1200
Y&J Industries Co., Ltd.	Fail to be approved	2010-6-25	2200
GMG International Tendering Co., Ltd.	Fail to be approved	2010-6-25	2000
JiangSu YuXing Film Technology Co., Ltd.	Fail to be approved	2010-6-23	1000
Suzhou Goldengreen Technologies Ltd.	Fail to be approved	2010-6-11	2000
Guizhou Gaofeng Petroleum Machinery Co., Ltd.	Fail to be approved	2010-6-4	4200
DNT Shanghai Science and Technology Co., Ltd	Fail to be approved	2010-5-17	1700
Shenzhen Maslong Information Technology Co., Ltd.	Fail to be approved	2010-5-17	1500
Shandong Tongda Island New Material Co., Ltd	Fail to be approved	2010-5-14	1110
Shanghai Kingstar Winning Sofeware Co., Ltd.	Fail to be approved	2010-4-30	1350
Shining 3D Tech Co., Ltd.	Fail to be approved	2010-4-23	1000
Beijing Jurassic Software Co., Ltd.	Fail to be approved	2010-4-20	800
Shanghai Canature Environmental Products Co., Ltd.	Fail to be approved	2010-4-16	2750
Hangzhou Zhengfang Software Co., Ltd	Fail to be approved	2010-3-31	1050
Grandhope Biotech Co., Ltd.	Fail to be approved	2010-3-31	1400
Shenzhen Kingsunsoft Technology Co., Ltd	Fail to be approved	2010-3-30	1100
Beijing Ehoo information Technology Co., Ltd.	Fail to be approved	2010-1-26	2400
Beijing Bohui Innovation Technology Co., Ltd.	Fail to be approved	2010-1-26	2560
Shanghai Magus Technology Co., Ltd.	Fail to be approved	2009-12-29	1340
Shenzhen Joaboa Technology Co., Ltd	Fail to be approved	2009-12-25	2100
Shenzhen Advanced Video Info-Tech Co., Ltd.	Fail to be approved	2009-12-25	2400
Shenzhen Hirisun Technology Incorporated	Fail to be approved	2009-12-22	1300
Sailun Co., Ltd.	Fail to be approved	2009-12-1	9800
Wuhan Intime Power Technology Co., Ltd.	Fail to be approved	2009-12-1	2800
Beijing Dawn Aerospace Bio-tech Co., Ltd.	Fail to be approved	2009-11-24	2000
Anhui Suanaking Co., Ltd.	Fail to be approved	2009-11-20	1875
Tianjin Sainteagle Welding Co., Ltd.	Fail to be approved	2009-11-17	2400
Wuhu Andhra Logistics Co., Ltd.	Fail to be approved	2009-11-13	4550
Jiangxi Hengda Hi-Tech Co., Ltd.	Fail to be approved	2009-11-13	1900
Shanghai QXQC Chemical Technology	Fail to be approved	2009-11-10	2000
TJ Innova Engineering & Technology Co., Ltd.	Fail to be approved	2009-9-22	4540
Nanjing Paneng Technology Development Co., Ltd.	Fail to be approved	2009-9-21	1450

Source: Zero2IPO Research Center

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Qualified Foreign Limited Partner - The Latest Development on Foreign Investment in RMB-denominated Private Equity Fund

Written by Steven Wei Su

In March 2010, Shanghai Municipal Government proposed a trial program ("Trial Program"), known as qualified foreign limited partner program ("QFLP"), to the central government for its approval. The Trial Program will relax current restrictions on conversion of foreign-currency capital to enable qualified foreign investors to directly invest in a RMB-denominated private equity fund ("RMB Fund"). In early October 2010, it was reported that the Trial Program has been approved "in principle" by the State Administration of Foreign Exchange ("SAFE") and other departments of the State Council. As a local policy, the Trial Program will only apply to RMB Funds established in Shanghai. However, other cities keen to foster private equity fund investment such as Beijing, Tianjin and Chongqing are also reportedly lobbying for a similar program.

The Trial Program is envisaged, on the one hand, to serve as a test of possible effect in granting foreign investors limited access to China's domestic private equity market following China adopting the system of Qualified Foreign Institutional Investors ("QFII") to allow limited foreign access to its domestic security market. On the other hand, it is intended to send an encouragement message to foreign private equity investors by tackling with a few practical problems that foreign investors will face in investing in RMB Fund.

