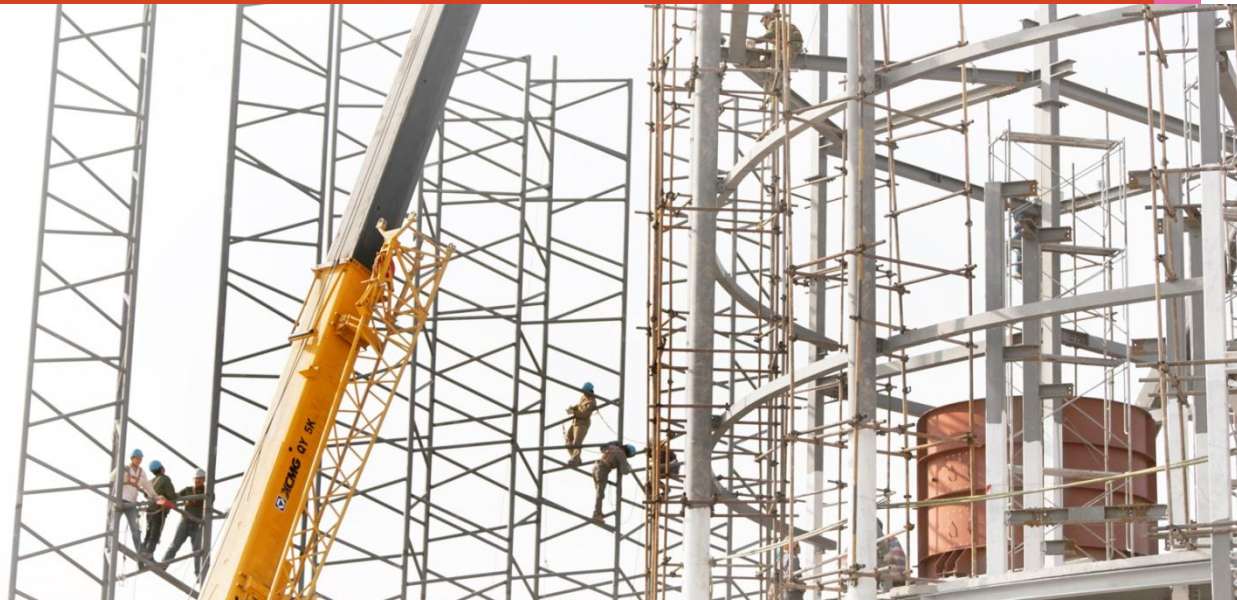


PwC Private Equity 2013 Review and 2014 Outlook

26 February 2014



Foreword – explanation of data shown in this presentation

- The data presented is based on information compiled by ThomsonReuters, ChinaVenture and PwC analysis unless stated otherwise
- Thomson Reuters and ChinaVenture record announced deals. Some announced deals will not go on to complete
- The deal volume figures presented in this report refer to the number of deals announced, whether or not a value is disclosed for the deal
- The deal value figures presented in this report refers only to those deals where a value has been disclosed (referred to in this presentation as “disclosed value”)
- “Domestic” means China including Hong Kong and Macau
- “Private Equity deals” or “PE deals” refer to financial buyer deals with deal value over US\$10mn and/or with undisclosed deal value but invested by Pes
- “VC deals” refer to financial buyer deals with deal value less than US\$10mn and/or with undisclosed deal value but invested by VCs
- In order to exclude foreign exchange impact, deal values from 2008 to 2012 were adjusted based on 2013 average Rmb/US\$ exchange rate
- Statistics contained in this presentation and the press release may vary from those contained in previous press releases. There are three reasons for this: ThomsonReuters and ChinaVenture historical data is constantly updated as deals are confirmed or disclosed; PwC has excluded certain transactions which are more in the nature of internal reorganisations than transfers of control; and exchange rate data has been adjusted.

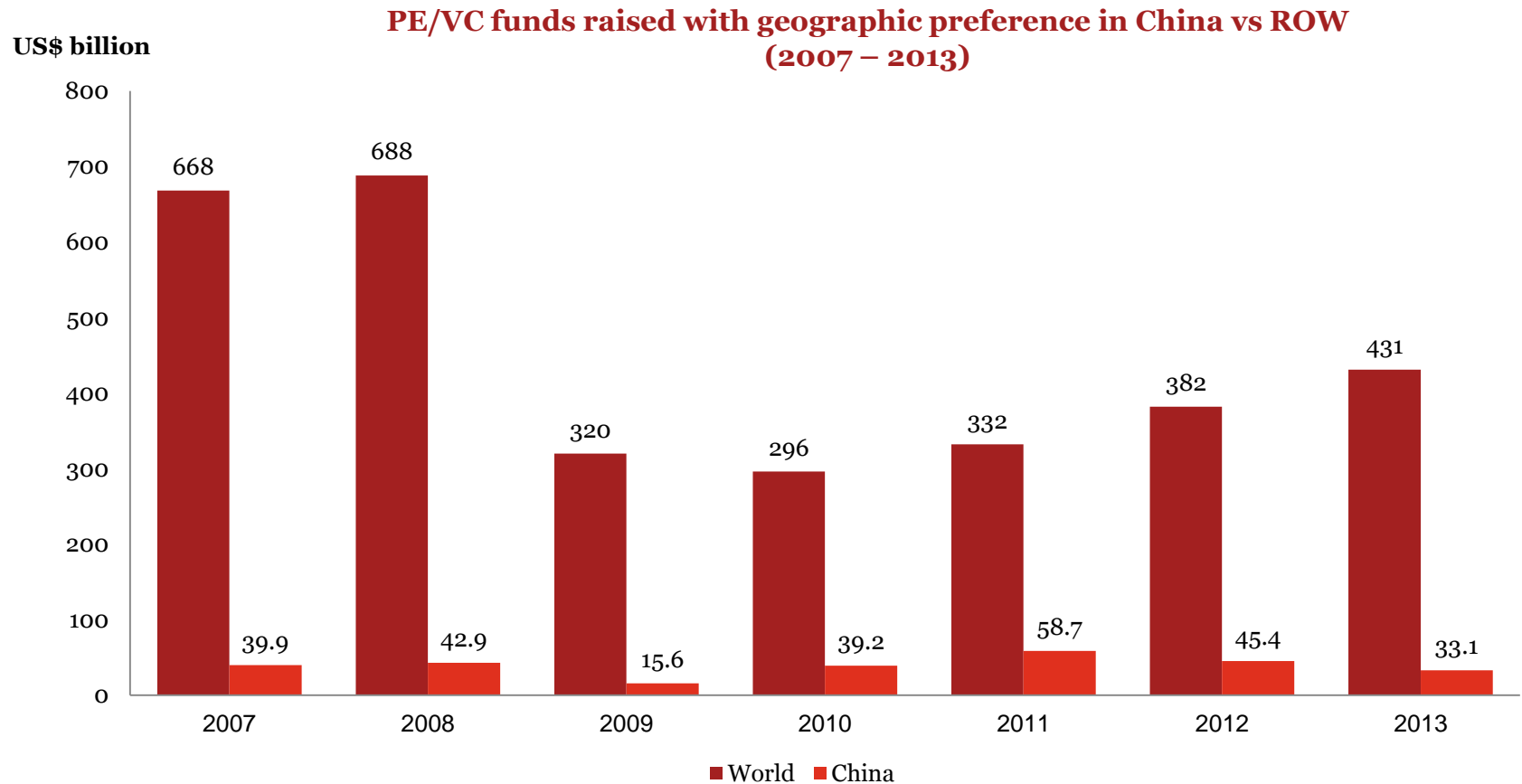
Overview

Key messages

- Between 2003 and 2013, fundraising in the China market dominated Asian PE with around US\$312 billion raised.
- 2013, Renminbi PE fundraising declined for the second straight year as the domestic Chinese PE industry continued to consolidate; US\$ denominated fundraising has been consistently healthy over the same period.
- The number of new investments recovered in the second half of the year and, on a full year basis, deal values held up well. The average deal size for 2013 was around US\$95.40 million, reaching its highest level since 2008.
- PE investors' industry focus was broadly consistent with earlier years; We believe that the technology, media and telecommunications (TMT), healthcare, industrial and consumer related sectors will show strong growth.
- Growth capital deals declined as the PE industry shifted focus towards PIPE and, increasingly, buy-out transactions whilst PE interest in outbound deals continued, albeit still at low levels in absolute terms.
- 2013 was the third straight year of decline for PE exits as well as the first year that IPO was not the dominant exit-route; Although the overhang of new investments compared to exits remains the number one issue affecting the PE and VC industry, PE-backed IPOs showed a significant recovery in the second half of 2013 off a very low base.
- In 2013, the number of PE/VC backed IPOs by Chinese companies was 35, 43% of the figure in the US, the first time the US figure has exceeded China since 2008.

