



LBInvestment

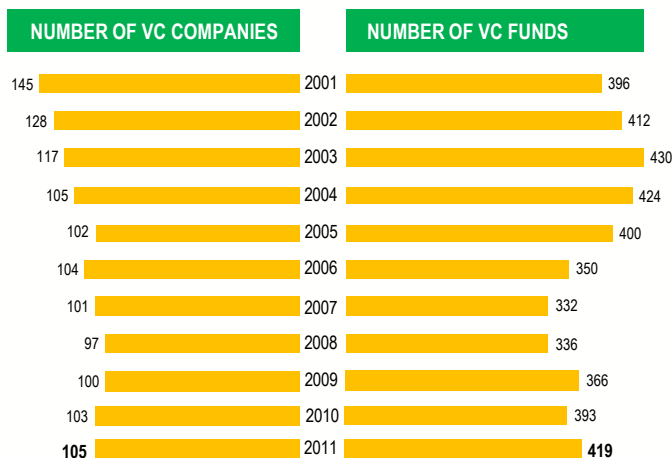
Recent Development and Trends: **Korean and Chinese VC&PE Market**

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Korean Venture Capital Industry FYE 2011



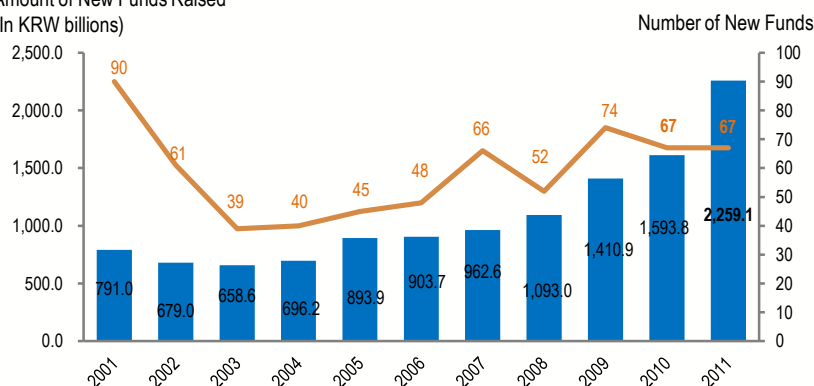
Source: KVCA, SMBA

For your reference, this page summarizes the recent developments and trends of the venture capital industry in Korea for FQE 4Q 2011 and FYE 2011.

- Number of Korean VC companies and funds are staying still.** The Korean VC industry has become stabilized at a certain level in regards to the number of venture capital firms, but showed an increase in number of funds being established. During FYE 2011, the number of registered VCs in Korea increased by two (nine newly registered, seven deregistered) to 105, together which are operating 419 VC funds.

NEW MONEY RAISED 2001 – 2011

Amount of New Funds Raised
(In KRW billions)



Source: KVCA

- Money pouring into the VC industry.** In 2011 a total of 67 funds in amount of KRW 2.26 trillion were made, signaling optimistic view on the Korean and world economy. Also encouraged the fund raising activity was active investment by the Korea Venture Investment Corp. and investors' interest in the clean tech and next generation industry. In 2011 same number of funds were raised in 2011 but total fund size increased by 42.7%, showing fund size is on the rise.

TOP 10 KOREAN VCs BY AUM (In KRW billions)

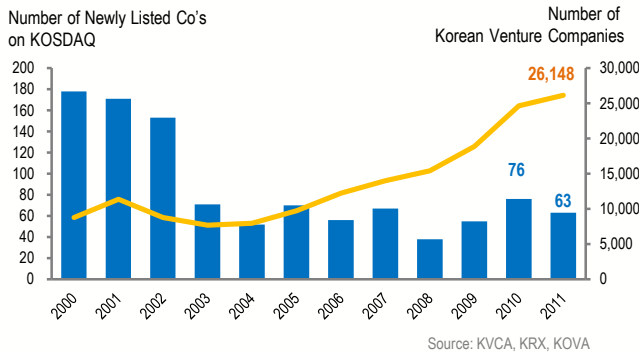
	VC	AUM – KVF	Invested	Dry Powder
1	STIC Investment	684	381	330
2	LB Investment	502	262	240
3	Korea Investment Partner	385	286	99
4	Hanhwa VC	359	167	192
5	Intervest	345	174	170
6	Atinum Investment	291	159	132
7	M Venture	279	279	-0.2
8	Ilsin Venture	268	171	97
9	Tube Investment	264	160	104
10	Softbank Ventures	217.5	121	97
	Total	3,594.5	2,160	1,435

- STIC Investment has the most AUM at FYE 2011 with KRW 684bn, followed by LB Investment with AUM of KRW 502bn and Korea Investment Partner with KRW 385bn.** Top 10 Korean VCs have 38% of the all active venture fund (KRW 9,467.7bn). Among the top 10 Korean VCs, M Venture made the most active investments in 2011, with over 100% deployment rate (recycled).



