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AVCJ Asian Private Equity Barometer

**AVCJ Asian Private Equity Barometer debuts with slight
Asia Pacific recovery in 2009**
New format allows deeper analysis

Hong Kong, 12 May, 2009 – The AVCJ Asian Private Equity Barometer, produced in association with KPMG as a new 16-page quarterly summary of data from the Asian Venture Capital Journal, shows a very slight recovery in Asia Pacific private equity over the first quarter of 2009 – albeit mostly thanks to a single big deal, the Canada Pension Plan Investment Board’s c.\$5.07 billion acquisition of Australia’s Macquarie Communications Infrastructure Group. Private equity investment regionwide in 1Q09 amounted to \$10 billion – up on the \$7.4 billion of investments in 4Q09, but still far below the \$27.7 billion of investments made in 4Q08.

Investment trends show continuing concerns despite resurgence

Volume of transactions across Asia Pacific continued a steady slide to just 180 deals – a 12-month low. The breakdown of the Top Ten deals over the quarter shows that the only deals of 1Q09 to top \$1 billion were predominantly driven by entities from outside the region or were barely classifiable as private equity deals: the \$1.68 billion investment for 60.1% of Universal Studios Japan by Goldman Sachs, Owl Creek Asset Management, MBK Partners, and incumbent CEO Glenn Gumpel, the \$711.4 million public markets investment by Hopu Investment Management for just 1.3% of the Bank of China; and UK-headquartered Terra Firma Capital Partners’ \$272.2 million purchase of 90% of Australian stock-rearing group Consolidated Pastoral Company.

Mature economies up, China, India down

The first quarter of 2009 continued a trend already seen late last year, with Asia Pacific’s more mature economies delivering more significant deals than the much-fancied growth investing destinations of China and India. Australia saw some \$5.47 billion from 15 deals. Japan, meanwhile, benefited from strong momentum in the mid-market as well as headline large deals, with almost \$2.26 billion from 51 transactions.

China, however, contributed just over \$1.05 billion of investment value, through 40 transactions. India showed similar momentum, with 41 deals yielding \$655 million of value. Once again, though, the quarter’s largest deal in this market, the 49% buyout

of newly formed telecoms venture S Tel Communication Ltd. by Bahrain Telecommunications and the UAE's Millennium Private Equity for \$225 million, had a strong strategic tinge.

Asia rebounds for buyouts?

Buyouts, supposedly challenged in the global market space since the credit crisis hit last year, in fact showed quite a resurgence in Asia Pacific in 1Q09, accounting for 77% of total investment value in the quarter at almost \$7.7 billion. In contrast, growth capital, seen by many as the investment discipline of choice for accessing China and India's growth economies, contributed only 8.6% of the region's investment value, at just \$858 million.

Investment stalled or waiting game?

Investment activity is undoubtedly still down in China and India, posing a continued challenge to international hopes of a reservoir of growth-driven returns in these markets. But Asia Pacific private equity as a whole seems to be rebounding off the bottom of 4Q08 with the help of a recovery in buyout deals that bids fair to continue into 2Q09.

"While the deal data in the region points to a decline in large deals, I am mindful that GPs in general are under pressure to do deals - they do not get paid to sit on the sidelines," said Honson To, Partner and regional head of private equity for Asia Pacific at KPMG. "At the same time, normally healthy companies in a number of sectors must be facing pressure to improve their financing structures. The lack of deal activity cannot last forever - I would be interested to see who blinks first."

"Asia Pacific, paradoxically, shows signs of becoming a new buyout destination of choice internationally," remarked Paul Mackintosh, Managing Editor at AVCJ. "However, local firms must hope to demonstrate more deal flow later in the year to offset the current dominance of global and strategically-linked players in this space."

These and other data are available in the full version of the AVCJ Asian Private Equity Barometer, available for download from: www.avcj.com.

About AVCJ Group

AVCJ Group is the leading source of information on Asian private equity, venture capital and mergers and acquisitions. A wholly-owned subsidiary of Incisive Media, AVCJ's stable of journals includes *Asian Venture Capital Journal*, *Private Equity Asia* and *Asian Venture Capital Journal* (Chinese edition). The Group also maintains the most comprehensive database on Asian private equity and M&A transactions, and publishes a variety of annual directories, pan-Asian industry reviews and regional reports.

AVCJ Group is also the organiser of the *AVCJ Private Equity & Venture Forum* conference series. In 2009 the *AVCJ Private Equity & Venture Forum* convenes in Sydney, Tokyo, Abu Dhabi, Zurich, Beijing, Taipei, New York, Shanghai, Seoul, Kuala Lumpur, Hong Kong and Mumbai, attracting dealmakers on a regional and global basis throughout the year. Since its first gathering more than 20 years ago, the *AVCJ Private Equity & Venture Forum* has grown to become *the* meeting place for Asian private equity and venture investors, fund managers, corporate executives and financial professionals. For more information, please visit www.avcj.com.

About KPMG

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