Fundraising

China focused funds made up only 7% of global PE fundraising in 2013 – a decline for the second straight year – while the global markets rebounded, China markets were slowed down by its domestic IPO embargo



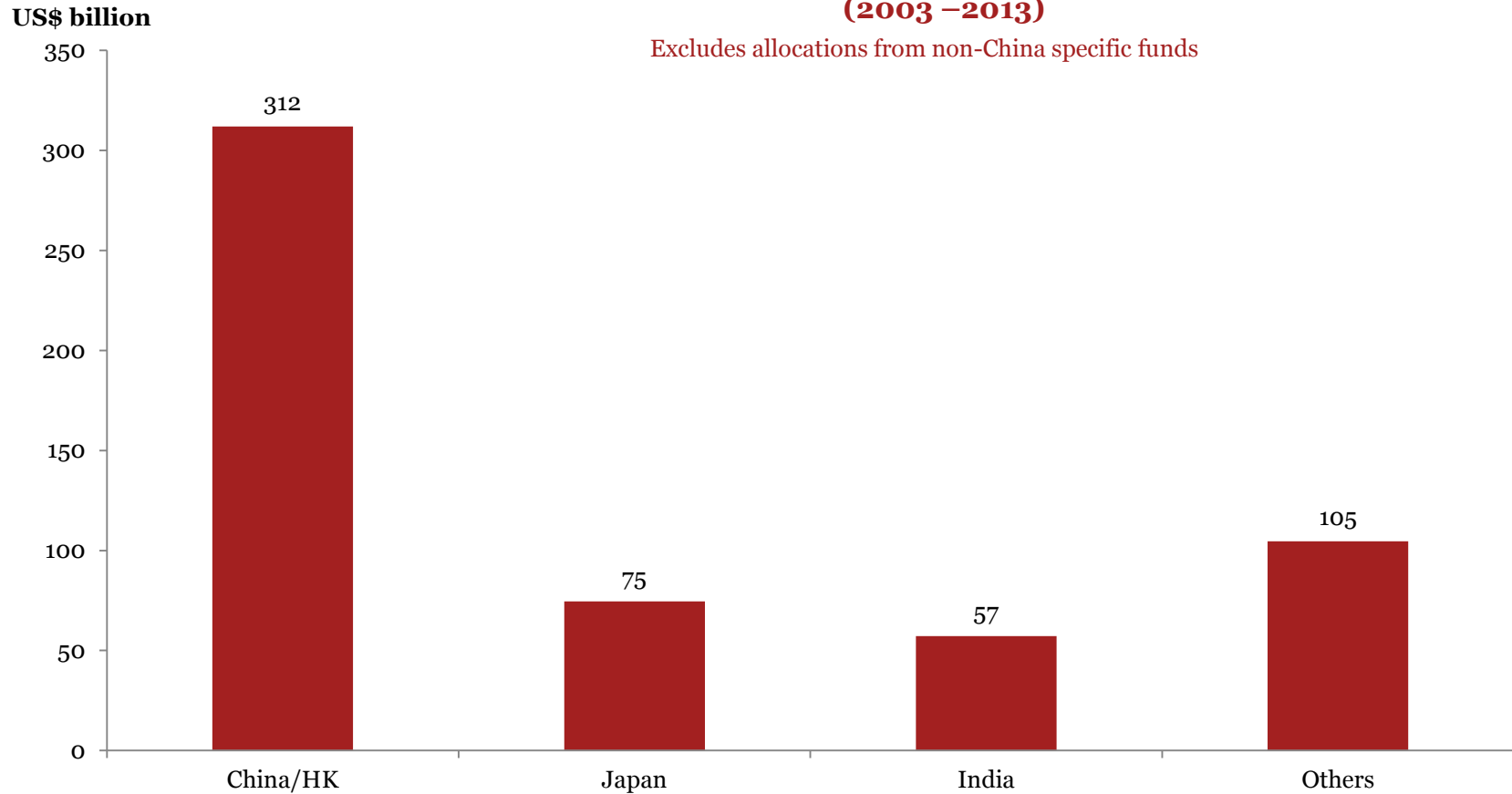
Source: AVCJ, Preqin

PwC

Fundraising for the China market dominated Asian PE with around US\$312 billion raised

Total funds raised by fund country, with geographic preference in Asia (2003 – 2013)

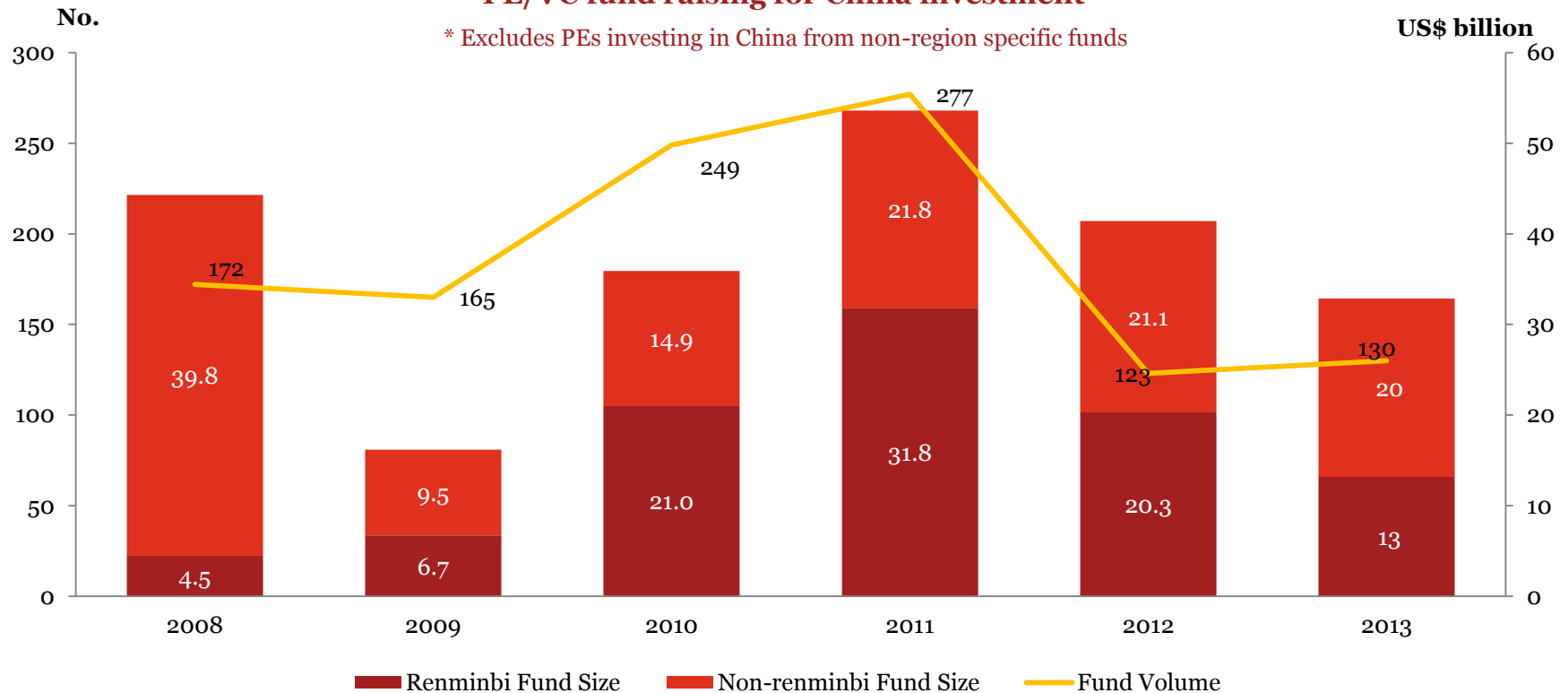
Excludes allocations from non-China specific funds