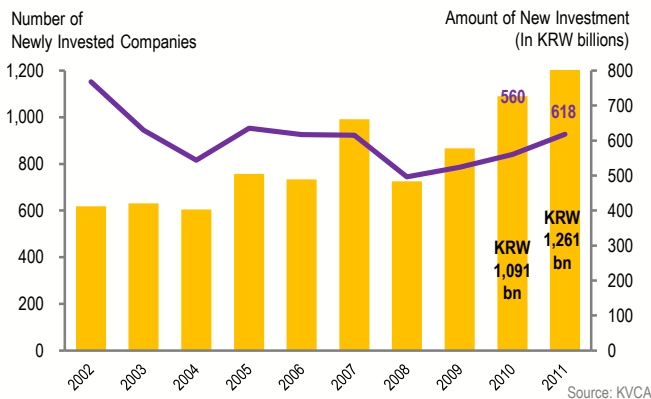
Korean Venture Capital Industry FYE 2011 (cont'd)

NO. OF VENTURE COMPANIES VS. NEWLY LISTED ON KOSDAQ



- Korean venture companies on the rise, waiting for the good market.** In 2011, the number of registered Korean venture companies peaked to 26,148, the highest in the past decade. The number of companies being newly listed on KOSDAQ is 63 in 2011, slightly lower than 2010. However, number of venture-backed IPO listing went up to 30 (out of 63, 85.7%) from 26 (out of 76, 76.5%) in 2011.

NEW INVESTMENTS, AMOUNT VS. NO. OF COMPANIES

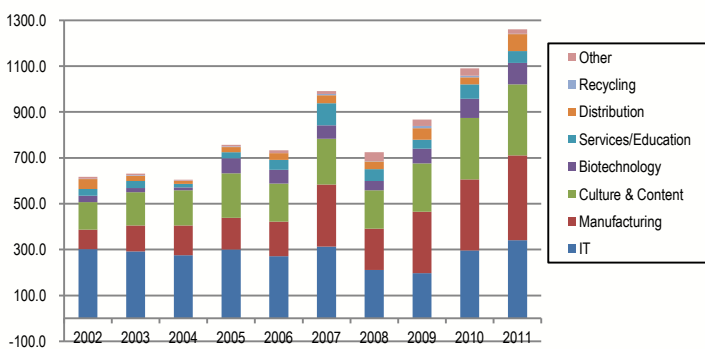


- Active investments, in amount and number of companies.** Since 2008, Korean VCs have been more active in making new investments than previous year. In 2011 VCs made 618 investments with a total value of over KRW 1.26trn, up from 560, and KRW 1.1trn, primarily due to the more than KRW 1.6 trillion raised in 2009. While the monthly investment volume continued to rise in 1H 2011, the amount of investments made in June reached a record-high of KRW 689bn.

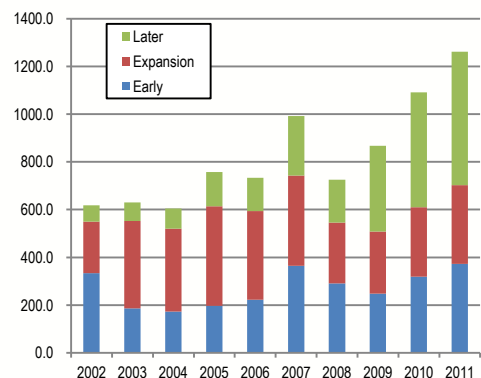
- Investment by industry and stage.** In 2011 by industry, Culture & Content (209 investments/KRW 309.7bn), IT (164, KRW 340.9bn) and manufacturing (148, KRW 369.6bn) accounted for 81% of total new investments by amount. By stage, Korean VCs continued the trend of shying away from early stage companies

and investing in later stage companies, with only KRW 319.2bn invested in the more traditional VC early stage companies in 2010. In the first half of 2011, however, Korean VCs become more aggressive and invested a total of KRW 208.6bn into early stage companies, which is two-thirds of the amount spent during the entire 2010.

