



LBInvestment

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

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LB INVESTMENT, 13FL., SHINAN BLDG., DAECHI-DONG, GANGNAM-GU, SEOUL 135-280, KOREA
DIRECT +82 2 3467 0547 FAX +82 2 3467 0530 LB_CHINA_FUND@LBINVESTMENT.COM

KOREAN ECONOMY & PRIVATE EQUITY INDUSTRY

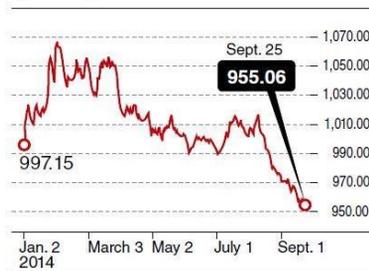
IPO, LP NEWS & ECONOMY

IPO Company Name	Date	Company Business
Duksan Housing	8/1	Steel deck plate manufacturer
Pavonine	8/4	Iodizing surface for electronics
Cuckoo Electronics	8/6	Home appliance maker (rice cooker)
ShinhHwa Contech	8/8	Mobile and micro connector
Gamma Nu	8/14	Mobile communication antenna
Mediana	10/7	Portable medical equipment
Devsisters	10/6	Mobile game developer
Youngwoo DSP	TBD	LCD/OLED equipment manufacturer
Terrasem	TBD	Image sensor packaging
Spigen	TBD	Cell phone accessories manufacturer
Tego Science	TBD	Skin cell therapy producer
Samsung SDS	TBD	Samsung-related ICT

- Korea's NPS posted the lowest returns in 2013 among 11 major pension funds around the world.** The NPS yielded 4.20% of returns, lower than 6.99% returns in 2012. The fund has an est. KRW 430trn (\$419bn) worth of assets under management and thus its low returns will inevitably have adverse effects on the Koreans' later lives.
- Korea's economy steadily recovering but pace remains weak with business sentiment sharply deteriorating.** Finance Minister noted that if domestic demand picks up from such stimulus efforts, including more than KRW 41trn worth of fiscal spending plans, the economy will be able to grow in the 1% range starting in 4Q'13 and return to the 4% rate next year.

Won-yen exchange rate

(Unit: won)



- Won-yen exchange rate may drop to 800 won,** as Japan is expected to continue quantitative easing to boost its economy. The weaker yen may undercut price competitiveness of Korean goods in overseas markets by making them relatively more expensive than the products of their Japanese rivals, such as Hyundai Motor and Kia Motors.
- Two Chinese firms plan to list on Seoul bourse.** Chinese firms are again turning to the South Korean stock market as the bourse starts to ease barriers for newcomers after shunning them in the past due to failures. Fujian HengSheng Animation Culture Diffusion Co, a toy and animation character maker in China, and Haichuan, a traditional Chinese medicine company are preparing to list on KOSDAQ.

DEAL ALERT

- Hanwha considering sale of Moolarben mine stake.** The listed chemical maker in business and managerial trouble these days has so far invested KRW 15bn, a 1% stake in the Australian coal mine. The Korea Electric Power and Korea Resources Corporation-led consortium has a 10% stake.
- KunWha acquires Dream Pharma.** The Korean arm of Alvogen, a New Jersey-based international drug maker is to acquire the independent pharmaceutical wholesaler/distributor in the UK. Dream Pharma will spin off the division into a separate entity, and KunWha will pay KRW 194.5bn for a 100% take in the company.
- K-Water to acquire Angat hydro power plant.** The state-run Korea Water Resources's (K-Water) acquisition of Angat hydro power plant, a 218-megawatt plant in the Philippines is to be finalized soon. K-Water will own a 40% stake, while the rest will remain with San Miguel Corporation (SMC).
- Meyer Werft acquires 70% stake in STX Finland.** The Finnish Government, Myer Werft and the current owner, STX Europe has finally signed a deal where Meyer Werft will take industrial leadership of the company.



