



漢坤律師事務所
HAN KUN LAW OFFICES

Han Kun's 2018 Data Analysis Report for VC/PE Deals

March 27, 2019

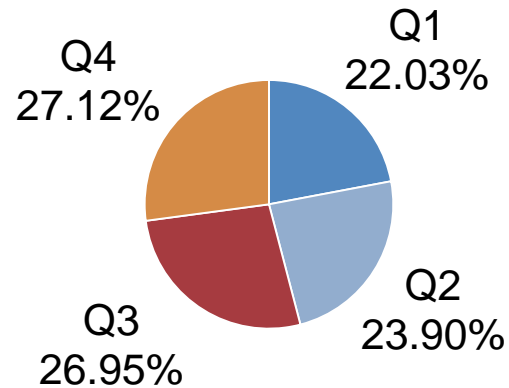
- Han Kun represents investors and companies in a wide variety of venture capital and private equity transactions involving both onshore and offshore structures, and RMB and USD denominated investments. Clients include well-known PRC and international institutional investors and cutting edge start-ups from various sectors
- We compiled data from over 600 venture capital and private equity transactions that we closed in 2018, summarizing and analyzing key legal provisions, including investment structure, anti-dilution, redemption, co-sale, transfer restrictions, right of first refusal, liquidation preference, protective provisions, ESOP, preemptive rights, board appointment rights, dividends, governing law and dispute resolution, etc. We hope that our data and analysis will be a useful guide for the industry

Note: This report compiles data from legal provisions in over 600 Han Kun transactions in 2018 that closed. It does not include all venture capital and private equity transactions that Han Kun was involved in during 2018. This report does not analyze legal provisions in fund formations.

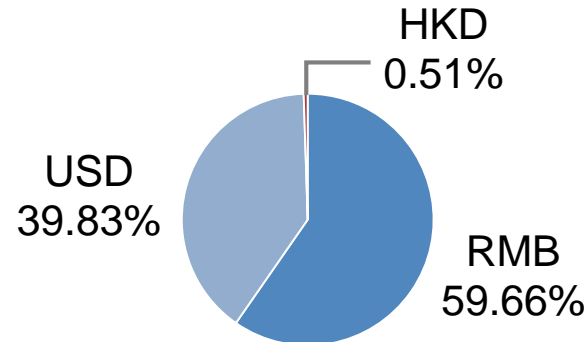


Han Kun's VC/PE Transactions in 2018

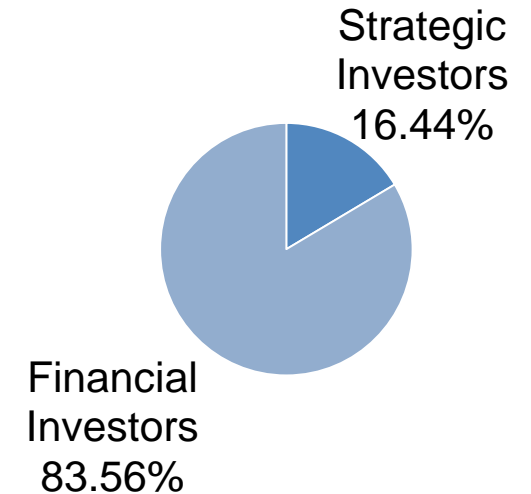
Transactions by Quarter



Transactions by Currency



Transactions by Investor

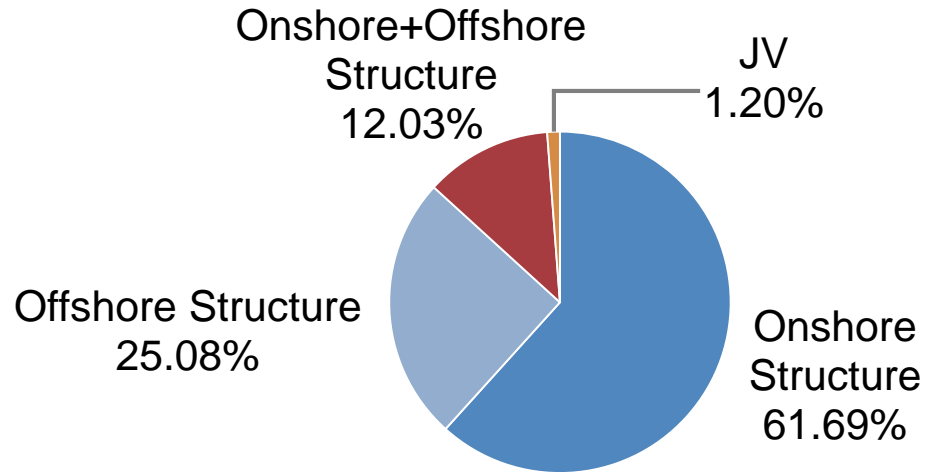


In 2018, the aggregate amount of venture capital and private equity transactions Han Kun participated in exceeded **RMB 300 billion**

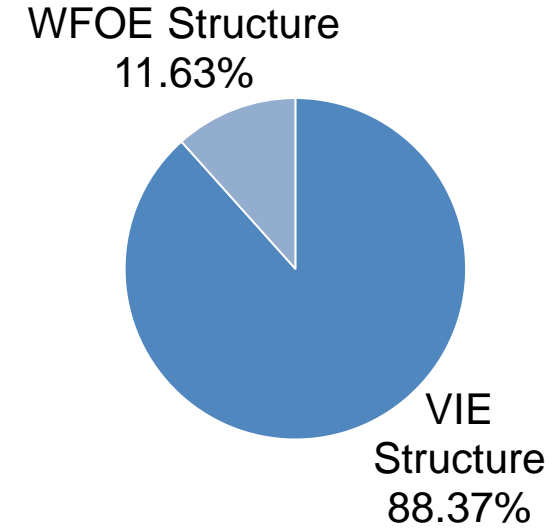
Note: Transactions led by strategics are categorized as strategic investment deals.