2013, Renminbi PE fundraising declined for the second straight year as the domestic Chinese PE industry continued to consolidate; US\$ denominated fundraising has been consistently healthy over the same period

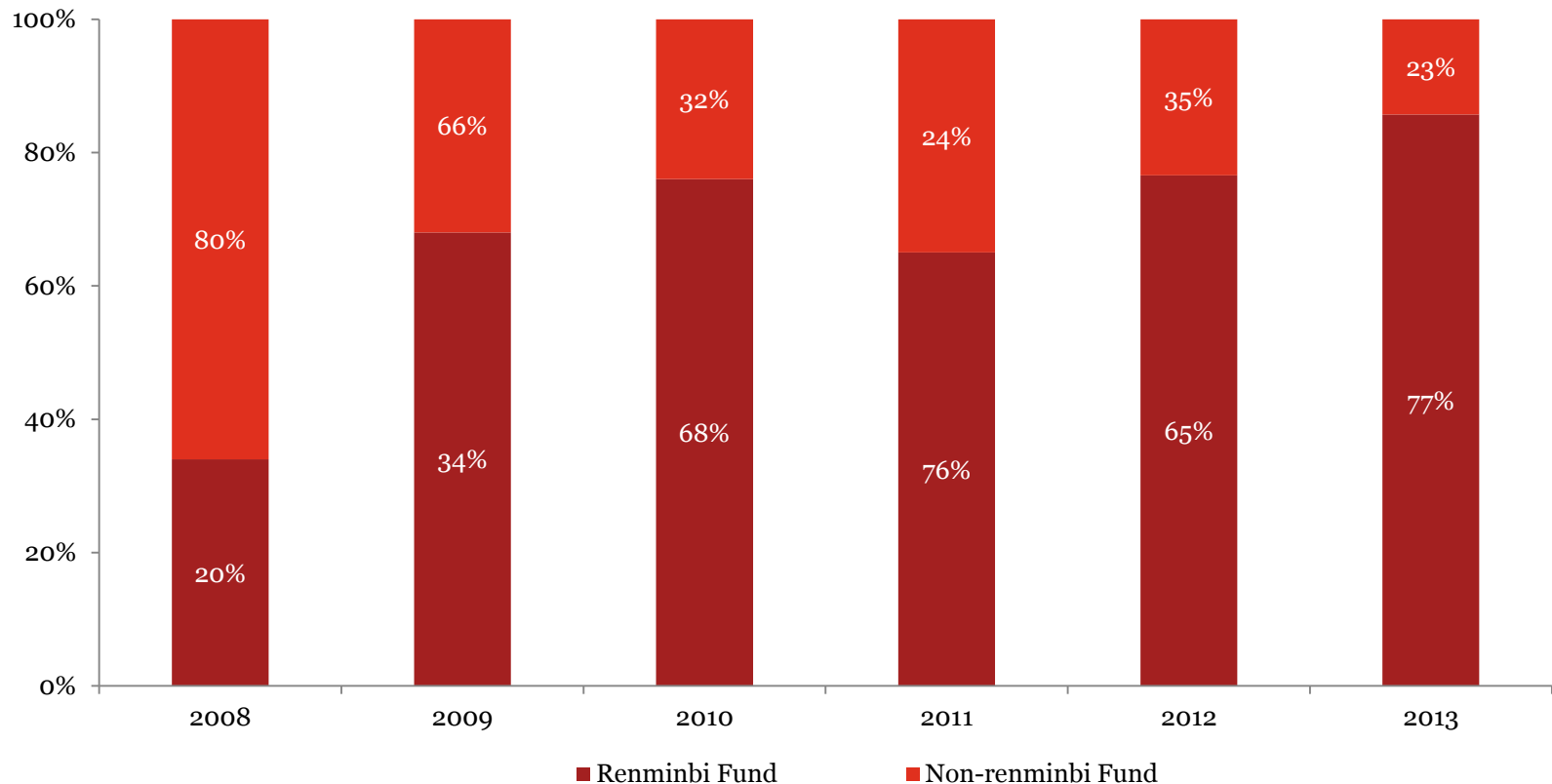
PE/VC fund raising for China investment*

* Excludes PEs investing in China from non-region specific funds



Although Renminbi PE fundraising declined in dollar terms, its share of the market increased to 77% in 2013, up by 12% compared to 2012

**The growth of Renminbi denominated funds
(2008 - 2013)**



Source: APER, AVCJ

PwC

Better External Environment - Gradual improvement of the regulatory system & local policies for VC/PE for future development

- The relevant legislative and regulatory agencies are actively discussing how to further regulate and support the future development of VC/PE after the amended *Law of the People's Republic of China on Funds for Investment in Securities* took effect in June 2013.
- Local governments have launched equity investment incentives to attract registration of Renminbi funds and stimulate local economies. A considerable deal of Renminbi funds have started looking at the areas like Shenzhen Qianhai, Guangzhou, Hengqin development area, Xinjiang and Tibet. (Shanghai PFTZ also recently became a new focus.)

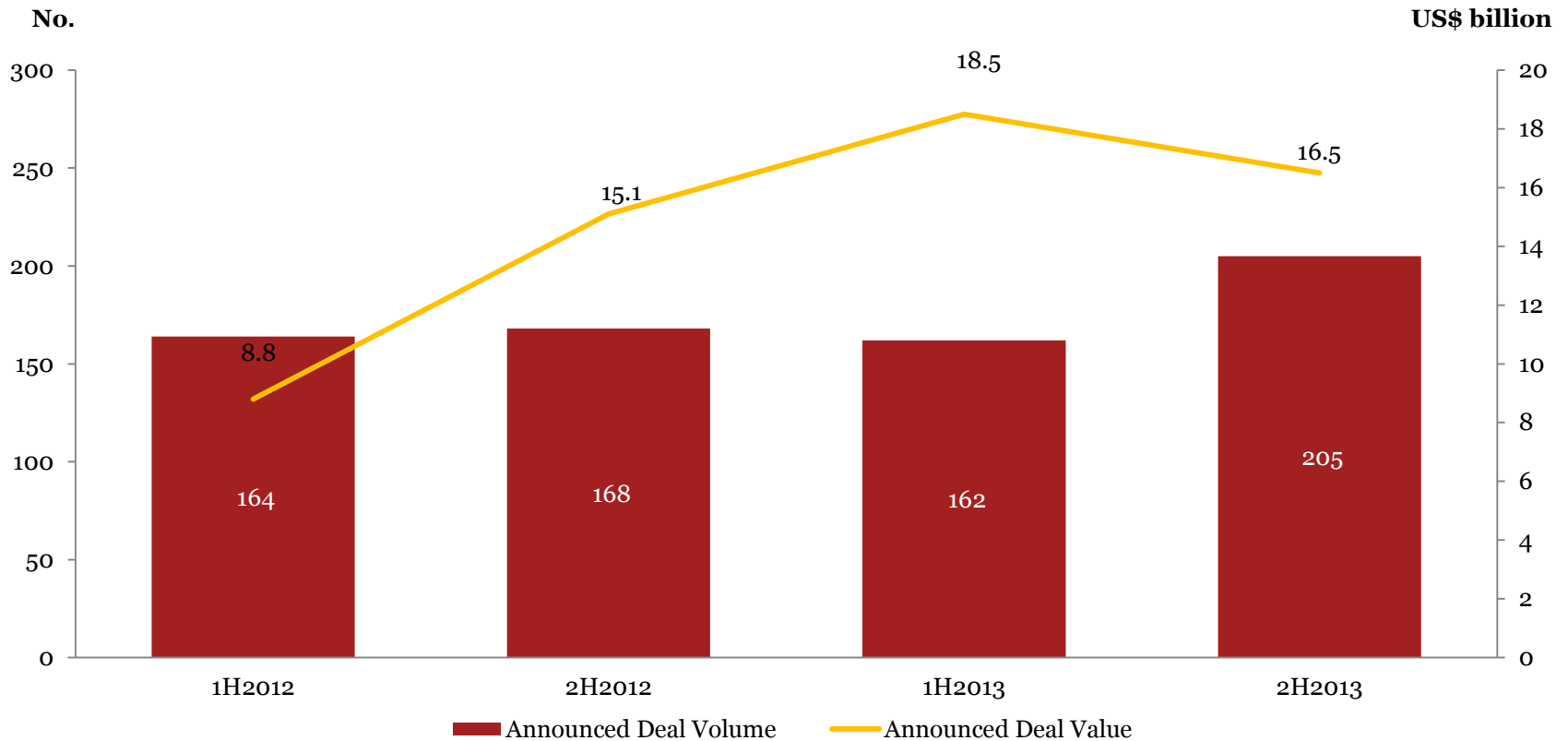
Shenzhen Qianhai Case study

- Preferential policies of approval, taxation, management systems, legislation and other legal aspects are specially conferred by the State Council. The objective was to create the most relaxed, best, international and legal environment in Qianhai.
- 3 financial reforms and innovations related to the Qianhai equity investment industry:
 - ✓ Broaden the channels for offshore RMB investment by building a pilot cross-border RMB business area; ;
 - ✓ Support and establish of FoF in Qianhai;
 - ✓ Support foreign equity investment funds' development in Qianhai, actively explore new models for foreign equity investment firms in the capital settlement, investment, fund management and other areas

Deals

The number of new investments recovered in the second half of the year ...