KOREAN ECONOMY & PRIVATE EQUITY INDUSTRY

DEAL ALERT (cont'd)

- **Daum-Kakao merger to trigger yet another mobile Big Bang.** Daum, South Korea's No. 2 internet portal, and Kakao, the country's biggest mobile messenger operator with Kakao Talk, has been merged, marking the largest M&A in the internet space in Korea. The MergeCo will compete with Line, a free messaging app made by NAVER, the country's No.1 internet portal.
- **Alibaba may be considering Hanbitsoft as a takeover target.** The Chinese e-commerce giant has reportedly been reviewing potential acquisitions in Korea as it's considering investing in game developers from the country. Possibility is not very high as Hanbitsoft's publishing has not hit the industry. Hanbitsoft is a Korean online game and toy producer.
- **POSCO considers selling a stake in POSCO Engineering & Construction to a Saudi Arabian fund.** Value of the 30-40% stake in POSCO E&C is estimated to be near KRW 1trn. The move comes in as POSCO E&C, in which POSCO holds a 89.53% stake, plans to go public as part of the steelmaker's effort to bolster its balance sheet.
- **Woongjin Foods to acquire Daeyoung Food for KRW 30bn.** The unlisted South Korean beverage maker is to buy 100% of Daeyoung Food, a privately held confectionery maker. The sale price is estimated to be around KRW 30bn.
- **Bukwang Pharmaceutical acquires Denmark-based bio startup.** The pharmaceutical company is to acquire 100% Contera Pharma, a Copenhagen-based bio startup. The target is developing medicine for symptoms in relation to the central nervous system, and a clinical testing of the drugs will launch by Contera next year.
- **Agabang to be sold to Chinese apparel company.** Korea's leading infant and toddler clothing manufacture Agabang & Company is to be sold to China's Lancy Group for KRW 32bn. The move largely came as the company failed to surmount difficulties surrounding low fertility rate. The current president and largest shareholder will still own a 2.45% stake in the company.
- **Louis Vuitton to invest in YG Entertainment.** L Capital Asia, a PEF backed by Louis Vuitton group, invested around KRW 100bn for a 20% stake in the Korea's one of the top three entertainment companies. YG Ent has led the Korean pop culture wave across Asia with famous singers like Psy and Big Bang. The two hope to create significant synergies in expanding their respective businesses.
- **Hyundai Green Food withdraws the acquisition of WiniaMando reportedly due to tough labor union.** Hyundai Green Food had previously signed an MOU with CVC to take over a 100% stake in the kimchi refrigerator company for about KRW 150bn. Started as a home appliance unit of Mando Corp, an automotive parts unit of Halla Group, WiniaMando was sold to CVC in 1999 during the group's collapse.
- **Hyundai Securities Deal to Be Competed by Chinese, Japanese, and Korean Bidders.** With Fosun Group's participation, the bid for Hyundai Securities will become a three-way battle where Fosun will compete with Korean private equity fund PineStreet and Japan's Orix. Fosun Group has grown rapidly for the past few years through aggressive acquisitions in the areas of pharmaceutical, retail, and financial services. Last year it paid \$725mm for the Chase Manhattan Plaza building in New York, followed by an acquisition of a Portuguese insurance company at \$1.35bn.
- **China's Alibaba and Japan's SoftBank may invest in NAVER's Line messaging app.** Alibaba had offered to acquire US Snapchat, a photo messaging app but was turned down, and had also previously invested in Tango, a US-based chat app. The Chinese company has its own messaging app Laiwang but the number of subscribers is a mere 10 million, compared to 480 million of Line. Softbank's investment would also be attractive as establishing its affiliate Yahoo Japan as base camp in Japan will allow NAVER to compete with Rakuten. NAVER had originally planned to list Line in Tokyo Stock Exchange sometime in fall 2014 but has delayed the plan due to "bad timing."