INVESTMENT BY INDUSTRY



INVESTMENT BY STAGE

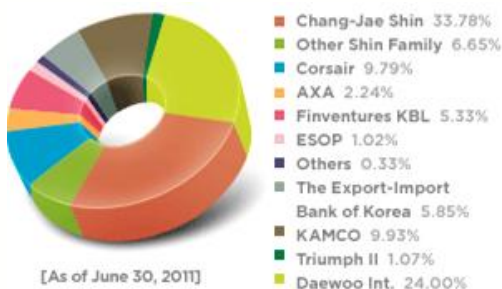


KOREAN MAJOR LP – Vol.11: Kyobo Life

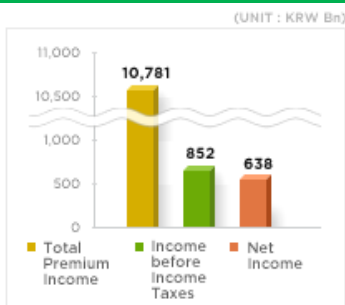


- Kyobo Life (교보생명), formally called as Daehan Education Insurance (대한교육보험), was founded in 1958 based on the philosophy of “promotion of education and formation of national capital.” The company is now one of the top 3 life insurance companies in South Korea with more than 5 million customers, policy amounts of \$25bn and total asset of more than \$50bn in 2010.
- In FYE 2010, Kyobo Life recorded total asset of KRW 57.9trn and premium income of KRW 10.8trn, exhibiting healthy volume growth. The net income during the period stands at KRW 638.9bn, with capital pegged at KRW 4.6trn. Its solvency margin ratio as one of the financial soundness criteria was 225%, more than twice the recommended level. Its ROA and ROE for 2010 stood at 1.1% and 15.1%, respectively.

SHAREHOLDER STRUCTURE



FYE'10 FINANCIAL HIGHLIGHTS



CREDIT RATING

Rated On	Rated By	Rating
GLOBAL IFSR		
April 15, 2010	Moody's Investors Service	A2
July 30, 2008	Moody's Investors Service	A2
DOMESTIC IFSR		
June 16, 2011	NICE Investors Service	AAA
Dec 26, 2007	Korea Ratings	AAA

MAIN ASSETS OF PRIVATE EQUITY FUND IN BENEFICIARY CERTIFICATES

	2011	2010
Stock	306,366	305,711
Bond	475,617	-
Others	396,272	7,038
	1,178,255	312,749

- Applying the tactical asset allocation (TAA) in the short term to secure additional investment yields, the company identifies alternative investments and new investment opportunities. Under such various measures for long-term stable rate of return on assets in the low interest rate environments, the company will further seek aggressive private equity investments scheme, while enforcing tighter risk management against expanding market volatility.
- **LBI's relationship with Kyobo Life** has been limited to sharing mutual interest in domestic and overseas investment in private equity. We continue to communicate closely about potential commitment in the future.

KOREAN ECONOMY & PRIVATE EQUITY INDUSTRY

LP NEWS & MARKET UPDATE

- **KVIC to raise KRW 30bn 10-yr Regional Fund**, in efforts to vitalize angel investing in non-core cities. KVIC will invest KRW 4bn up to 6 regional funds where corresponding local government will match KRW 1bn each. Only local governments and government-related parties can participate as LPs.
- **Moody's to upgrade Korea's credit rating outlook**, from 'Stable' to 'Positive' while maintaining the current credit rating at 'A1'. The improved outlook points to a possible upgrade in the sovereign credit rating within the year.
- **Slower than expected growth in Korean hedge fund industry**. Upon the hedge fund amendments in 2011 developed to stimulate the formation of a local hedge fund industry, many predicted it would grow rapidly, to overtake the \$30bn PE market and reach \$40-50bn. However, so far only 11 local asset managers have registered, setting up just 17 hedge funds and representing KRW 500bn (\$500K).