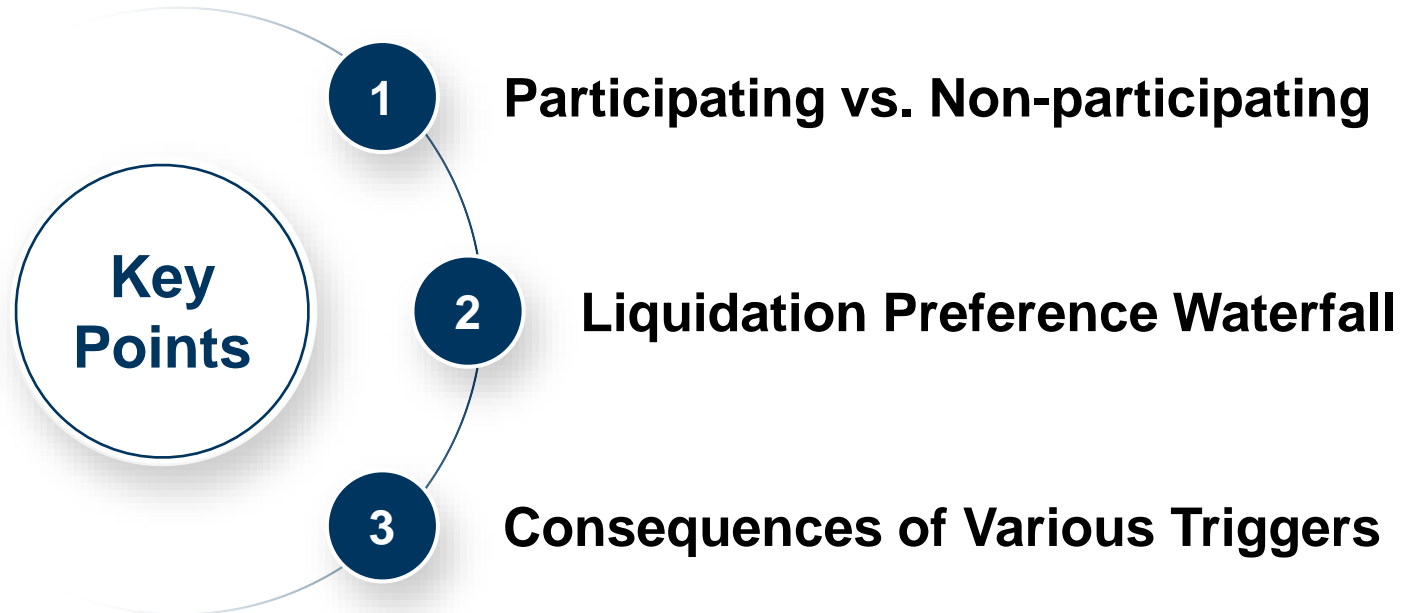


Investment Structure



Offshore Structure

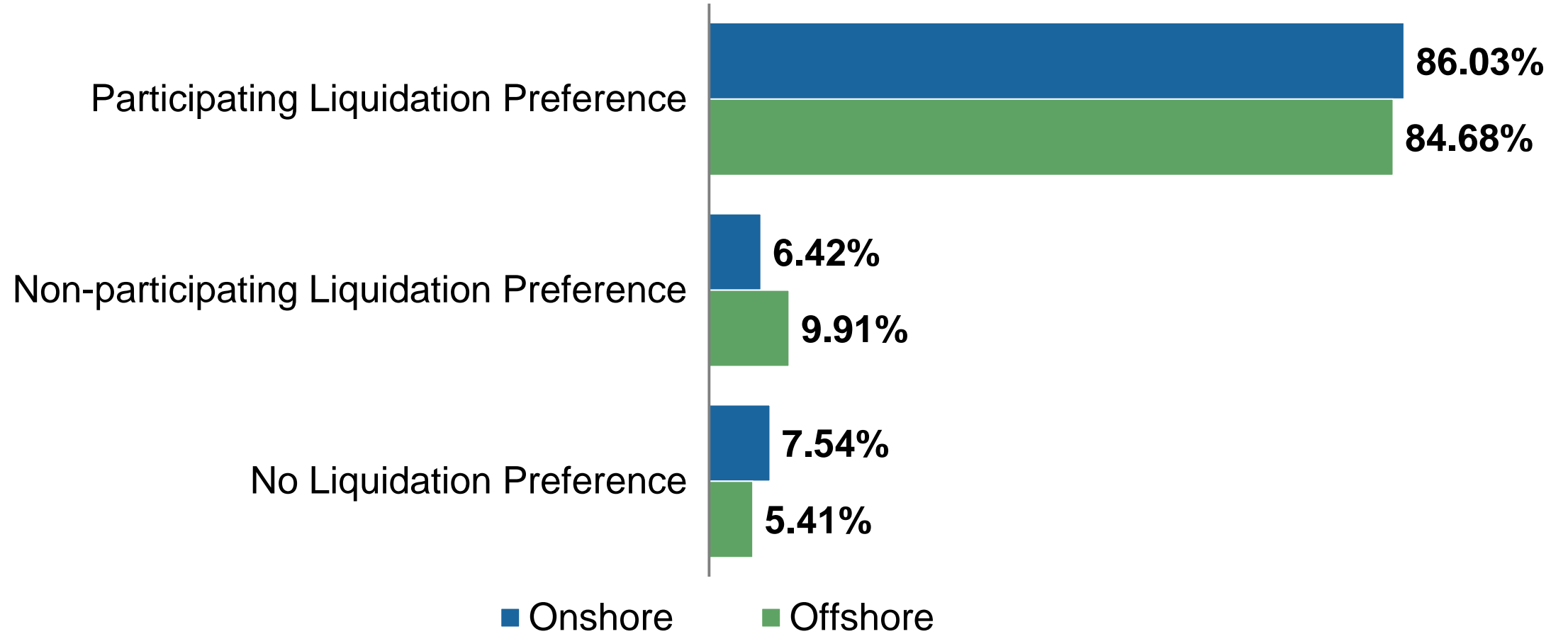






Liquidation Preference (Cont'd)

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Liquidation Preference (Cont'd)