This article focuses on current foreign exchange issues of private equity fund and the changes the Trail Program will bring in this regard.

1. Background

Through onshore structures, foreign investors are able to raise RMB for the purpose of private equity investment and manage the operation of such fund. In Beijing and Shanghai, for example, the local regulations allow foreign investors to set up onshore fund management entities to manage RMB Fund. From 1 March 2010, the effective date of the *Administrative Regulation on the Registration of Foreign Invested Partnerships*, foreign investors can organize the onshore structures in the form of foreign-invested limited partnership ("FILP") besides limited liability company.

Theoretically, foreign investors may either play the role of a general partner ("GP") or a limited partner ("LP"). In a typical structure of RMB Fund, foreign investors often act as a GP and offer fund management services. As such, it needs to contribute to the fund a percentage of its total capital. However, most foreign GPs or LPs (except those use their RMB capital to invest in a RMB Fund) will face various problems while attempting to invest directly in a RMB Fund with foreign currency capital. For example, the fund will have a problem to settle the capital into RMB. Moreover, foreign investment in a RMB Fund may convert the fund into a foreign invested fund, which will make it subject to restrictions from foreign investment industrial policies. To play down the unwanted influence, foreign investors take different approaches. In Shanghai, for example, one of the popular structures is the so-called "indirect model". As the name suggests, foreign investors establish consulting or management foreign-invested enterprises ("FIE") and use the onshore entities to invest in a RMB Fund. Some simply use the RMB settled from the registered capital of the FIE on equity investment. This practical approach may conceal the nature of the fund as foreign fund, and thus enable the investment to go around the control of China's industrial policies for foreign investment and to expedite the deals. However, it was challenged by a SAFE regulation in 2008, known as the *Circular on Relevant Operating Issues Concerning the Improvement of Administration of Payment and Settlement of Foreign Capital by Foreign-invested Enterprises* ("Circular 142").

2. Current Foreign Exchange Restrictions on Equity Investment by FIEs

Circular 142 provides that the RMB settled from registered capital of FIE shall only be used for the approved business purposes of the FIE, and unless otherwise provided in a law. It also provides that a non-investment FIEs shall not conduct equity investment within China with their registered capital settled in RMB. Circular 142 requires FIEs to provide proof on the use of the RMB when apply for foreign ex change settlement and the designated foreign exchange banks to examine the reali ty and legality of such usage. Under the *Adminis trative Regulations of Foreign Exchange*, using the RMB settled from foreign exchange for any purpose other than the approved can subject the FIEs to the penalties including a fine, confiscation of gains directly derived from the use etc.. This provision clearly prohibits FIEs with no investment business scope from conducting private equity investment with its registered capital.

Circular 142 permits FIEs approved by the Ministry of Commerce and primarily engage in investment to conduct equity investment, but requires such FIEs seek and obtain the approval from SAFE or its local counterparts when settling the investment capital in RMB. Under the PRC laws, foreign-invested venture capital enterprise ("FIVCE") is one of the investment business entities permitted to carry out private equity investment. FIVCIE is regulated by a special regulation, known as the *Administrative Provisions on Foreign Invested Venture Capital Investment Enterprises* (2003). Circular 142 permits FIVCEs to use its registered capital for equity investment purpose, but requires that each investment project be approved by SAFE. In practice, FIVCE cannot directly invest in another company from its settlement account, but must obtain prior approval on the investment project from SAFE before transferring the investment capital. SAFE's approval will focus on issues such as the investment project, the investor's qualification, approvals from other governmental agencies, the foreign exchange compliance history etc.. Only when the SAFE approval is granted, the capital can be transferred and settled in RMB by the recipient.

It should be noted that foreign-invested private equity investment management entities are not regarded as investment entities. Therefore, a management entity cannot directly engage in private equity investment with its registered capital according to Circular 142. Prima facies, a FILP with approved business scope of investment appears not falling into the restriction of Circular 142. It is, however, not explicitly provided by law if such a FILP can settle its capital into RMB without SAFE approval for the purpose of equity investment. It is likely that SAFE applies the FIVCE model to administering FILPs' private equity investment activities until any other specific rules are issued.

In summary, for the onshore structures that are not approved as investment entity, Circular 142 clearly has increased the complexity in arranging settlement of foreign exchange and the risk of noncompliance.