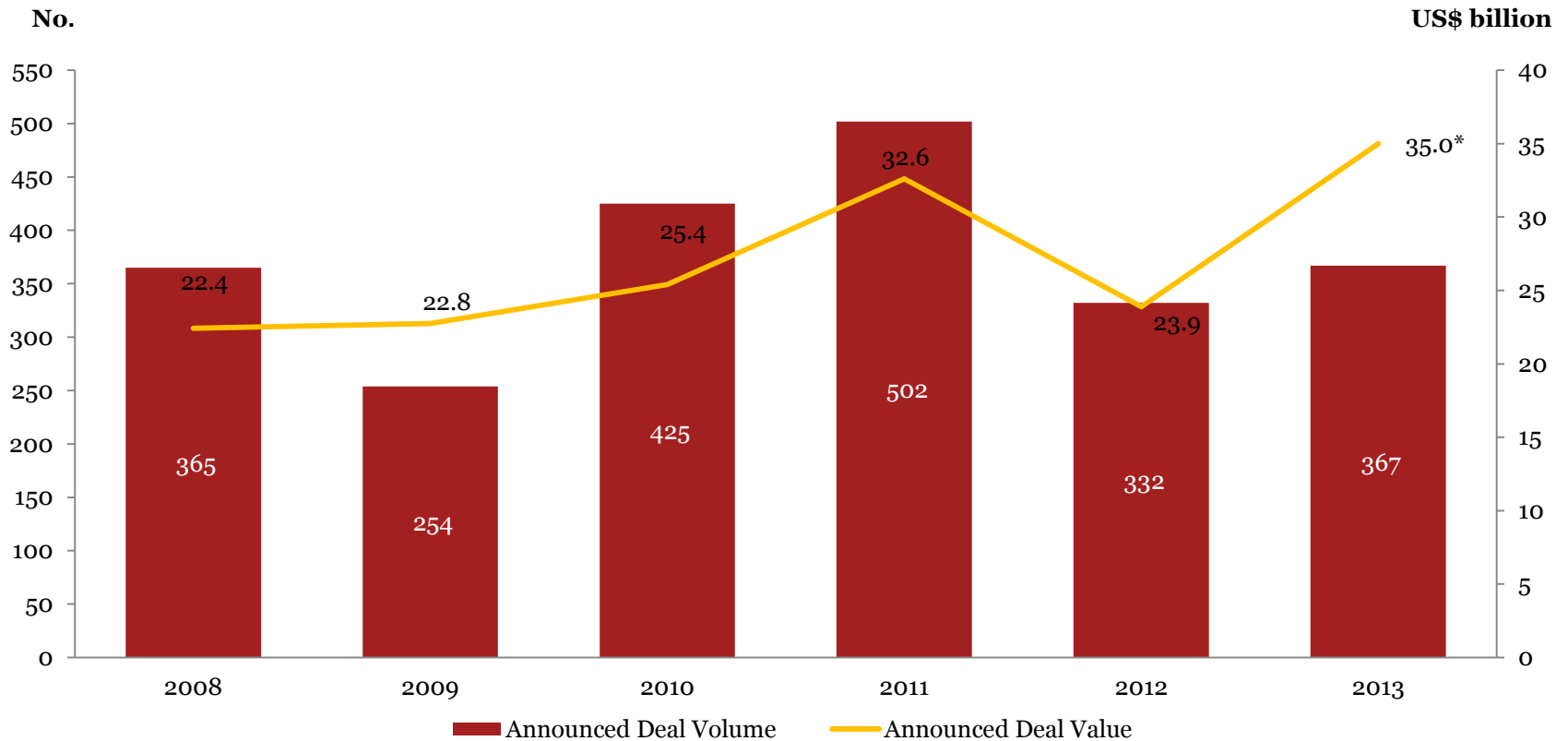
Private Equity deals, 2013 vs. 2012 (half yearly)



Source: ThomsonReuters, ChinaVenture and PwC analysis

... and on a full year basis, deal values held up well. The average deal size for 2013 was around US\$ 95.4 million, reaching its highest level since 2008

Private Equity deals, from 2008 to 2013

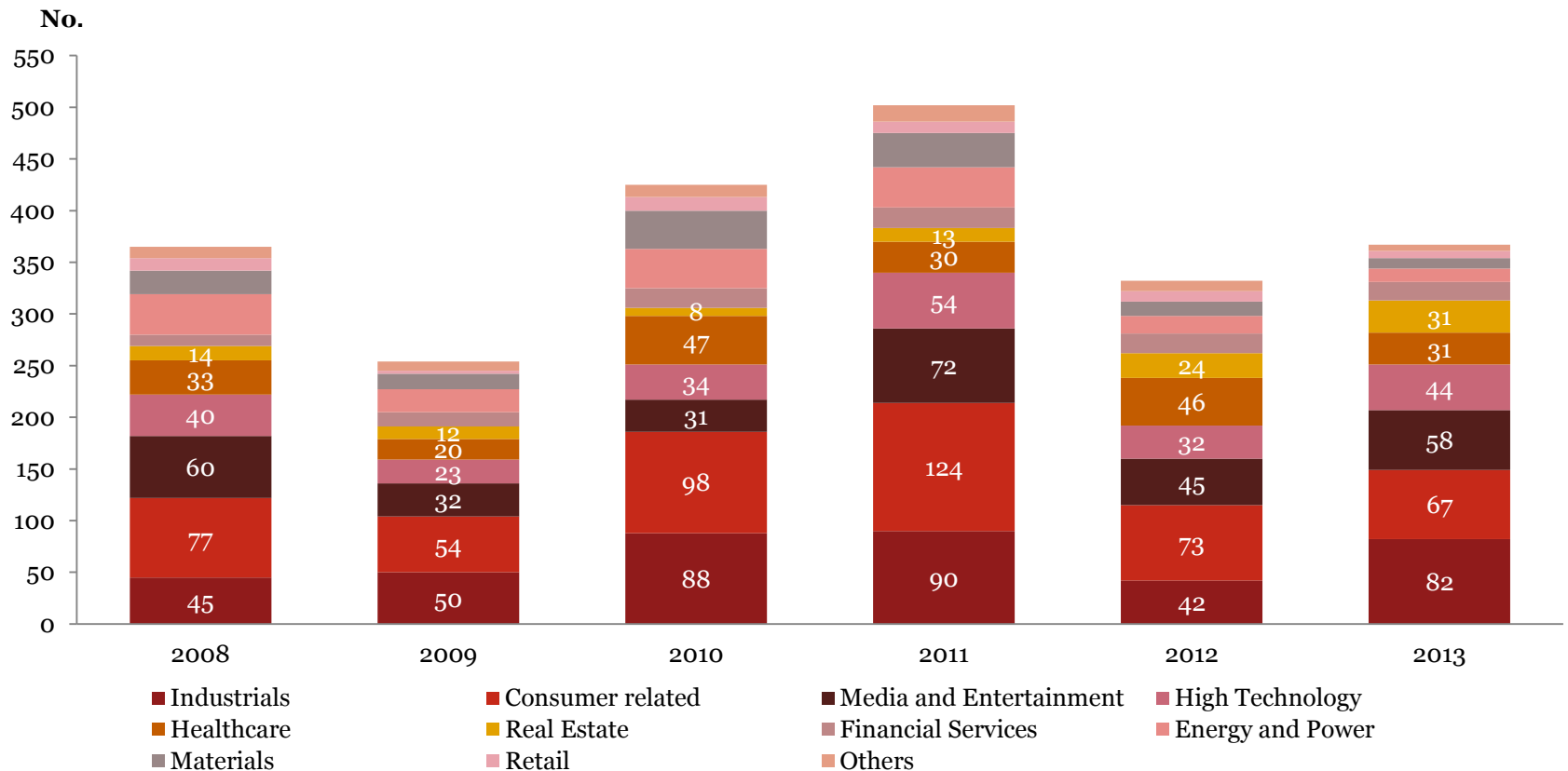


* Includes US\$9.8 bn Taikang and Guolian investment in Petrochina's West Pipeline JV