IPO & DEAL ALERT

IPO Company Name	Date	Company Business
China Green Paper Packaging Group	TBD	Total packaging solution
Vissem Electronics	3/22	LED Display system
Kolon Fashion Material	4/5	Chemical yarn & textile
SBI Mortgage	TBD	Japanese mortgage/banking
Viatron	TBD	LCD/AMOLED inspection system

- **Shinsegae considering M&A opportunities for the cosmetic branch**. The Korean clothing retailer is looking for acquisitions opportunities for both domestic and international players. Ever since the company concluded the domestic distribution contract with Shu Uemura cosmetics in 2001, it hasn't engaged in such operations.
- **MBK to exit Luye Pharma Group through secondary transaction**. The biggest Korean PE fund sold its majority stake in Singapore's pharmaceutical company to a group of Chinese PE firms, including CDH Capital, Citic and New Horizon for at least \$140mm.
- **Minebea to acquire majority stake in Moatech**. The Japanese manufacturer of stepping motors used in IT devices is acquiring a 50.8% stake in the listed Korean electric motor manufacturer, in efforts to strengthen and expand its small precision motor business.
- **E-Land bidding for Collective Brand**. The Korean apparel company is trying to expand its footwear market through a bid to acquire the American shoemaker. The company is reportedly working on raising KRW 2trn to buy CBI as well as to establish a domestic multi-shop, with help of Korea's National Pension Service and the Korea Development Bank as co-investors. The NPS has recently been active in supporting Korean corporates' outbound M&A strategies.
- **SK Planet to acquire Madsmart**. The mobile platform subsidiary of SK Planet acquired the messaging application TicToc creator, beating out the competition for the chance to take over the company and putting itself in competition with Korean mobile messaging giant Kakao Talk. Madsmart's TicToc has ~13 million users vs. Kakao Talk's 42 million users.
- **Tencent and Wemade to invest KRW 92bn in Kakao Talk**. The maker of popular Korean mobile messaging application successfully raised KRW 92bn: KRW 72bn from Chinese internet gaming company Tencent and the rest from Korean gaming company Wemade.
- **GS Home Shopping to acquire stake in China Home Shopping Group**. The Korean home shopping giant purchased a 20% stake for KRW 45.2bn in a Chinese home shopping company. At FYE 2011 the Chinese home shopping market stood at KRW 7trn, and is expected to grow 28 percent by 2015.



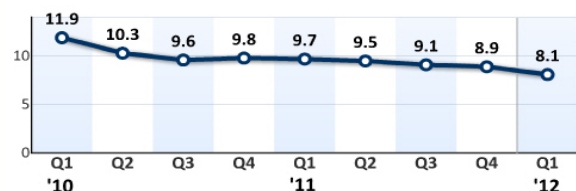
CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

ECONOMY & MARKET UPDATE

TREND OF GDP GROWTH

Q1 2010 - Q1 2012

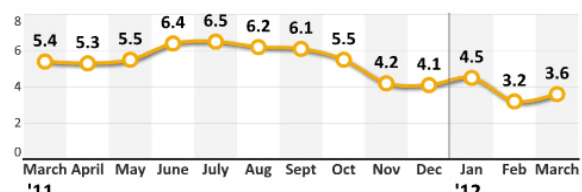
Y-O-Y growth (%)



TREND OF CONSUMER PRICE INDEX

March 2011 - March 2012

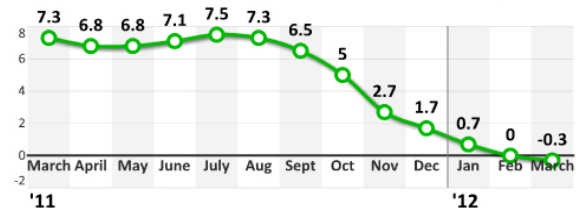
Y-O-Y growth (%)



TREND OF PRODUCER PRICE INDEX

March 2011 - March 2012

Y-O-Y growth (%)



Chinadaily.com.cn

Source: National Bureau of Statistics of China

- **China's GDP growth slows to 8.1%**, marking the slowest growth rate in 11 quarters and undershooting market expectation of 8.3 to 8.5%.
- **CPI rebounds to 3.6%, PPI falls 0.3% in March.** China's inflation rebounded slightly in March 2012 after logging a relatively low growth in the past month. It is a general belief it will slide lower in the following months. PPI, a main gauge of inflation at wholesale level, fell 0.3%, marking the first negative y-o-y growth since Dec 2009.
- **China swings back to trade surplus**, to \$670mm in 1Q'12 despite trade deficit of \$31.5bn in Feb 2012. Foreign trade rose 7.1% y-o-y in March to reach \$325.97bn.
- **Fiscal revenue up 14.7% in Q1'12**, to near RMB 3trn (\$476.05bn), jumping 13.1% y-o-y which contrasts with a 33.1% jump Q1'11. The decelerating growth was mainly due to a slowdown in the national economy.
- **M&A activity halved in 1Q'12** with only 404 finished deals (339 of disclosed deals valuing at RMB 120.6bn (\$19.2bn)) due to global economy slowdown. Domestic M&A deals made up of 87%. China's outbound deals, though making a smaller pie of the total, are expected to increase in the upcoming years, especially in emerging markets.