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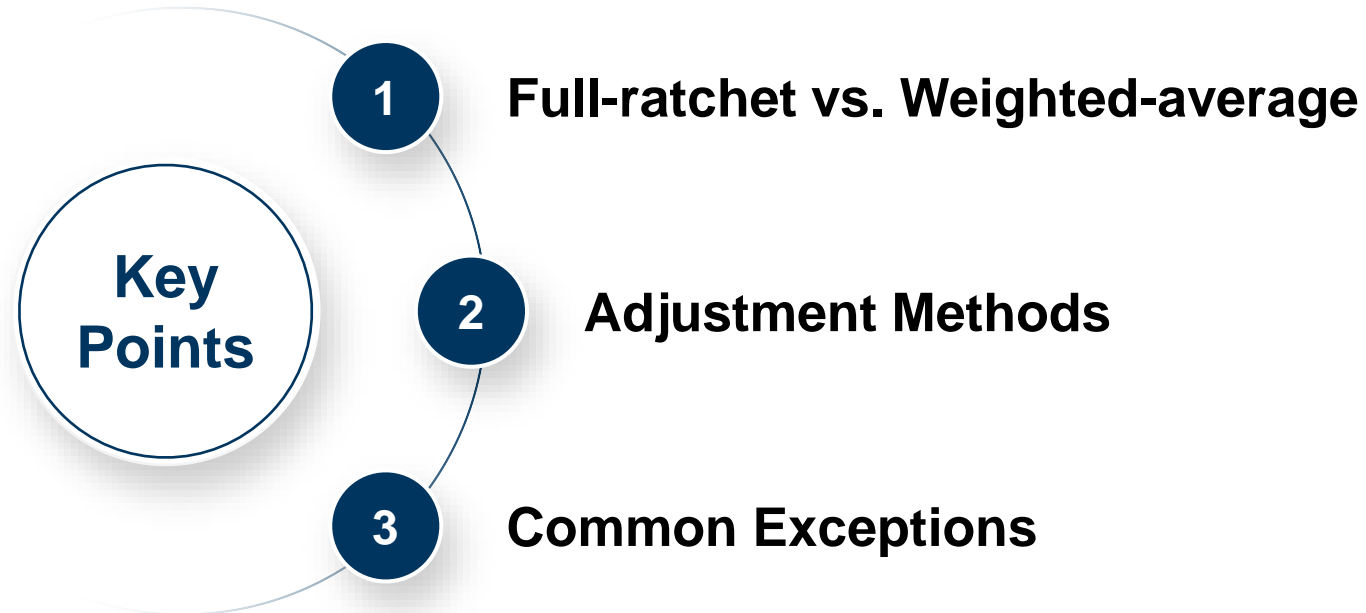
Onshore Structure

Liquidation Calculation	Liquidation Amount Range	Average
Liquidation amount is a percentage of the investment amount	(50%-160%) of the investment amount	116.21% of the investment amount
Liquidation amount is a percentage of the investment amount+simple interest	100% of the investment amount+(8%-24%) simple interest	100% of the investment amount+10.04% simple interest
Liquidation amount is a percentage of the investment amount+compound interest	(100%-150%) of the investment amount+(8%-15%) compound interest	108.33% of the investment amount+9.92% compound interest



Offshore Structure

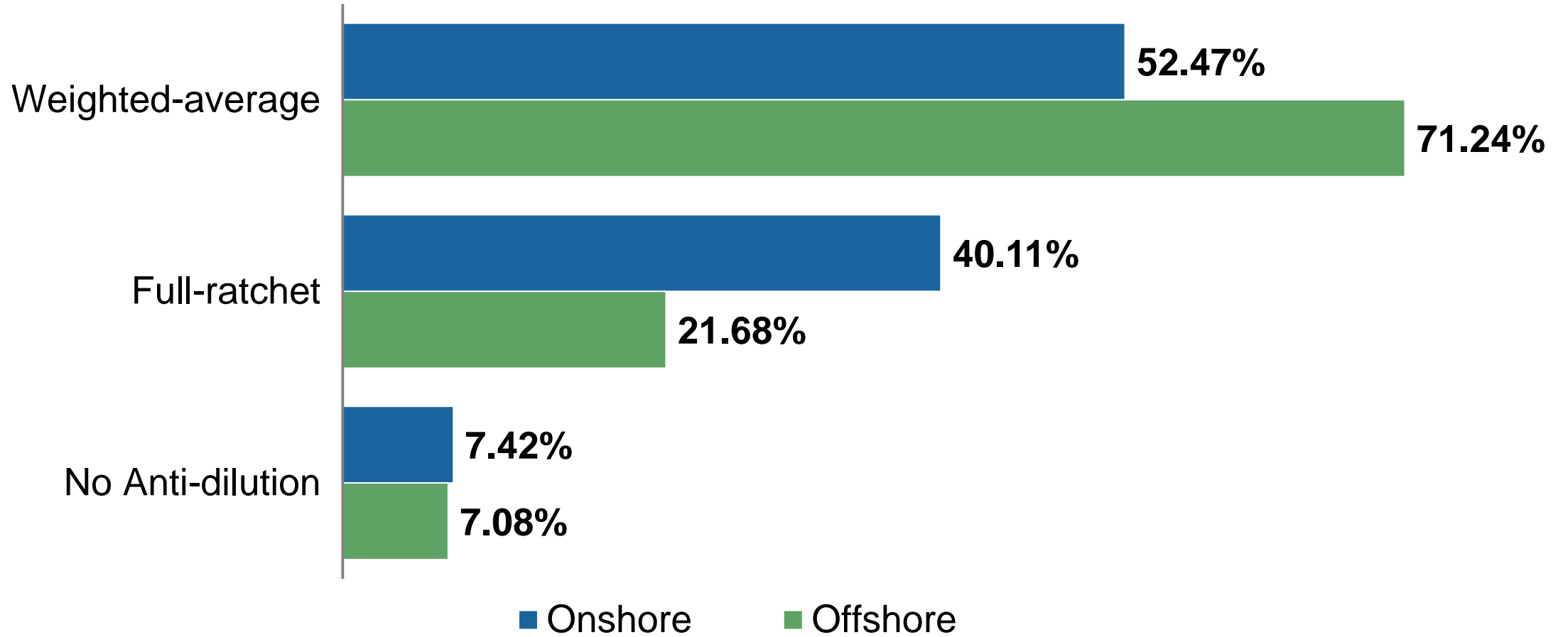
Liquidation Calculation	Liquidation Amount Range	Average
Liquidation amount is a percentage of the investment amount	(50%-160%) of the investment amount	115.83% of the investment amount
Liquidation amount is a percentage of the investment amount+simple interest	100% of the investment amount+(8%-24%) simple interest	100% of the investment amount+10.90% simple interest
Liquidation amount is a percentage of the investment amount+compound interest	(100%-150%) of the investment amount+(8%-15%) compound interest	100% of the investment amount+15.00% compound interest