Source: ThomsonReuters, ChinaVenture and PwC analysis

PE investors' industry focus was broadly consistent with earlier years; we think TMT and healthcare sectors will grow in importance

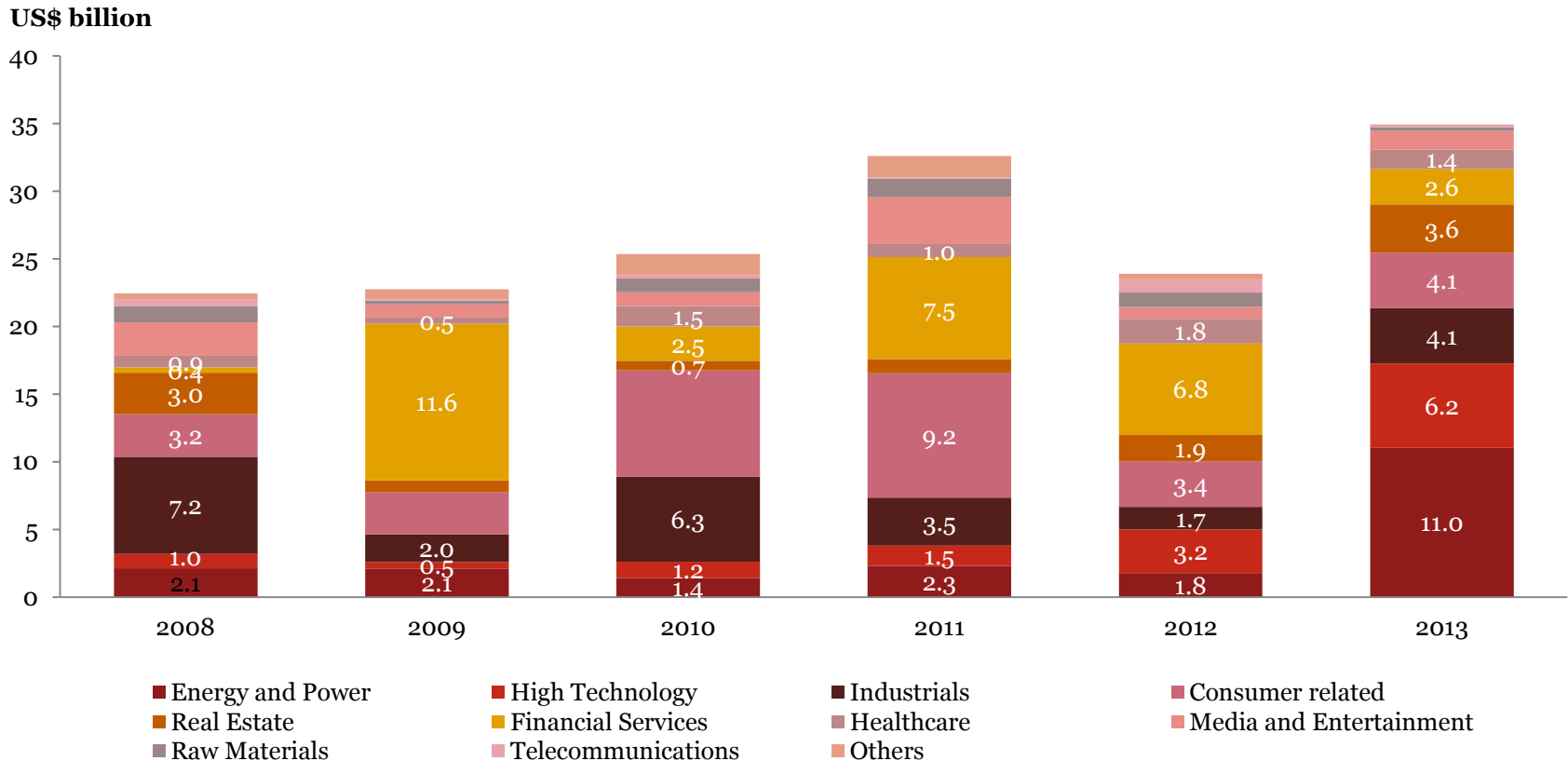
PE deal volume by industry sector



Source: ThomsonReuters, ChinaVenture and PwC analysis

PE invested heavily in high-tech, industrial and consumer-related industries in terms of deal value (Petrochina deal excluded)

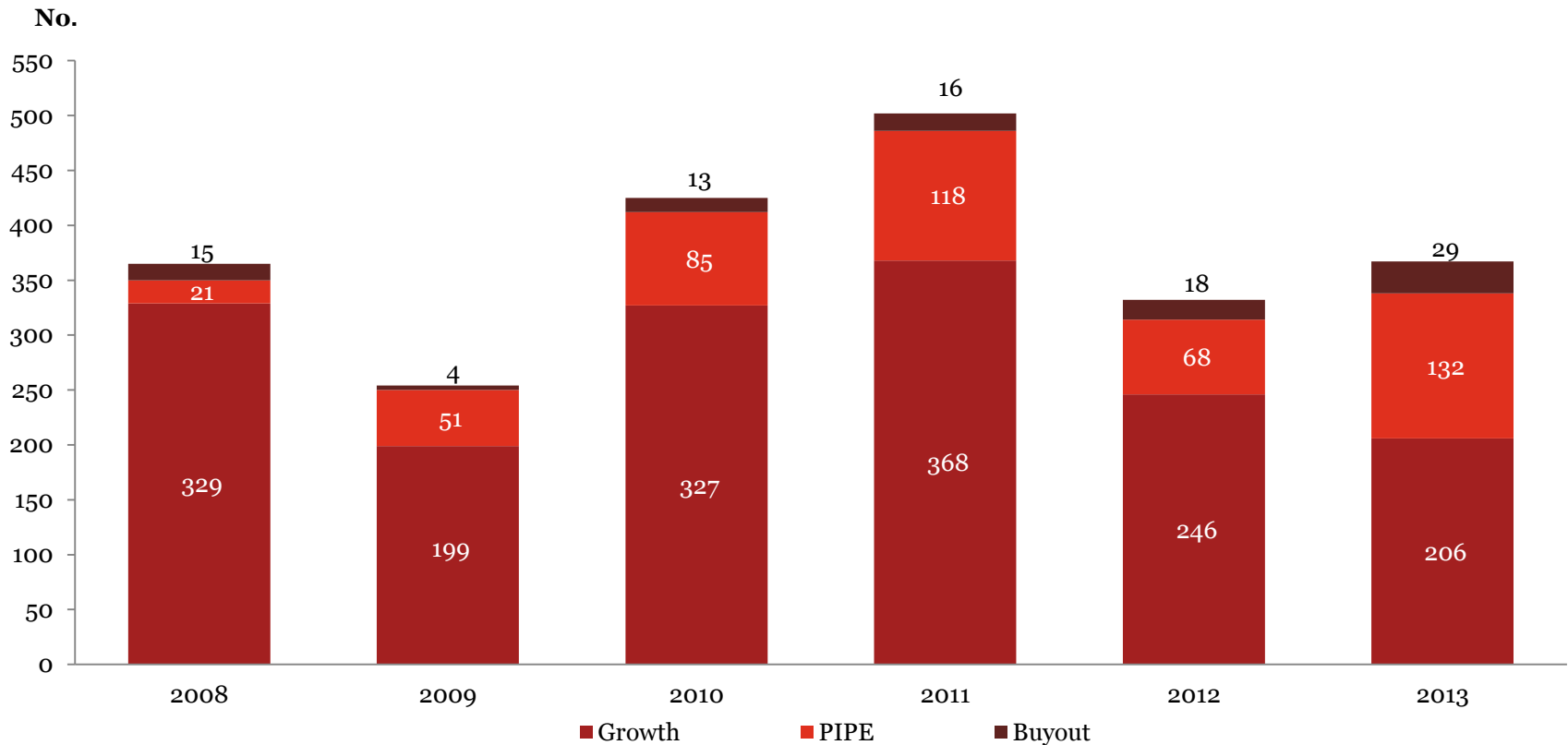
PE deal value by industry sector



Source: ThomsonReuters, ChinaVenture and PwC analysis

Growth capital deals declined as the PE industry shifted focus towards PIPE and, increasingly, buy-out transactions

