

PE/VC companies offer helping hand to GEB suitors

Private equity and venture capital firms are backing nearly 38 of the 94 startups that are likely to be listed on the NASDAQ-like Growth Enterprise Board (GEB), according to a report released by market research firm Zero2IPO Group yesterday.

Domestic venture capital firms are playing the lead role in most of the GEB investment, accounting for 70 percent of the total investment, the report said.

"Since the GEB provides more exit avenues it has attracted the PE and VC firms. It would be beneficial for these firms to carry out both the fundraising and exit opportunities in the domestic market," said Lin Wanting, analyst, Zero2IPO Group.

The report showed that more than half of the VC/PE-backed companies are engaged in IT or traditional industries. Of the 94 companies that cleared the regulators' preliminary review, 70 percent are in IT or traditional industries.

"We may see more energy-saving and healthcare companies backed by VC/PE firms, as the nation is encouraging alternative energy firms," said Lin.

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According to Zero2IPO, of the 38 VC/PE-backed companies, six firms have got the second-round of funding, while one firm is already in its third round of capital injection. The first investment by the PE/VC firms was in Kindee International Software Group, which got funding from IDG Capital Partners in 1999 and was listed in Hong Kong in 2001. A subsidiary of Kindee is now seeking to list itself on the GEB.

The report revealed that most of the investment cases were conducted in the past three years and they peaked last year. The average investment cycle is normally two to three years.

"According to the international experience, it usually takes six to eight years for VC/PE firms to exit the invested companies," said Lin.

"The GEB's lower threshold has also attracted some companies that were earlier looking at a listing on the small and medium-sized enterprise (SME) board," Lin said.

The 38 VC/PE-backed companies are mainly located in 13 cities or provinces, including Beijing, Shenzhen, Zhejiang province and Hubei province. The 94 companies are mainly located in Beijing, Shenzhen, Zhejiang province, Sichuan province and other 17 provinces or cities, the report said.

The Shenzhen Stock Exchange said recently that it plans to test the GEB network on Sept 12 and Oct 10, indicating that investors could buy shares of GEB-listed companies by as early as the fourth quarter of the year.

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