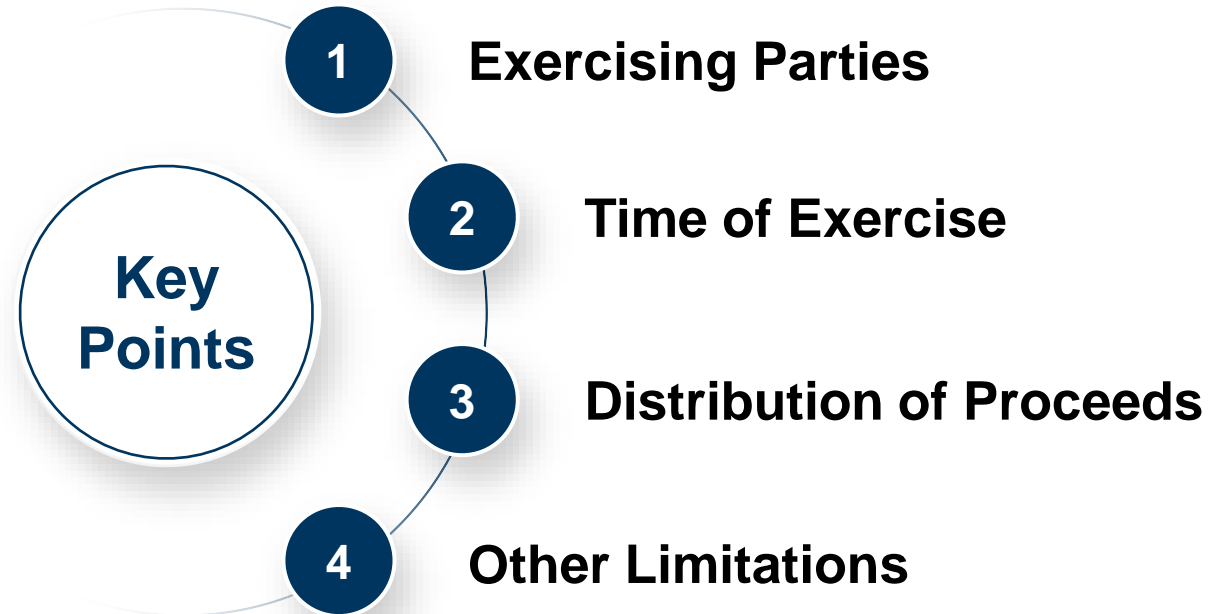




Anti-dilution (Cont'd)

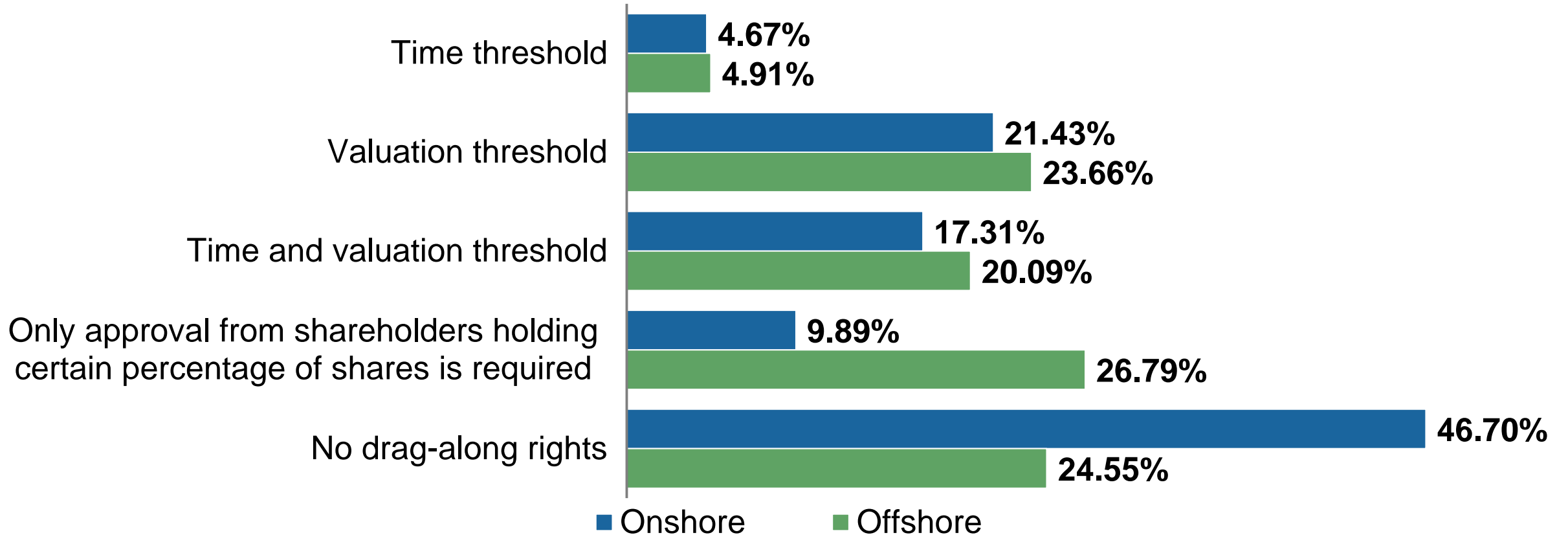
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Exercise Conditions