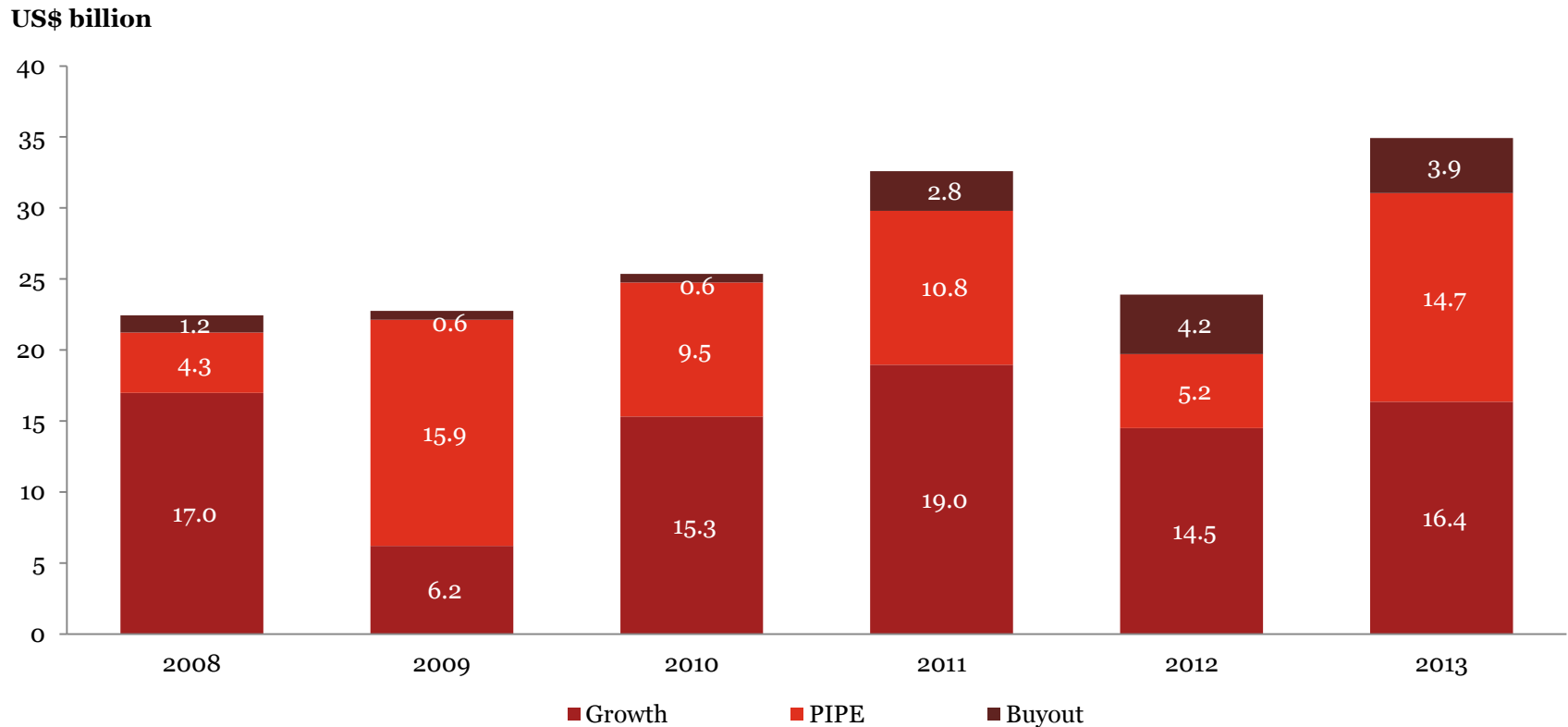
PE deal volume by type



Source: ThomsonReuters, ChinaVenture and PwC analysis

Growth capital deals and PIPE were dominant in terms of deal value

PE deal value by type

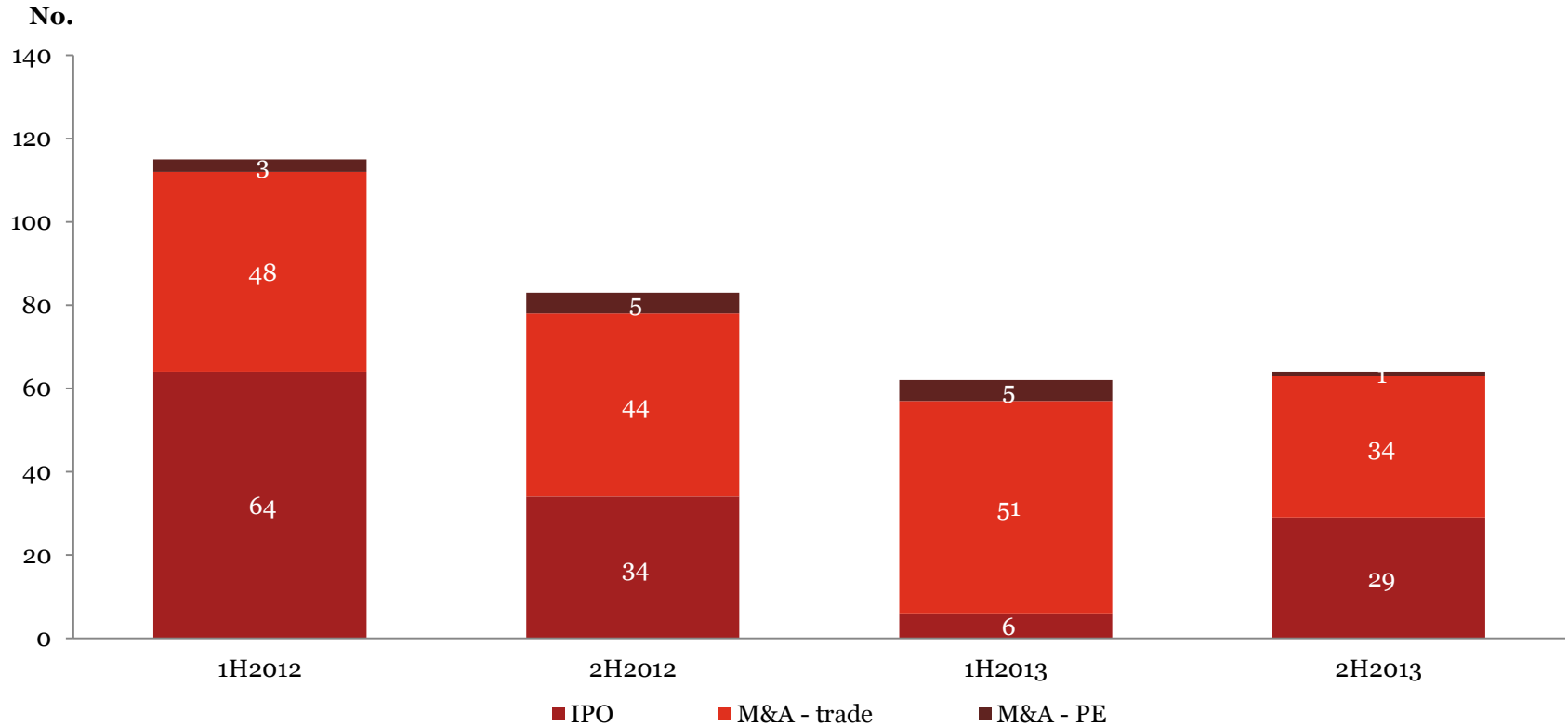


Source: ThomsonReuters, ChinaVenture and PwC analysis

Exit

PE-backed IPOs showed some recovery in the second half of 2013 off a very low base ...

