



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
Youngwoo DSP	10/21	LCD/OLED equipment manufacturer
Terrasem	10/23	Image sensor packaging
Spigen	10/30	Cell phone accessories manufacturer
Tego Science	10/31	Skin cell therapy producer
DA Technology	11/13	Equipment for secondary battery, FPD
Samsung SDS	11/14	Samsung-related ICT
Pati Games	11/14	Online/mobile game studio
Telcom	11/24	RF coaxial connector
CS Wind	11/25	Wind power
FNC Entertainment	11/25	Entertainment agency
DaeChang Steel	12/9	Steel vendor for POSCO
SKC Kolon PI	12/1	Polymide film
Alteogen	12/5	Bio (biobetter, biosimilars)
BC World Pharm	12/9	Pharma (prescription drugs)
ADTechnology	12/9	SoC Semiconductor
LabGenomics	12/9	Bio (DNA bio sensor)
GreenCross MS	12/11	Pharmaceutical
Digital EMC	12/11	Digital certification service
Hironic	12/11	Medical equipment for skin treatment
Samsung Cheil Industries	12/15	Fashion, construction, resort, etc.

- **Korea's economy to grow 3.6% in 2015**, according to average projections from 34 major IB houses, and it's lower than the Korean government's 4% and the Bank of Korea (BOK)'s 3.9%. Still shaky domestic demand and weakening exports, hit by the Japanese yen's slide, are major reasons for their relatively low growth projections.

- **GDP to rise up to 3% on FTA with China.** South Korea's economic territory will expand to take up about 72% of the world's gross domestic product with its biggest trade partner takes effect. The trade deal covers nearly all economic areas, including products, services, investment, finance and communications. The two countries agreed to exclude rice, a key staple food for both. Korea and China announced their FTA in nearly 10 years since they started their negotiations for the deal.

- **Korea's trade volume set to reach record high, exceeding \$1trn in the shortest time ever.** The country's total trade volume is expected to reach \$1.1trn this year, the highest amount ever, and likely to be the 8th largest in the world. In 2013, the country's overall trade was the world's 9th largest. The more positive aspect of the growing trade was a large rise in exports by SMEs.

DEAL ALERT

- **Samsung to sell 4 affiliates to Hanwha.** Samsung will sell its defense affiliate Samsung Techwin Co. and chemical unit Samsung General Chemicals Co. to Hanwha, another South Korean family-run conglomerate whose main businesses include defense and solar power. Two other affiliates, Samsung Thales Co. and Samsung Total Petrochemicals Co., were automatically included in the sale-acquisition deal since they are half-owned by the companies being sold to Hanwha. The deal is estimated to be KRW 1.9trn.
- **Headland Capital Partners seeking to sell YoungToys and to buy Megabox.** The Hong Kong-based PEF is putting up the designer, manufacturer and distributor of toys in Korea for sale for around \$250mm, while seeking to buy a No.2 cinema chain operator in Korea. A 50% stake in Megabox had been put up for sale by Macquarie who has drag-along rights for JContentree, the second largest shareholder's 46.3% stake in Megabox. A 100% stake in Megabox could sell for at least KRW 500bn
- **Cheil Worldwide acquires a majority stake in Iris.** The listed Korean advertising agency is to acquire a 65% stake in the UK-based shopper marketing company for KRW 43.3bn. Cheil expects the acquisition will help the company improve services it provides to existing customers as well as promote marketing activities towards potential global customers.



KOREAN ECONOMY & PRIVATE EQUITY INDUSTRY

DEAL ALERT (cont'd)