Although it may not dry the business through this channel, there is no doubt many investors are compelled to consider setting up onshore investment entity or use a direct foreign investment model. For the onshore structures with government-approved investment capability such as FIVCEs or investment FILP, China's current foreign exchange administration system places them in an inferior position when competing with those pure domestic funds which have no issue of foreign exchange conversion in China investment.

In China, the power of regulating foreign exchange is rested with the central government. Therefore, the local regulations or policies can do little on the foreign exchange issues concerning private equity fund. For example, the *Tentative Measures for Establishing Foreign-invested Equity Investment Management Enterprises in Pudong New District of Shanghai* issued by the government of the Pudong District of Shanghai in June 2009 do not deal with the issue of foreign exchange settlement. In the Carlyle-Fosun deal, it was reported that the contribution of Carlyle's investment from its Asia Growth Fund in the RMB Fund was "an ad hoc case". In some other high-profile deals took place in Shanghai, foreign investors simply use RMB to invest in the RMB Fund.

3. Changes may be Brought by the Trial Program

If the Trial Program is implemented, what changes will it bring to the foreign investors from foreign exchange angle? Generally speaking, it will permit the qualified foreign investors to directly invest in an onshore RMB Fund. The Trial Program broadly follows the QFII model with respect to the foreign exchange administration and will adopt a quota system. Foreign investors that meet certain qualifications can apply for a foreign exchange conversion quota. In particular, with the quota, the RMB Fund will be able to convert the capital contributed by a foreign partner in foreign currency into RMB for investment purpose, and to purchase the foreign exchange back while repatriating the capital. According to the latest report, under the Trial Program, RMB Fund will be permitted to convert foreign currency from the qualified foreign investors (GPs and LPs) into RMB at the amount of no more than US$100 mil or 50% of the aggregate size of the fund, whilst the conversion of foreign exchange from each qualified foreign GP is limited to 5% of the aggregate size of the fund. As qualifications, the Trial Program will require a qualified foreign investor, among other conditions, have its own capital of no less than US$500 mil and at least accumulative US$5 bil during a prescribed period of time. Moreover, the RMB Fund must be a fund established in Shanghai pursuant to the local rules in Shanghai.

The investors qualified under the QFLP program will be able to directly invest into RMB Funds in foreign currency. The investments from the qualified foreign investors will no longer need SAFE approval for foreign exchange conversion provided that the investments do not exceed the quota approved by SAFE. This program will afford qualified foreign investors a more convenient channel to directly participate in RMB Fund, and foreign-invested RMB Funds with significant convenience in investment.

The Trial Program may be a modest step forward. However, if it is implemented successfully and other key cities can follow suit, the whole picture of regulatory system could be changed gradually in favor of the foreign investment in RMB Fund. ■

About the author:
Steven Wei Su is a partner at Guo Lian PRC Lawyers based in Beijing. His practice focuses on private equity/venture capital funds formation and operation, merger and acquisition transactions, general corporate and commercial dispute settlement. Before joining Guo Lian PRC Lawyers, he spent ten years working with international law firms and a key regulator with the PRC government as a legal officer. If you have any comments or wish to discuss with the author on the issues mentioned in this article, please write to ssu@guolian.com.cn or call +8613552639569.

Intel Capital Leads OkBuy.com's Second-round Financing

Oct. 21, 2010, PEdaily.cn

Intel Capital, DFJ and Sequoia Capital China jointly announced on October 20 their investment of US$17M in OkBuy.com, a China-based e-business website. This was the second round of financing completed by OkBuy.com. Among the said three investors, Sequoia Capital China participated in the first round of financing of OkBuy.com.

Besides funds, the successful financing will also bring OkBuy.com wonderful operational and managerial experience from the three investors, said Lu Ming, founder of OkBuy.com.

Intel Capital's fund injected in OkBuy.com came from the Intel Capital China Technology Fund II, which was set up in 2008 to help the establishment and growth of the invested companies and push for China's native technological innovation and development of relevant industries.

D.cn Receives US$12M from Qiming Venture Partners

Oct. 20, 2010, tech.sina.com.cn, Meng Hong

D.cn (www.d.cn), a mobile game platform, received US$12M from Qiming Venture Partners recently. It is the first round of financing announced officially by d.cn since its founding. Both sides began to contact each other in the second half of last year and all funds were made available this July. In the meanwhile, d.cn also launched its Android platform game strategy.

D.cn was founded in Beijing in January, 2004. According to statistics, d.cn currently boasts 35 million mobile game users. In 2005, d.cn made the first adjustment to its strategy by shifting its focus from desktop network to mobile Internet; in 2009, d.cn returned to its original desktop network business.