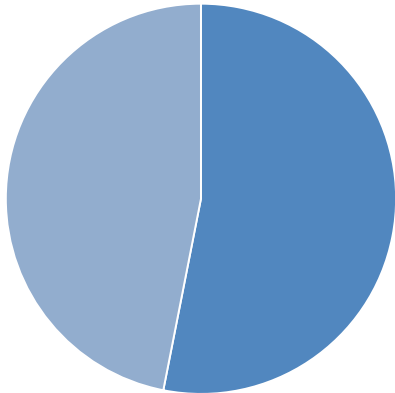




Exercising Parties

Onshore Structure

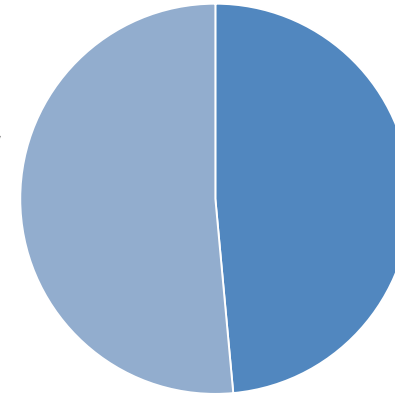
Requires approval
by the founders (or
their designated
directors)
46.91%



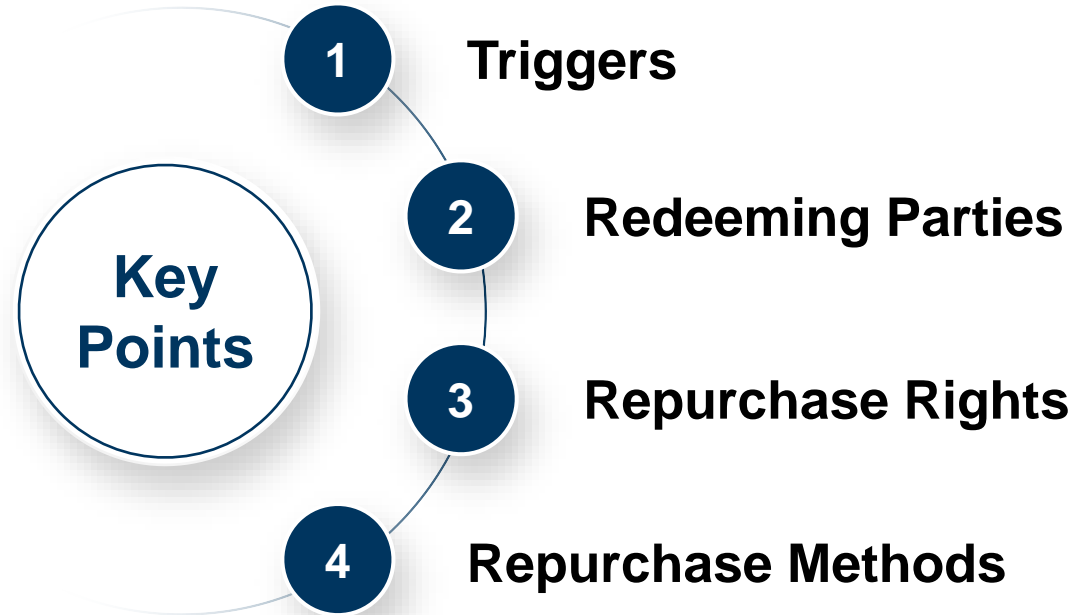
Only preferred
investors holding
a certain
percentage of
shares
53.09%

Offshore Structure

Requires approval
by the founders (or
their designated
directors)
51.46%



Only preferred
investors holding
a certain
percentage of
shares
48.54%

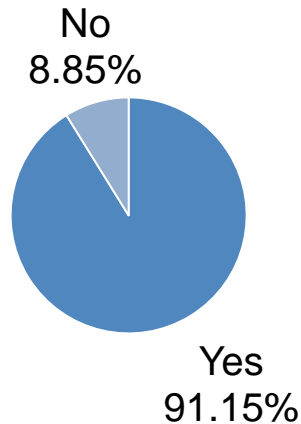
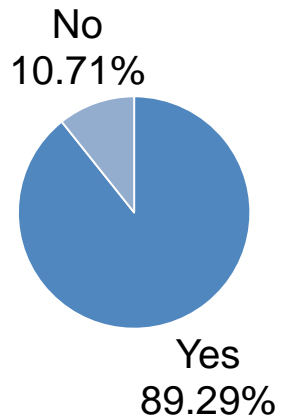




Existence of Redemption Rights

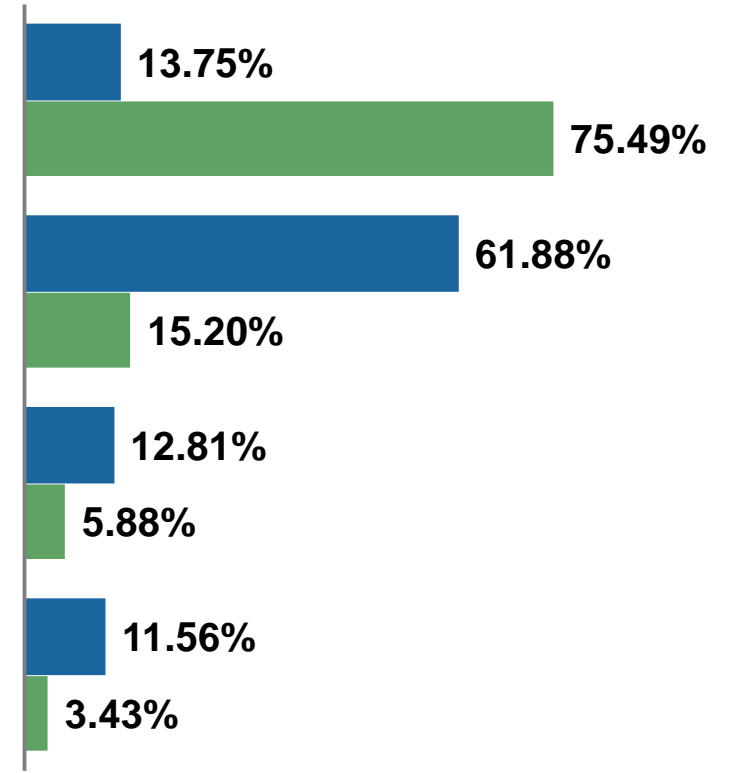
Onshore Structure

Offshore Structure



Methods of Repurchase

- Only the company has the obligation to redeem
- The company and the founders are obligated to redeem on a joint and several basis
- The company and the founders are obligated to redeem on a joint and several basis under certain circumstances
- The company first has the obligation to redeem; if the company does not redeem due to legal or financial reasons, the founders are then obligated to redeem