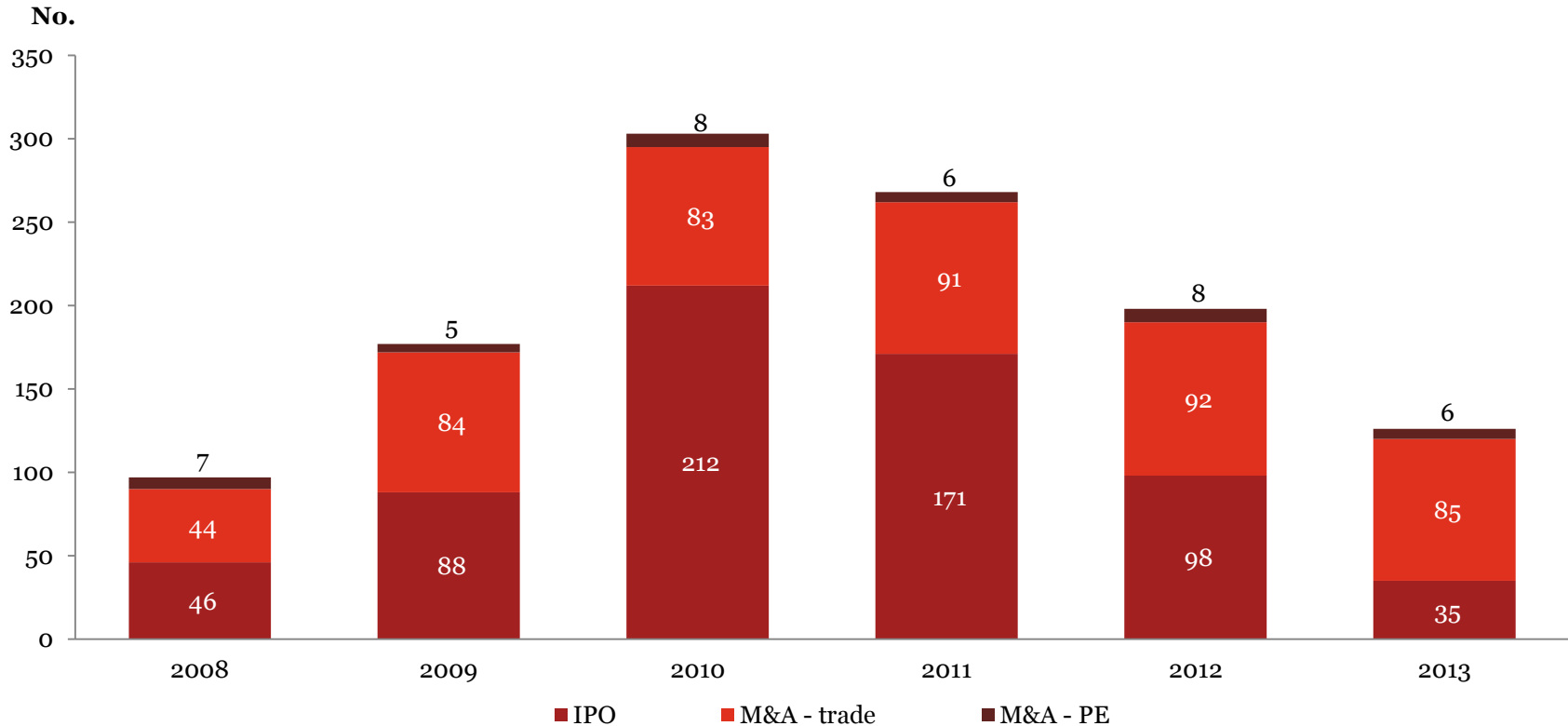
PE/VC backed deal exit volume by type, 2013 vs. 2012 (half yearly)



Source: AVCJ and PwC analysis

... but it was the third straight year of decline for PE exits, almost entirely attributable to problems in the equity capital markets; 2013 was the first year that IPO was not the dominant exit-route

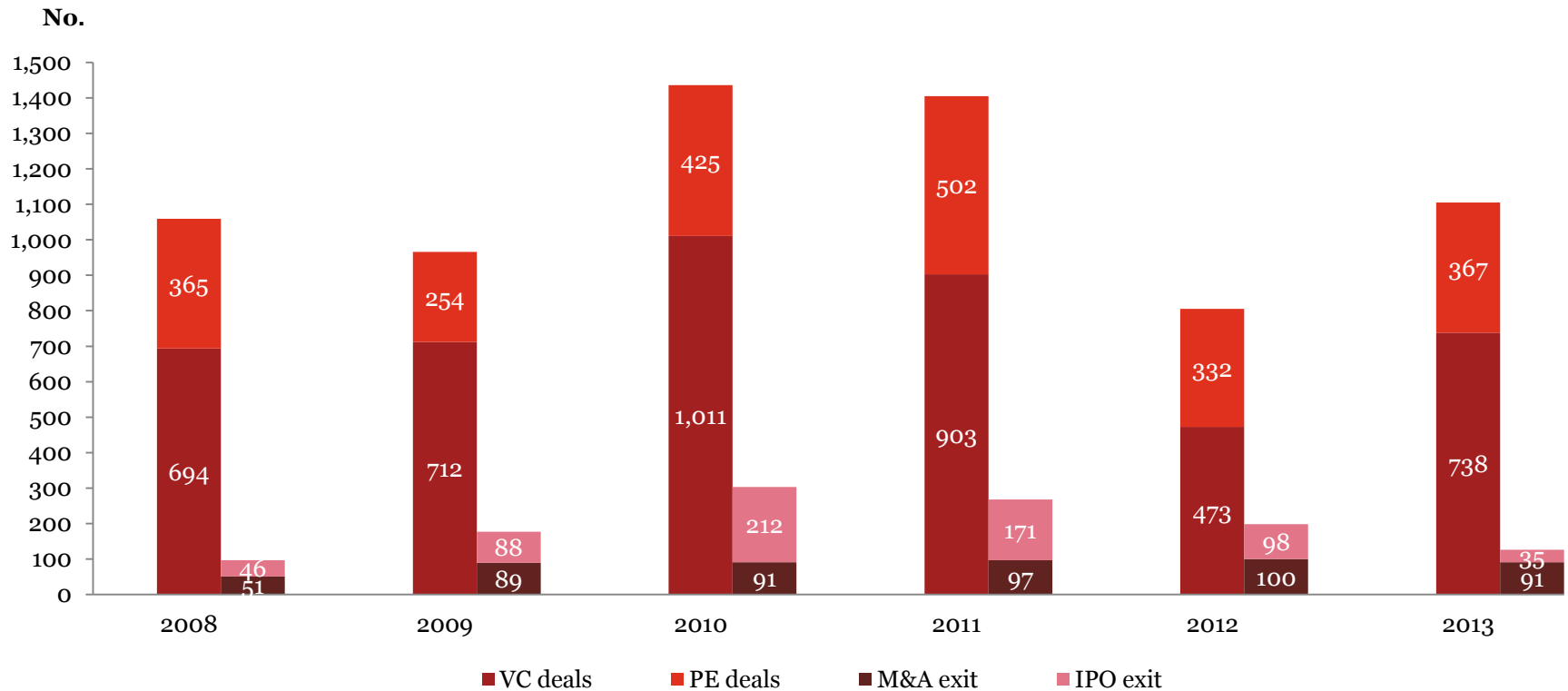
PE/VC backed deal exit volume by type



Source: AVCJ and PwC analysis

The overhang of new investments compared to exits remains the number one issue affecting the PE and VC industry