- **China's non-financial overseas direct investments (ODI) rises 95% y-o-y in Q1'12**, to \$16.44bn, \$6.2bn of which took the form of M&A. The ODI were made in 1,096 overseas companies in 109 countries. The sharp rise was due to lack of liquidity and rising financing costs in Europe, and the Chinese' willingness to internationalize their businesses.

IPO & DEAL ALERT

- **136 Chinese firms on Forbes Global 2000 list**, which is 15 more than 2011. Led by the Industrial and Commercial Bank of China (ICBC), the 136 Chinese companies are worth \$2.8trn in aggregate market value. Others include Petro China, the 7th most powerful, followed by the China Construction Bank at 13 and the Agricultural Bank of China at 19. China is the third largest country in terms of membership, after the US (524 firms) and Japan (258 firms).
- **China eyes bigger investments in South Korea.** The Chinese and Korean governments are known to be pushing forward negotiations on a bilateral free trade agreement, due to be launched in 1H'12. China's investment in its neighbor was \$3bn in 2011, mainly in the tourism and entertainment industries, while Korean investment in China reached \$36bn in 2011. "As the industries are highly complementary" according to Wei Jianguo, a former deputy commerce minister, China is targeting to promote Chinese investment in the culture and property sectors, as well as new energy and environmental protection.



CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

IPO & DEAL ALERT (cont'd)

- **60 Chinese IPOs completed in 1Q'12.** Across the 13 overseas and 3 domestic exchanges, 60 Chinese enterprises got listed, representing 50.8% of the global total IPO by number and \$47.8% by financing size (\$6.21bn). Due to slow global economic recovery and the continued impact of freeze-up of the listings of China concept stocks in H2'11, the number of Chinese overseas IPOs and corresponding financing amount in Q1'12 dropped sharply vs. Q4'11. The 11 Chinese companies financed only \$547.24mm on two overseas exchanges, down 8 companies and 77.8% by financing size.
- **Chinese company to acquire German concrete pump maker.** Xuzhou Construction Machinery Group (XCMG) is to acquire a major stake in Schwing, the second largest concrete pump manufacturer in Germany. This acquisition announcement came one day after SANY Heavy Industry completed the acquisition of the top German pump maker Putzmeister Holding GmbH for E324mm (\$425.6mm).
- **Lingyun acquires Kiekerk.** The Hebei-based Chinese auto parts manufacturer acquired the German car-lock maker with a controlling stake of 55%, looking for the entrance of Chinese companies into the high-end auto parts market as well as the global competence. The remaining shares are split by Henan North Xingguang Machinery and Electric Co (under the China North Industrial Group) and an investment foundation from Tianjin.
- **Youku-Tudou announces \$1.04bn merger, Tudou to be delisted from NASDAQ.** Two leading Chinese online video websites in terms of revenue are to merge in a deal expected to be closed in Q3'12. Youku and Tudou accounted for a 35.5% share of all online video ad revenue in China in Q4'11. The combined entity will be named Youku Tudou.
- **Pacific Alliance Group to invest \$250mm in Bicon Pharmaceutical,** becoming the largest investor of Bicon Pharmaceutical Holdings, a large distributor of pharmaceutical raw materials, Chinese patent medicines, chemicals, biological agents, vaccine R&D, production and marketing.
- **Zhenjiang Daily Media plans to acquire two companies from SNDA.** SNDA strategically invested in Shanghai Hao Fang, an E-sport platform company in July 2004 and Hangzhou Bian Feng, an online chess game platform in August 2004. Zhenjiang also plans to buy 44% equity of East Starlit Sky Venture Capital from its controlling shareholder Zhenjiang Daily Press Group for RMB 260mm.
- **GSR Ventures to invest \$12mm in FunPlusGame for round A.** FunPlusGame, established in 1H'10 in Silicon Valley and Beijing with its first game launched at the end of 2010, currently has over 3.5 million users per day.
- **KKR invests \$65mm in China Cord Blood Corporation.** The company is the first cord blood supplier in Greater China with the widest business coverage in China, as the one and only holder of multiple practice certificates.
- **Lawson in talks to buy at least 3 competitors in China.** Japan's second-largest convenient store chain is known to set aside about \$300mm for overseas acquisitions (has \$889mm in cash and cash equivalents), and is currently "negotiating with more than 3~4 parties," one of which is an operator of an 800-store chain and another 150 in China. The company aims to operate 10,000 outlets by 2020. Lawson has about 355 outlets in China, while 7-Eleven chain, Lawson's bigger Japanese rival, has about 1,792 stores in China and more than 7,000 in the US.