■ Onshore Structure

■ Offshore Structure



Onshore Structure

Repurchase Calculation	Redemption Range	Average Amount
Only an agreed investment amount	(100%-200%) of the investment amount	140.86% of the investment amount
An agreed investment amount+simple interest	(100%-150%) of the investment amount+(4%-30%) simple interest	100.42% of the investment amount+9.87% simple interest
An agreed investment amount+compound interest	(100%-150%) of the investment amount+(4%-30%) compound interest	101.04% of the investment amount+9.12% compound interest



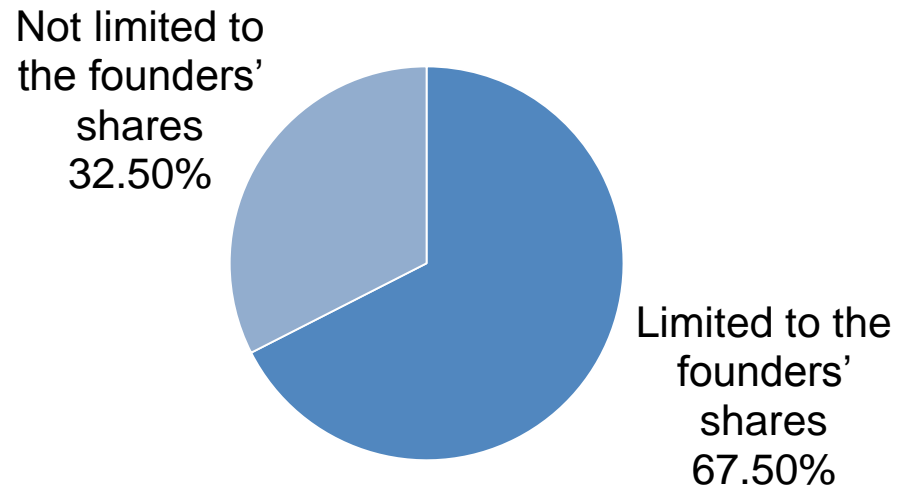
Offshore Structure

Repurchase Calculation	Redemption Range	Average Amount
Only an agreed investment amount	(100%-200%) of the investment amount	137.69% of the investment amount
An agreed investment amount+simple interest	(100%-150%) of the investment amount+(4%-30%) simple interest	101.06% of the investment amount+9.47% simple interest
An agreed investment amount+compound interest	(100%-150%) of the investment amount+(4%-30%) compound interest	101.67% of the investment amount+10.17% compound interest

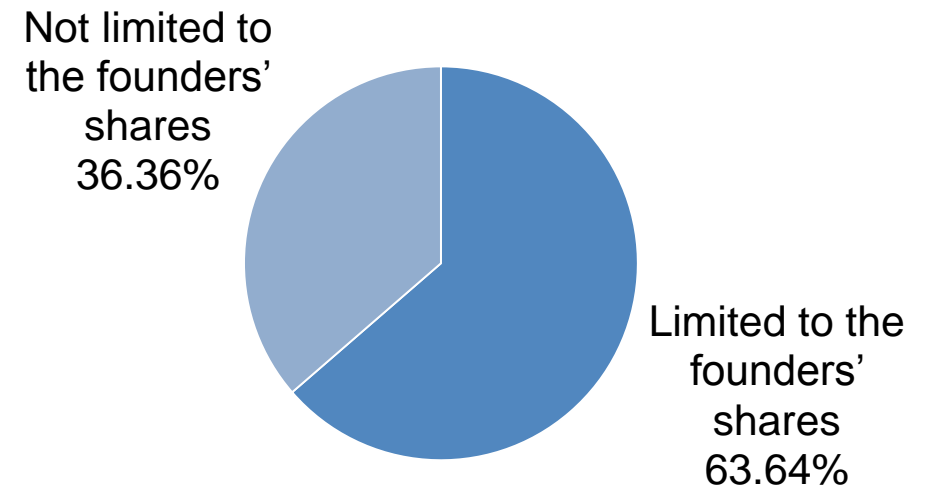


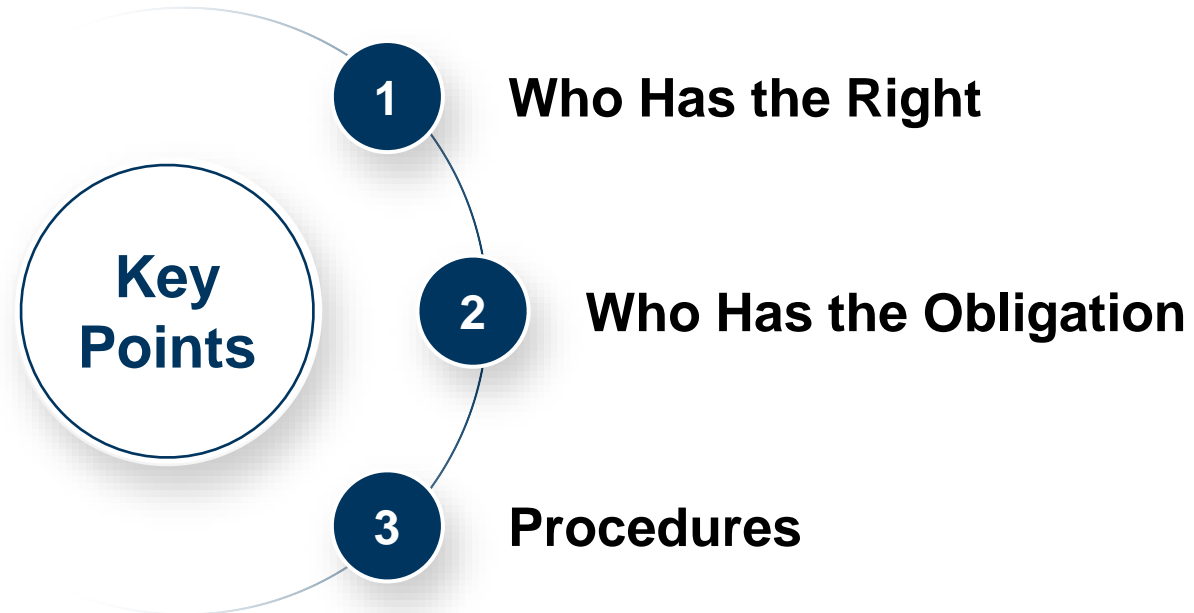
- Founders assume redemption obligations