This is the first time that d.cn officially announces its series A financing after receiving angle investment.

Reportedly, d.cn plans to continue to spend the funds raised on building the Android game platform.

NYPC Kopp Launched an RMB Fund of 300M

Oct. 20, 2010, PEdaily.cn, Christina Chao

David Kopp, CEO OF NYPC Kopp Fund, said on Oct. 19 that the company has registered a new RMB fund in Suzhou recently. The new fund is named Suzhou Kabei Golden Fund, aiming to raise RMB300M, and its LPs will mainly come from Suzhou.

This fund has no specific target areas to invest in, but will focus on consumer goods, healthcare, education and clean technology.

Reportedly, on Jul. 15, NYPC Kopp Fund signed a Memorandum of Understanding on cooperation with Suzhou Cheng He Guide Fund, under which the two parties decide to jointly launch an RMB fund and carry out comprehensive cooperation with Agricultural Bank of China (Suzhou Branch). David Kopp said that Suzhou Cheng He Venture Capital Company acts as the lead investor of this fund, and it has promised to contribute 10% of the total amount of the RMB fund, namely RMB30M.

ShangPharma Raises US $87M via New York IPO

Oct. 20, 2010, PEdaily.cn, Amy Chen

ShangPharma Corporation (hereinafter referred to as "ShangPharma"), a Contract Research Organization (CRO), was formally listed on the New York Stock Exchange under the stock code "SHP", raising a total of US$87M through its initial public offering.

According to its prospectus, the company plans to spend US$1.5M raised on building production facilities and laboratories in Fengxian District of Shanghai, US $17M on purchasing instruments, US$5M on expanding businesses and services, and another US$5M for operation expenditure.

Following WuXi PharmaTech (Cayman) Inc. (NYSE: WX), ShangPharma is the second domestic CRO listing on NYSE.

In 2007, Texas Pacific Group (TPG) invested US $30M in ShangPharma. Before listing,

TPG held 69.99 million ordinary shares in ShangPharma, 25.2% of the total. In this IPO, TPG will sell 32.76 million ordinary shares to the public, reducing its shares to 37.23 million, 11.1% of the total outstanding shares after this offering.

Zheshang Industrial Makes First Capital Injection to Zhejiang Huaxin

Oct. 20, 2010, Zhejiang Daily, Xie Weiqi , Fang Luyao

Zheshang Industrial Investment Fund completed its first capital investment -- a total of RMB120M injection to Zhejiang Huaxin Advanced Materials Co., Ltd. (Zhejiang Huaxin). BOCGI Zheshang Investment Fund Management Co., Ltd. has since become the formal strategic investor of Zhejiang Huaxin.

As a national high-tech enterprise, Zhejiang Huaxin is one of the largest multi-color environmental-friendly textile material manufacturers and the largest manufacturer of embroidery thread with dope dyeing technique in the world.

Zheshang Industrial Investment Fund was launched jointly by BOCGI and Zhejiang Provincial Railway Investment Group Co., Ltd. on Jul. 29 this year. In the first round fundraising, a total of RMB5B was raised. BOCGI Zheshang Investment Fund Management Co., Ltd., co-founded by BOCGI & Zhejiang Provincial Railway Investment Group, is solely responsible for the operation of the fund.

China Vogue Secures US $45M from TPG

Oct. 19, 2010, PEdaily.cn, Jane Liu

China Vogue Casualwear (China Vogue) is China's leading casual sportswear company

under which there is a famous brand --Sisulan. The Company announced on Oct. 19 that global investment company TPG organized a financial conglomerate (including Partners Group and ARC China Holdings Limited) to invest US$45M in its business.

Headquartered in Quanzhou, Fujian Province, China Vogue designs, develops, manufactures and markets stylish casual sportswear, including apparel, footwear and accessories.

Not only does the Company wholesale sportswear to distributors, but directly sells to consumers under Sisulan-branded retail outlets. Sisulan is a strong brand in second- and third-tier provinces in China.

AMT Reaps RMB50M from Fortune VC & Zheshang VC

Oct. 19, 2010, China Securities Journal

AMT, the largest "management + IT" consulting service provider in Chinese mainland, held a signing ceremony with Shenzhen Fortune VC and Zhejiang Zheshang VC in Shanghai, on which the two investors undertake to pump contribution to AMT respectively, making it the first to receive venture capital in China as a consulting service provider.