LB NEWS UPDATE

LB NEW PORTFOLIO COMPANIES

LB made new investments in the following portfolio companies:

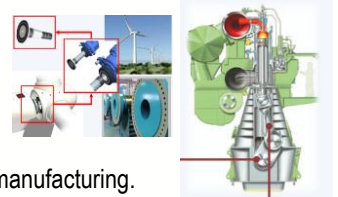
1) 6.CN

- Holdings Company Name: Six Room Holdings
- Website: www.6.cn
- Founded In: May 2006
- Investment Stage/Type: Middle/Venture
- Industry: Internet – Chinese online video
- Six Rooms offers No.1 brand on online live talent show (Xiuchang) and video community in China. It integrates online live show, SNS (Social Network Services) and online game. Six Rooms promotes the online talent show, online music industry, online entertainment and online live video community in the world.



2) HY PRECISION (에이치와이정공)

- Founded In: September 2007
- Investment Stage/Type: Middle/Growth Cap
- Industry: Ship engine manufacturing, wind power
- Established in 2007, HY Precision has become the leading manufacturer of ship engine parts and wind power generation parts. HY Precision also specializes in seamless pipe manufacturing.



3) DAEHAN SPECIAL METAL CO. (대한특수금속)

- Website: www.e-magnet.co.kr
- Founded In: May 2006
- Investment Stage/Type: Middle/Growth Cap
- Industry: Electronic Equipments/Material
- Daehan Special Metal Co. produces high-strength magnets for mobile phone's AF (autofocusing) module, slim TV speaker module, notebook sensor, using Nd (one of rare-earth elements)



LB RECENT INVESTMENT DEVELOPMENTS

LB expects to exit 7 portfolio companies through successful IPOs in KOSDAQ, ChiNext, NYSE and NASDAQ during 2012.

1) SECUBE

- OS-level security system
- Late stage investment
- Total Investment Amount: KRW 1 billion in December 2010
- Expected IPO in KOSDAQ: 2011 4Q (Exit in 2012 1Q)
- Expected Return: 2~3X

2) TESNA

- Semiconductor test house
- Mid stage investment
- Total Investment Amount: KRW 3 billion in July 2008
- Expected IPO in KOSDAQ: 2012 1Q (Exit in 2012 3Q)
- Expected Return: 4~5X



LB NEWS UPDATE

LB RECENT INVESTMENT DEVELOPMENTS

LB expects to exit 7 portfolio companies through successful IPOs in 2012 (cont'd).

3) GCT

- LTE & WiMax chip set solutions for 3-4G mobile handset
- Early stage VC investment
- Total Investment Amount: KRW 2 billion (KRW 1.3 billion in September 2001 and KRW 700 million in November 2002)
- Expected IPO in NASDAQ: 2012 3Q (Exit in 2013 1Q)
- Expected Return: 4~5X

4) Maxrotec

- Manufacturer of wireless gantry robot system and cylinder block of car engine
- Later stage investment
- Total Investment Amount: KRW 1.9 billion in May 2011
- Expected IPO in KOSDAQ: 2012 2Q (Exit in 2012 3Q)
- Expected Return: 3~5X

5) PPStream

- Online video streaming service
- Mid stage investment
- Time of investment: April 2008
- Expected IPO in NYSE: 2012
- Expected Return: 5~10X

6) CIS

- No.1 secondary battery manufacturer
- Later stage investment
- Total Investment Amount: KRW 7.2 billion in April 2011
- Expected IPO in KOSDAQ: 2012 4Q
- Expected Return: 3~4X

7) Innofidei

- Solution provider to enable China mobile TV broadcasting standard (CMBB) and 4G data terminal (TD-LTE)
- Early stage investment
- Time of investment : July 2008
- Expected IPO in ChiNext: 2012
- Expected Return: 3-5X