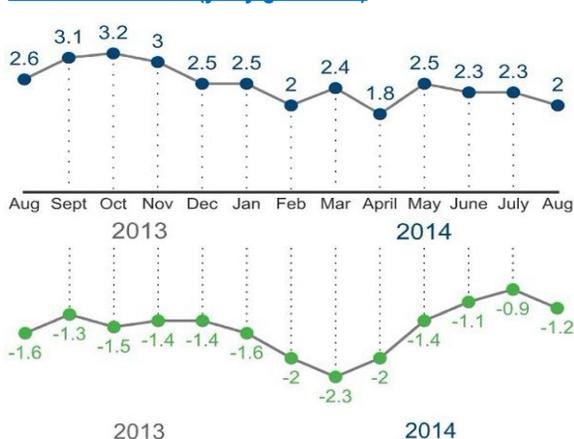
CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

ECONOMY & MARKET UPDATE

GDP Growth (y-o-y growth %)



CPI and PPI Index (y-o-y growth %)



- **China's 1H'14 GDP grows 7.4%.** The nation's gross domestic product (GDP) grew 7.5% in 2Q'14, picking up from the 7.4% expansion in 1Q'14. The growth seem to reflect stable employment situation and positive developments in structural adjustment.
- **China's CPI up 2% and PPI down 1.2% in August.** China's inflation rate eased to 2% y-o-y in Aug'14, marking the lowest level in four months. In the meantime, PPI, which measures inflation at wholesale level, dropped 1.2%, declining for a 30th straight month and at a faster pace than the previous month, confirming pressure from slowing economic growth.
- **Chinese economy takes 12.3% of world total in 2013.** China's GDP was RMB 56.9trn (\$9.32trn) in 2013. GDP per capita was RMB 41,908. These indicate remarkable progresses from 1952, when GDP was RMB 67.9bn and GDP per capita was RMB 119. From 1953 to 2013, China's GDP increased 122 times at comparable prices, with annual average growth of 8.2%.

DEAL ALERT

- **Fosun agrees \$441mm takeover of Roc Oil.** Australia's Roc Oil Co on Monday accepted an A\$474mm takeover offer from Chinese conglomerate Fosun International. The takeover will give Fosun its first oil assets, with stakes in Australia, China, Malaysia and the UK North Sea. Roc produced 2.7 million barrels of oil equivalent in 2013.
- **WH Group raises \$1.9bn in delayed HK IPO.** World's biggest pork producer's second attempt to go public in HK in Aug'14 was successful with the tranche for local retail investors oversubscribed by >55 times.
- **Kabam gets \$120mm Alibaba investment.** The producer of games for mobile devices received a sizable investment from the China's largest e-commerce company as part of a plan to distribute titles including the Lord of the Ring in China. The SF-based company is now valued at more than \$1bn.
- **Ganji receives \$200mm investment.** Carlyle and Tiger Fund have invested >\$200mm in the Chinese online and mobile-based classified advertising operator, aiming to profit from the nation's expanding e-commerce sector. The investment will support Ganji's product innovation and development in online-to-offline local services.
- **Hanergy acquires Alta Devices,** a California-based developer of high-efficiency thin-film solar cells. It is the fourth acquisition by Hanergy, a privately-held renewables company, in the past two years, showing the company's determination to bring the latest technology into production.
- **China Mobile reportedly seeks 20% stake in Malaysian carrier.** Axiata Group is Malaysia's largest wireless carrier by market value, and a 20% stake would be valued at >\$3.7bn. China Mobile, the world's biggest phone company by number of users, has been seeking overseas acquisitions after its cash rose to \$69bn by Mar'14.

CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

DEAL ALERT (cont'd)