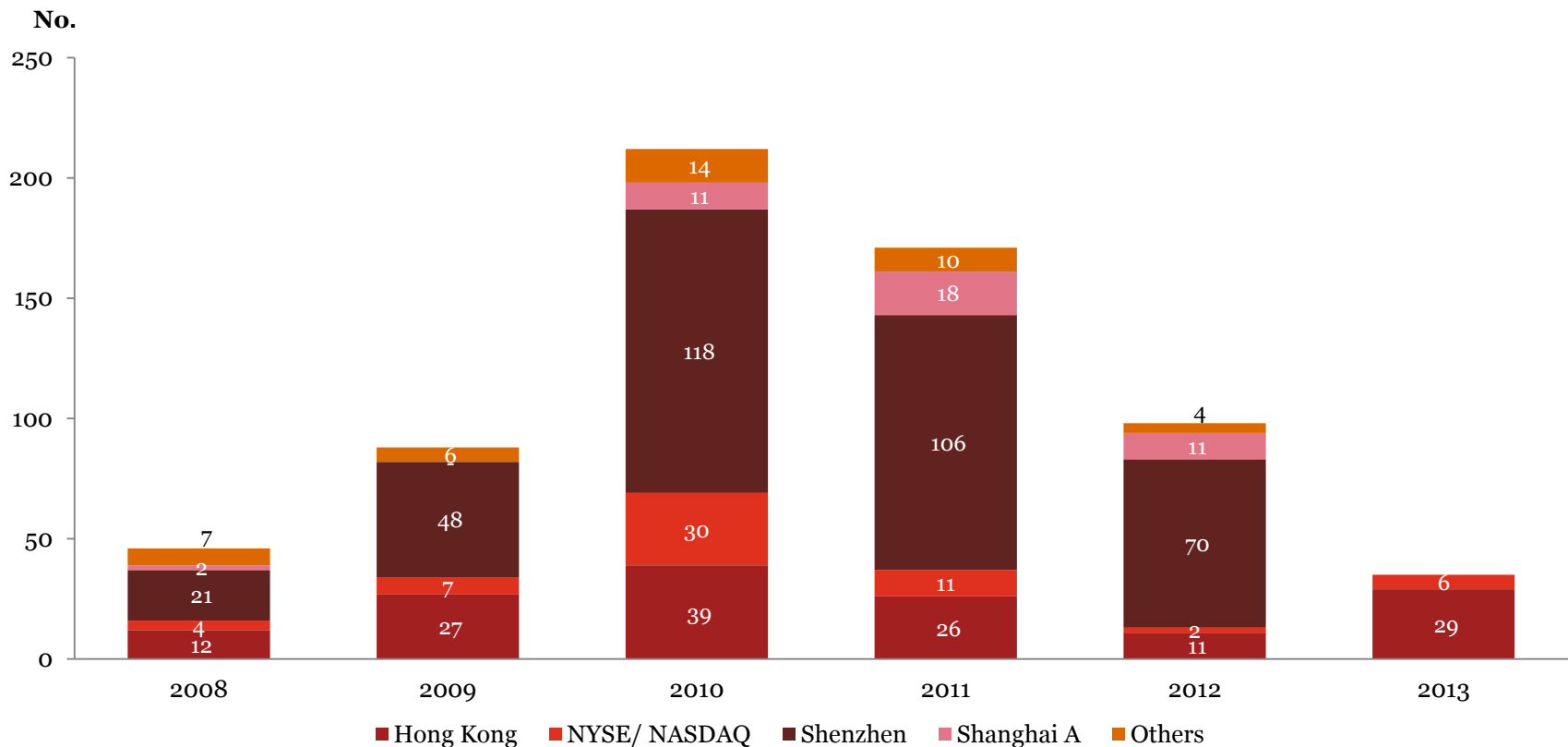
PE/VC deal volume vs. No. of exits



Source: ThomsonReuters, ChinaVenture, AVCJ and PwC analysis

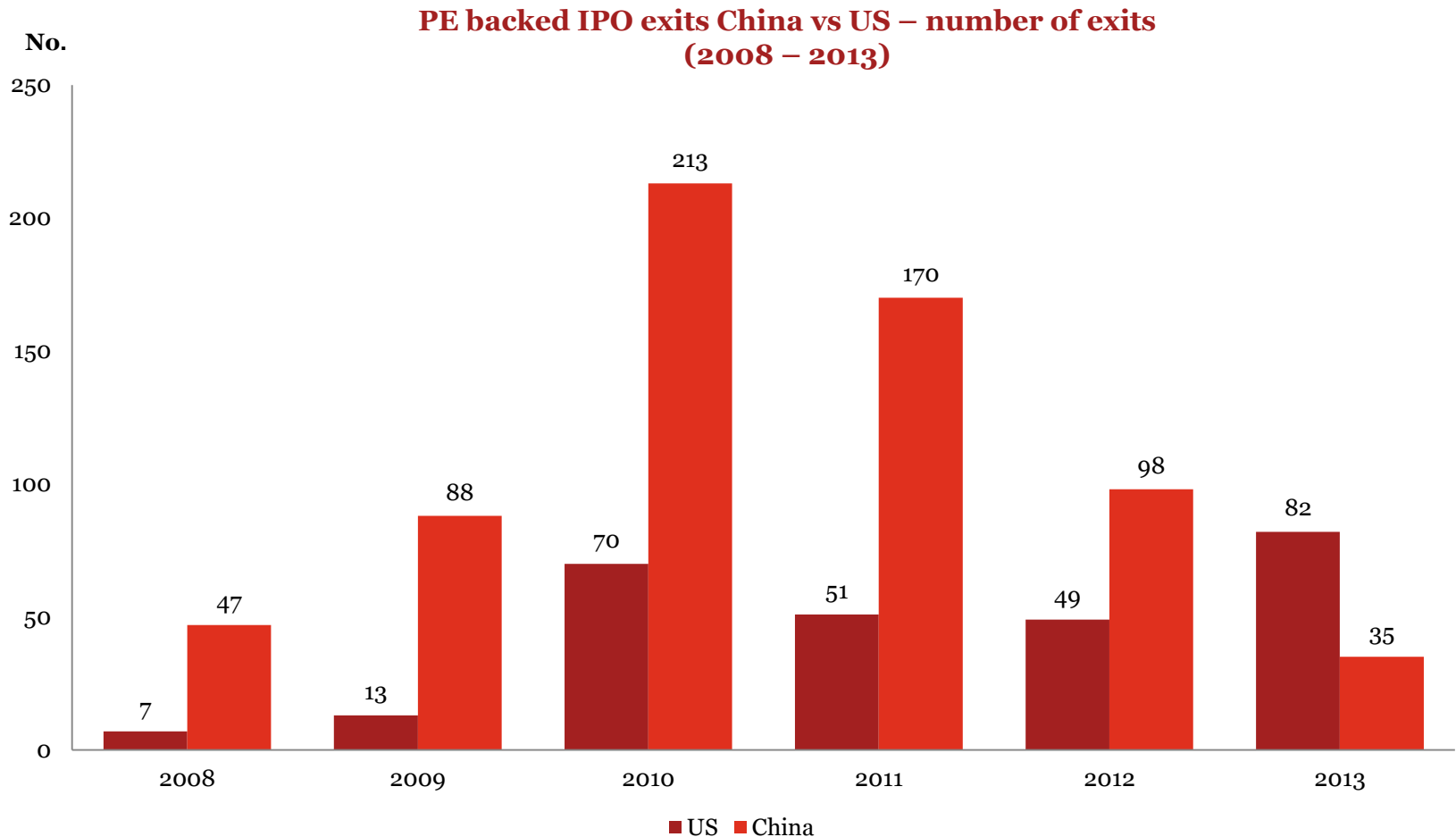
From November 2012 through to December 2013, China experienced its longest IPO embargo in the A Share's history. Therefore all IPOs were split between the US and Hong Kong capital markets in 2013

PE/VC backed IPO exit volume by bourse



Source: AVCJ and PwC analysis

In 2013, the number of PE/VC backed IPOs in China was 35, 43% of the figure in the US, the first time the US figure has exceeded China since 2008



Source: AVCJ, Thompson Reuters, NVCA

2014 Outlook

Outlook

- As IPO markets re-open, PwC has an optimistic outlook for fundraising markets in 2014 and expects them to significantly rebound. Meanwhile, Renminbi denominated fundraising will prevail as usual.
- We also think that the number of new investments will increase with the trend to buy-outs continuing.
- Although smaller in number, we will see more outbound PE deals and we expect to see some PE interest in investing in SOEs and in A-share listed companies.
- PE exits will rebound strongly as IPO markets re-open, we expect to see quite a number of PE backed IPOs in 2014. Besides, we also expect to see more secondary (PE to PE) activity.
- Better External Environment - Gradual improvement of the regulatory system & local policies for VC/PE for future development.

Thank you!

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