- **Benetton family considering merger with Lotte DFS, Shilla, Lagardere and Dufry.** The Benetton family, who currently controls the 50.1%, is in talks with Lotte DFS and Shilla, the South-Korean retail group and hotels group, in order to find a partner for its Italian company World Duty Free. WDF posted € 2bn in 2013.
- **Visteon in talks with Hahn & Company to sell Halla Visteon Climate Control.** The Michigan-headquartered automotive parts supply company has been in talks with the Korean PEF to sell its stake in Halla Visteon Climate Control. Halla Visteon Climate Control is a listed South Korean air controlling system and other auto parts maker. Visteon has a 69.99% stake in the company, and the sale could fetch about KRW 4tn.
- **KCC to acquire Hyundai Heavy Industries minority stake worth \$270mm.** Listed construction materials maker acquired a 3.2% stake in Hyundai Heavy Industries worth KRW 300bn. Upon the completion of the shares, KCC would hold about 6.25% stake in the target.
- **SK Gas and KDB to close acquisition of Dongbu Power's majority.** SK Gas and KDB expect to finalize the acquisition of Dongbu Power Dangjin in early December as the details of legal dispute over the local electricity transmission line iron out. SK Gas and KDB agreed to acquire a 45 % and 15% stake in Dongbu Power Dangjin, respectively, for KRW 201bn in total.
- **Samsung Engineering and Samsung Heavy to cancel share-swap merger,** due to the excessive appraisal right payment which reached KRW 1.63tn, higher than the initial budget of KRW 1.36tn in total.
- **Yello Mobile to draw \$100mm investment from Formation8.** The San Francisco-based venture capital firm is to invest in the privately held South Korean mobile application developer. Yello Mobile, a conglomerate consisting of 50 start-ups in the mobile commerce industry, will use the proceeds to acquire mobile service companies and repay debts.
- **Erae CS places first-round bid for Delphi Automotive's thermal unit.** The privately held South Korean automotive parts maker, has placed a first-round bid for the thermal unit of Delphi Automotive. Erae CS has formed a consortium with its subsidiary, Korea Delphi Automotive Systems, to bid for the division. Erae CS and Delphi each has a 50% stake in Korea Delphi. The sale of the thermal unit of Delphi could raise \$1bn.
- **Yangsan Country Club to sell to Heechang Dairy & Food.** YCC, an unlisted South Korean golf course operator under court receivership, will be sold to the privately held South Korean dairy and beverage maker. The deal value is KRW 129bn. YCC will repay debts and renovate its golf course with the proceeds from the company sale, it said.
- **Samsung SDS IPO successfully closes 134.19x oversubscribed** The planned number of shares to be sold had been 134.19x oversubscribed by Samsung SDS during the two days' opening for the offering. Samsung SDS, the system integration unit of South Korean company Samsung Group, is to be listed on Nov 14th with IPO size of KRW 1.6trn.
- **Samsung buys Proximal Data.** Samsung Electronics acquired Proximal Data a San Diego-based pioneer of server-side caching software with I/O intelligence that work within virtualized systems.
- **LG Household & Healthcare to acquire a majority stake in CNP Cosmetics.** The listed Korean personal care products maker is to acquire an 86% stake in CNP Cosmetics for KRW 54.2bn in cash. CNP Cosmetics is an unlisted South Korean cosmeceuticals maker.
- **Hollys Coffee acquires De Chocolate Coffee from Interpark.** Hollys F&B, a privately held coffee shop chain operator by IMM, has acquired a coffee shop chain business of Interpark, a listed e-commerce company. De Chocolate Coffee operated 63 outlets in Korea and 4 in China at 3Q'13.



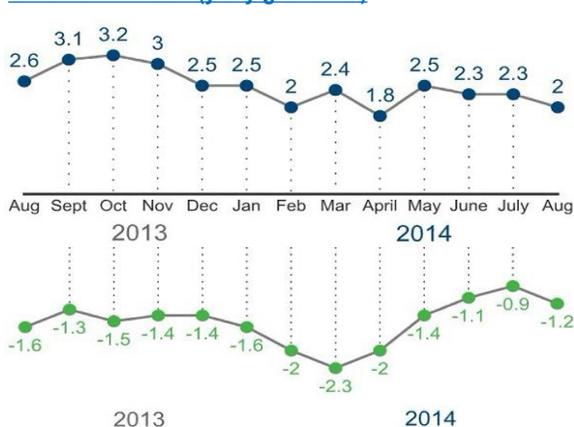
CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

ECONOMY & MARKET UPDATE

GDP Growth (y-o-y growth %)



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



- China's 3Q'14 GDP grows 7.3%, lowest in 5 years, raising concerns of a spillover effect on the global economy but falling roughly in line with Chinese leaders' plans for a controlled slowdown. The government is trying to steer China toward growth based on domestic consumption instead of over reliance on trade and investment, but the slowdown raises fears of politically dangerous job losses.