- **Fonterra to invest in Chinese dairy business.** Global dairy cooperative Fonterra will buy a 20% stake in Chinese dairy giant Beingmate for RMB 3.68bn (\$599mm) to increase its access to China's infant milk market. After the share transfer, Beingmate and Fonterra will build a JV milk powder factory in Victoria, Australia. Beingmate will invest more than \$185mm in the factory, in which it will have a 51% ownership.
- **Carlyle raises a \$3.9bn Asia fund.** Carlyle Asia Partners IV was closed at \$3.9bn in Sept'14, more than 50% larger than its predecessor fund CAP III. CAP IV made its first investment in May in ADT Korea, a prominent security services company. In Aug, the fund invested in Ganji.com, a top operator of online and mobile-based classifieds in China.
- **Yuanda acquires Israeli agri firm for \$20mm.** Shenyang Yuanda Enterprise Group (Yuanda) acquired Auto Agronom Israel (AA) for \$20mm to expand its business to high-tech agriculture area. Founded in 1988, Auto Agronom Israel is a top company in the world producing smart irrigation systems used in 13 countries.
- **Evergrande sees plastic surgery as one key to its health.** Evergrande Real Estate Group bought a stake in Korea's biggest plastic surgery operator, Wonjin Aesthetic Surgery Clinic, in an effort to tap the increasing demand from domestic clients. The acquisition came after Evergrande, based in Guangzhou, had adopted a long-term strategic plan to diversify its business for future growth.
- **Whirlpool acquires Hefei Sanyo.** US appliance-maker Whirlpool is to acquire a 51% stake in the Shanghai-listed Hefei Rongshida Sanyo Electric for RMB 3.38bn (\$550mm). China is to become the world's largest white goods market, and the acquisition will combine Whirlpool's technologies with Hefei Sanyo's local market expertise to grow its market share.
- **Hebei Iron and Steel takes stake in Duferco.** China's largest steelmaker, Hebei Iron and Steel Group, will take a controlling stake of 51 to 52% in Swiss-based steel trader Duferco for about \$400mm, a move that signals China's determination to offset pressure from domestic overcapacity.
- **Sinopec sells \$17.5bn stake in retail unit.** Asia's top oil refiner will sell a RMB 107.1bn (\$17.5bn) stake in its retail unit to a group of 25 Chinese and foreign investors. The country's biggest privatization in recent years comes as China's government pushes to restructure its State-owned enterprises by bringing in private capital and expertise.
- **China State-owned telecoms tower firm to go public.** China Communications Facilities Services, the telecommunications tower company jointly established by China's three State-owned wireless carriers - China Mobile, China Unicom (HK) and China Telecom Corp - will take private capital and list on public markets. The companies together seek to build telecommunications towers in China. China Mobile will own a 40% stake, China Unicom a 30.1% and China Telecom a 29.9%.
- **Alibaba raises over \$21.8bn through NYSE IPO.** One of the largest-ever IPOs would give Alibaba a market valuation of \$167.6bn, surpassing American corporate icons from Walt Disney to Boeing. The offering also vaults it atop US e-commerce rivals like Amazon and eBay and gives it more financial firepower to expand in the United States and other markets. Alibaba's IPO price was \$68/share, which surged 38% the next day trading at \$93/share.
- **Huayi Brothers eyes 79% stake in GDC.** A unit of China's Hyayi Brothers Media Corp is to acquire a 79% stake in GDC Technology, a leading global digital cinema solutions provider. GDC Technology manufactures and sells digital cinema servers and suite of digital cinema products of global top cinemas.
- **Intel to invest \$1.5bn in China mobile chipmakers.** Intel is to invest RMB 9bn (\$1.5bn) for a 20% stake in a new holding company under Tsinghua Unigroup which owns leading mobile chipmakers Spreadtrum Communications and RDA Microelectronics. Unigroup is a subsidiary of state-owned Tsinghua Holdings run by Beijing's Tsinghua University.



LB NEWS UPDATE

LB NEWS

LB made new investments in the following portfolio companies in the past two months:

1) Makepolo (北京搜斗士)

- Founded In: 2008
- Investment Stage/Type: Mid-Stage/Series-B (follow-on investment)
- Industry: Internet (e-commerce)
- Makepolo.com provides buyer-focused, free-and-open B2B e-commerce platform which specialized in precise purchase search and match business in China. Its platform gathers buyers worldwide, and provides buyers and suppliers with purchasing and supplying information in various categories, including mechanical industry, food and beverage, electronic components, textiles, fashion and more. With over 12 million sellers registered, the company is the largest B2B procurement and trade platforms for small-and-medium enterprises in China.