Onshore Structure



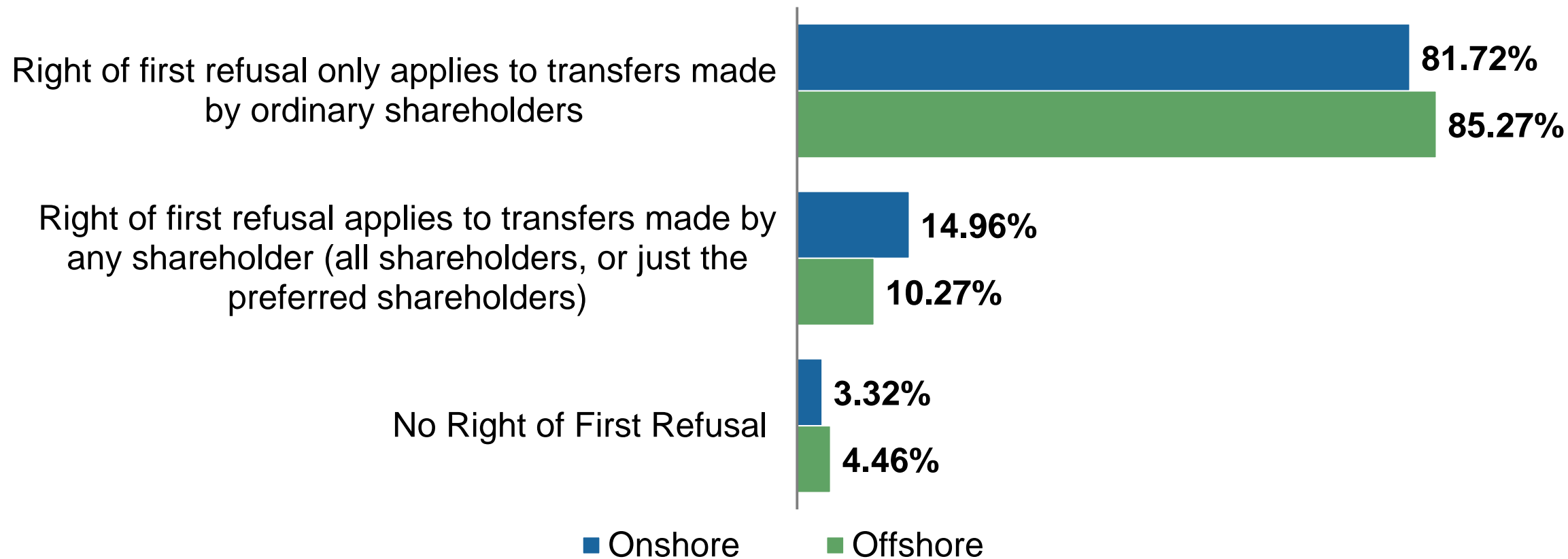
Offshore Structure







Right of First Refusal

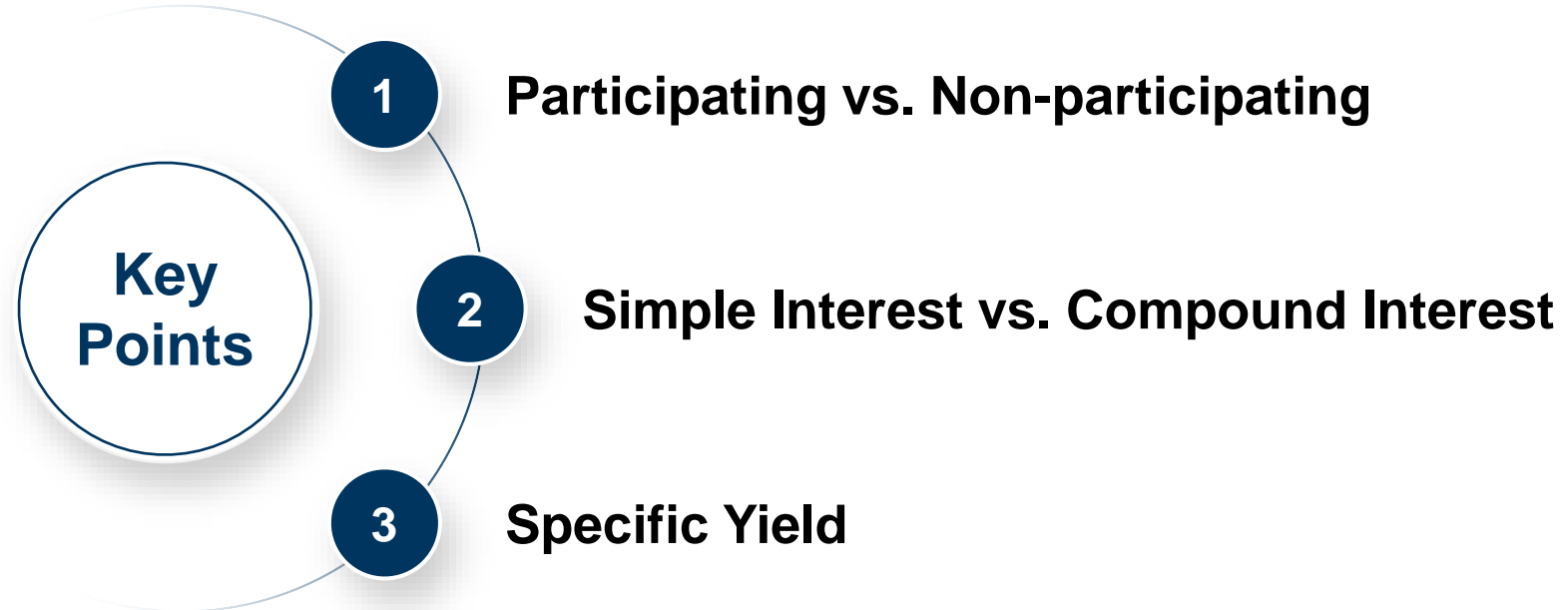




Right of First Refusal and Co-sale Right (Cont'd)

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Co-sale Rights	Onshore Structure	Offshore Structure