- China's CPI up 1.6% and PPI down 2.2% in October. China's consumer inflation rate remained at its lowest level since Jan'10, while factories' wholesale prices contracted for a 32nd straight month. Higher food prices were the main contributor to CPI growth rising 2.5% y-o-y and lifting the CPI by 0.83%pts. The deterioration of PPI deflation was mainly attributable to sharply lower oil prices and overcapacity industries.

- China FDI inflows rise 1.3% in Oct to \$8.5bn. Among major investors, FDI from Korea increased 26.4% y-o-y in the first ten months while FDI from UK expanded 32.4%.

DEAL ALERT

- Synlait Milk to buy 25% stake in New Hope Group unit.** New Zealand-based dairy processing company Synlait Milk is expected to acquire 25% of a nutrition unit of China's largest agriculture company to gain access to the country's lucrative infant formula market.
- China's Bright Food acquires majority stake in Salov.** Shanghai-based Bright Food Group bought a majority stake in Italian olive oil producer Salov Group. Salov operates mainly in olive oil and other vegetable cooking oil. The oil maker maintains a leading position in Britain and the US.
- Xiamen Airlines to acquire in Hebei Airlines.** China Southern Airlines announced its Xiamen Airlines subsidiary and Hebei Airlines Investment entered into an agreement in which Xiamen Airlines agreed to acquire a 95.4% equity interest in Hebei Airlines for RMB 680mm. The acquisition will help the group to further develop the aviation market in Hebei, facilitate the integration of the North China market by Xiamen Airlines and improve its domestic route network.
- Qatar SWF in HK\$4.7bn stake deal with SOGO owner.** A unit of Qatar Investment Authority (QIA) is to acquire a 19.9% stake in Lifestyle International's dominant shareholder, Real Reward, for HK\$4.8bn. Lifestyle operates the SOGO Department Store in Causeway Bay. Its controlling shareholder, Real Reward, co-owned equally by Lifestyle's CEO and Chow Tai Fook Jewellery Group, has agreed to sell the stake at a 1% premium to Lifestyle's last traded price of HK\$14.6.
- Xiaomi readies for fund infusion.** Xiaomi is in talks for a funding round that values the smartphone maker at about \$40-50bn. The world's third-biggest smartphone maker had a financing round in Aug'13 that valued the company at \$10bn. Xiaomi, which sells directly to consumers and only released its first smartphone in 2011, is pushing into new markets from Singapore to India.

CHINESE ECONOMY & PRIVATE EQUITY INDUSTRY

DEAL ALERT (cont'd)