AMT obtained a total of RMB50M venture capital, with RMB30M from Fortune VC and the rest from Zhejiang Zheshang VC.

Based in Beijing, Shanghai and Guangzhou, AMT has built branch offices in more than ten cities, with business network covering all the provinces, cities and autonomous regions in China.

AMT has offered management and consulting services to 80% of Chinese enterprises on the global top 500 list and 60% of the China top 100.

Fortune VC Signs Investment Agreement with Westingarea

Oct. 19, 2010, PEdaily.cn, Siva Liu

Shenzhen Fortune Venture Capital Co., Ltd (Fortune VC) formally signed an investment agreement with Shanghai Westingarea M&E Systems Co. Limited (Westingarea) at St. Regis Hotel Shanghai on October 18.

This cooperation with Westingarea is the first investment of Fortune VC in e-commerce sector in Shanghai. Liu Zhou, chairman of Fortune VC, expressed that MRO industry in China has great potential, and the cooperation between Westingarea M&E Systems Co. Limited and Fortune Venture Capital Co., Ltd is most likely to build a leader in this field.

Companies invested by Fortune VC recently performed well in the ChiNext. Xi'an Dagang

Road Machinery Co., Ltd, which obtained investment of RMB26 million from Fortune VC, was listed in the ChiNext on August 12; Sunbird Yacht, invested RMB31 million by Shenzhen Fortune VC, was also successfully listed on the ChiNext on September 28; the case of China South Publishing & Media Group Co., Ltd., which obtained investment of RMB455 million from Fortune VC etc, was also approved by Issuance Examination Committee of the CSRC October 19.

Westingarea was established in Shanghai in May 2004 by Westingarea Technology (China) Co., Ltd., which was registered by Westingarea Group in Hong Kong China, together with relevant capitals. It provides clients in China with hundreds of thousands of MRO and LAB products, and currently has developed into an industrial product e-commerce leader in China.

Gridsum Technology Completes Series A Financing

Oct. 18, 2010, PEdaily.cn

Gridsum Technology, provider of website, video and searching analysis solutions, announced on October 18 the successful completion of its Series A financing round from Steamboat Ventures.

It is learned that, Cui Lin and Alex Hartigan of Steamboat Ventures will join Gridsum's

Board of Directors. The financial terms of the transaction were not disclosed.

Gridsum has successfully developed, optimized, and localized its technology for individual markets. The funding will accelerate the distribution of the Company's award-winning products and services in China, the United States and other major international markets.

Gridsum's online, cloud-based services help businesses effectively track, analyze and optimize their online marketing campaigns across web site, search engines and online video. In 2007, Microsoft selected Gridsum as one of the most innovative start-ups in China, through its "BizSpark One" program.

Founded in 2000, Steamboat Ventures, a venture capital firm affiliated with The Walt Disney Company, invests in early- to mid-stage, technology-focused companies that are pursuing opportunities in emerging digital media and consumer technology markets.

Lunar Capital Management Exits from Beihai BPG

Oct. 17, 2010, Jfdaily.com, Meng Qunshu

Asian Citrus Holdings Ltd. (00073.HK) recently announced to acquire 100% stake in Beihai Perfuming Garden Juice Company Limited ("Beihai BPG"), for an aggregate consideration of approximately RMB2,040 million, giving private equity investor Lunar Capital a profitable exit.

Lunar Capital bought a 12.5% stake in Beihai BPG less than a year ago and obtains an estimated return of 2.5-3 times in exit with 40% cash and 60% stake in Asian Citrus, said Derek Sulger, founder and partner of Lunar Capital.

Located in the middle and west of China, Beihai BPG belongs to traditional industry, focusing on producing juice. This investment becomes another typical case of foreign PEs to avoid eastern hot regions and enter traditional industries with a "combating high-growth sector by slow-growing industry" strategy.

Derek Sulger expressed that, the initial contact on this project was in 2007. There are three reasons for their interests in this project, firstly, Beihai BPG's juice production business has made profit for 10 years successively; secondly, the growth rate of BPG Food has been remarkably doubled; thirdly, majority of Beihai BPG's products are exported to Europe and U.S. The demand for juice in China has been evoked. Coca-Cola launched its juice business in China in 2005, proving that this market enters the initial development stage. Hence, once transferring to domestic sale, Beihai BPG can achieve tremendous growth.

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