- **Loaded Alibaba and Jack Ma to continue investment.** Alibaba held a total of RMB 109.9bn in cash, cash equivalents and short-term investments at the end of Sept'14 after its IPO. Alibaba will remain active in M&A with the target to add new users, expand its products and services, and link up with international market.
- **Xiaomi takes \$300mm stake in IQiyi.com.** The Chinese electronics company is to invest \$300mm in Baidu's online video website IQiyi.com. It is the first time that IQiyi.com has invited a heavyweight partner to become a shareholder, and is considered Xiaomi's biggest investment in four years. Xiaomi plans to spend \$1bn to expand Internet TV contents.
- **Major private steel company files for bankruptcy protection.** Haixin Iron and Steel Group, the largest private iron and steel enterprise in Shanxi province, has started bankruptcy reorganization procedures. The company, located in Wenxi county, had an annual steel output of 5mm tons and was ranked 2nd only to Shougang Changzhi Iron and Steel Co, another State-owned enterprise, within the province. It is also the largest privately-owned company in Shanxi.
- **Alibaba, Tencent raise stakes in Huayi Brothers.** Tech giants Alibaba and Tencent are to invest a combined RMB 2.8bn to raise their stakes in Huayi Brothers Media, China's largest private film company. The move signals that China's largest Internet players are making inroads into the entertainment sector. After the purchase, Alibaba and Tencent will each hold 8.08% of shares, each becoming the second-largest shareowners.
- **HNA Group buys stake in NH Hotel Group of Spain.** The HNA Group, parent company of Chinese carrier Hainan Airlines, acquired an additional 8.3% equity stake in Spanish hotel management company NH Hotel Group from Intesa San Paolo, an Italian bank. The Chinese company now holds a 29.5% equity stake in NH Hotel, the third-largest hotel management company in Europe operating more than 380 hotels with almost 60,000 rooms in 26 countries and regions.
- **Hebei Steel takes a majority holding in Duferco.** Hebei Iron and Steel Group has taken a controlling stake in Switzerland-based Duferco International Trading Holding, a move that will help China's largest steel producer expand its presence in the global markets. HBIS will acquire a 51% stake in DITH, the biggest steel trader in the world.
- **Fosun International acquires Australia's Roc Oil.** Chinese conglomerate Fosun International's wholly owned subsidiary Transcendent Resources has closed acquisition of Australia's leading independent upstream oil and gas company Roc Oil with RMB 2.36bn. The takeover of Sydney-listed Roc Oil will entitle Fosun 92.6% of its shares, and oil assets in Australia, Malaysia and the UK's North Sea. Chinese production account for 72% of Roc Oil's total output.
- **Bayer acquires OTC drug firm Dihon.** Germany-based drugmaker Bayer AG acquired the privately held Dihon Pharmaceutical Group in Kunming, capital of Yunnan province, for RMB 3.6bn, which will help it become the world's largest non-prescription medicine group. Bayer will hold 100% of Dihon, which specializes in over-the-counter skin products and herbal traditional Chinese medicine products for women.
- **Alibaba raises \$8bn in first bond offer.** Alibaba Group sold \$8bn in bonds at yields lower than what was originally offered after investors placed orders of at least \$57bn to the e-commerce behemoth. The company raised a record \$25bn in its IPO in Sept'14, and has seen its share price rise nearly 76% since the debut on the NYSE.
- **Chinese health food producer to acquire company in NZ.** Nanjing Sinolife United Co, one of the leading health food producers in China, is to buy a New Zealand company, Good Health Products Ltd, for NZ\$23mm.
- **China's Bluestar to buy REC Solar.** China National Bluestar has agreed to buy solar panel maker REC Solar for 4.34bn Norwegian crowns (\$640 million), planning to combine it with another Norwegian asset it picked up in 2011. Bluestar will pay a 15.9% premium to the stock's last close.



LB NEWS UPDATE

LB NEWS

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

1) BodyFriend

- **Founded In:** 2007
- **Investment Stage/Type:** Pre-IPO
- **Industry:** Consumer electronics (massage chair)
- Company designs, manufactures, leases and sells electronic massage chairs. Since its first rental program in 2010 BodyFriend ranks No.1 in all the major TV home shopping channels, including GS, Hyundai, Lotte, etc. Company was awarded the Grand Prize at the Good Design Award in 2013 and at the Year's Brand for two consecutive years in 2013-2014. With its strong rental platform and product development, the company continues to expand its consumer living and healthcare product portfolio including latex mattress and water purifier.



2) Wider Planet

- **Founded In:** 2010
- **Investment Stage/Type:** Mid-Stage
- **Industry:** Software (targeted advertising platform)
- Company makes TargetingGates, a platform analyzing PC/mobile user behaviors geared towards advertising campaign on a non-personally identifiable information base. The platform basically gathers user URL visit information from various websites, and help select and display online display banner ads based on user's behavior, needs and circumstances thereby increasing ad effectiveness. Company currently co-works with 1,400 sites including 80% of major news sites, blogs and online communities.



3) Pearl Abyss

- **Founded In:** 2010
- **Investment Stage/Type:** Mid-Stage
- **Industry:** Game (MMORPG)
- Company is currently in the making of a highly anticipated online MMORPG (Massively Multiuser Online Role-Playing Game) called Black Desert. CEO is one of the top game creators in Korea with past track record of successful MO/MMORPGs including Rill, R2 and C9. While domestic publishers are focusing on mobile games, online space currently lacks new quality RPG games even though number of online game users have been stable. The game have done two CBTs with high anticipation.



4) ToolGen

- **Founded In:** 1999
- **Investment Stage/Type:** Pre-IPO (KONEX listed)
- **Industry:** Bio (engineered nucleases)
- ToolGen is a biotechnology company focused on the development of designer transcription factors to be used as genetic switches for turning selected genes on and off in microbes, plants, animals and human cells. Company leads the genome editing technology at the frontline, specifically a new technique to analyze genetic information that uses RNA-guided engineered nucleases (RGEN). ToolGen plans to deploy vivo genome editing technology enabled by engineered nucleases into diverse areas in biotechnology and medicine.