Ratio for Co-sale = percentage held by the investor ÷ (percentage held by all investors + percentage held by the transferor)	94.49%	97.70%
Other co-sale calculation	5.51%	2.30%

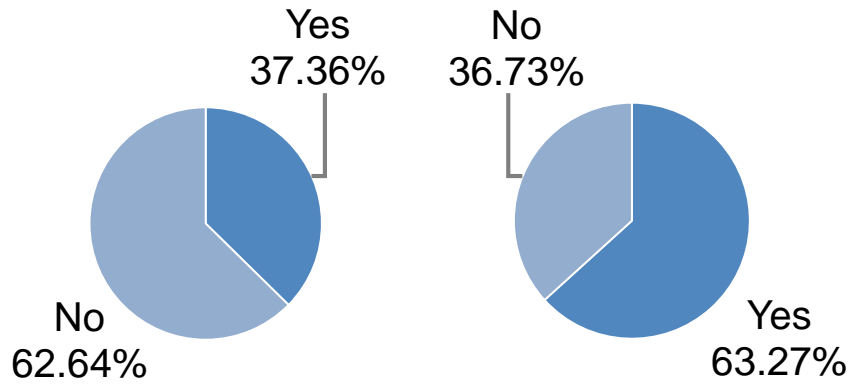




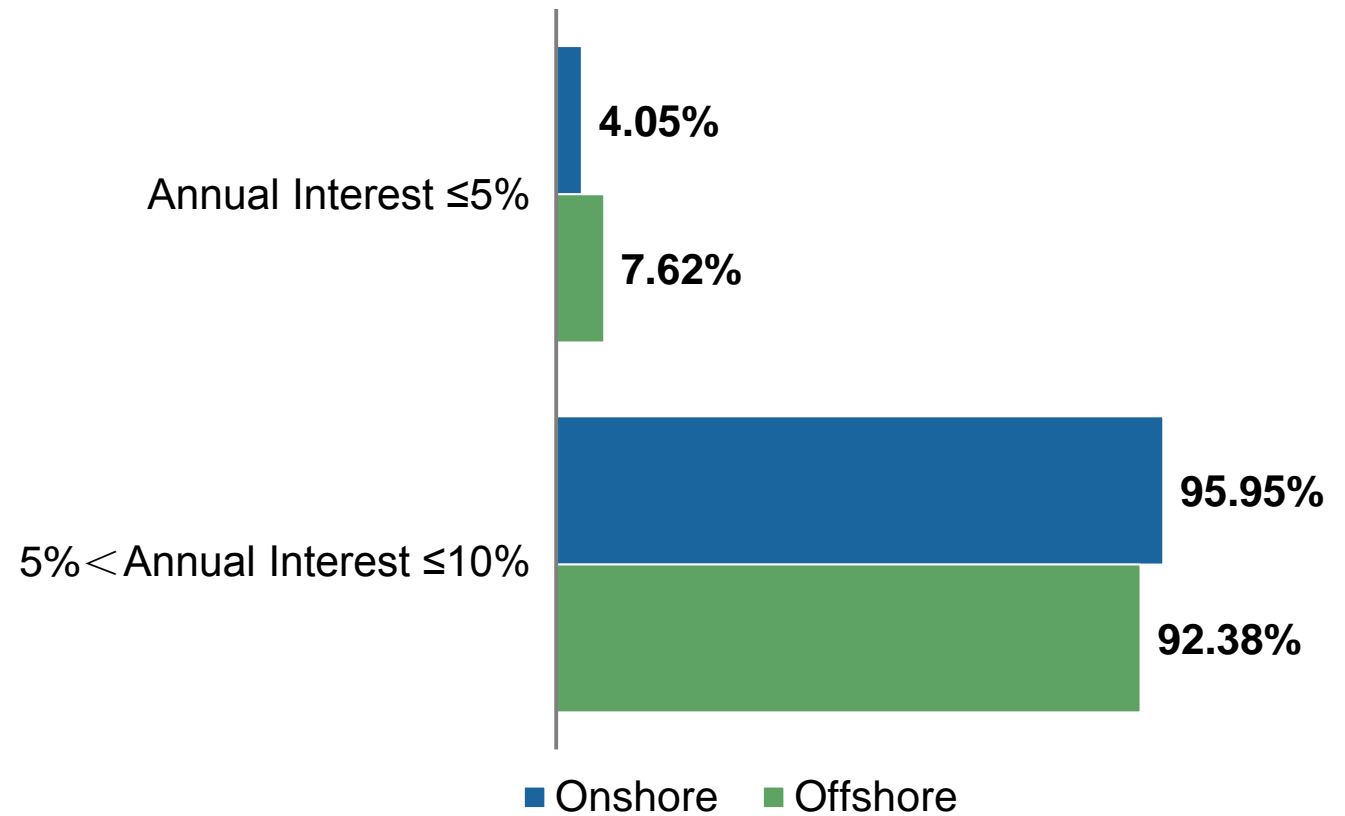
Existence of Dividend Rights

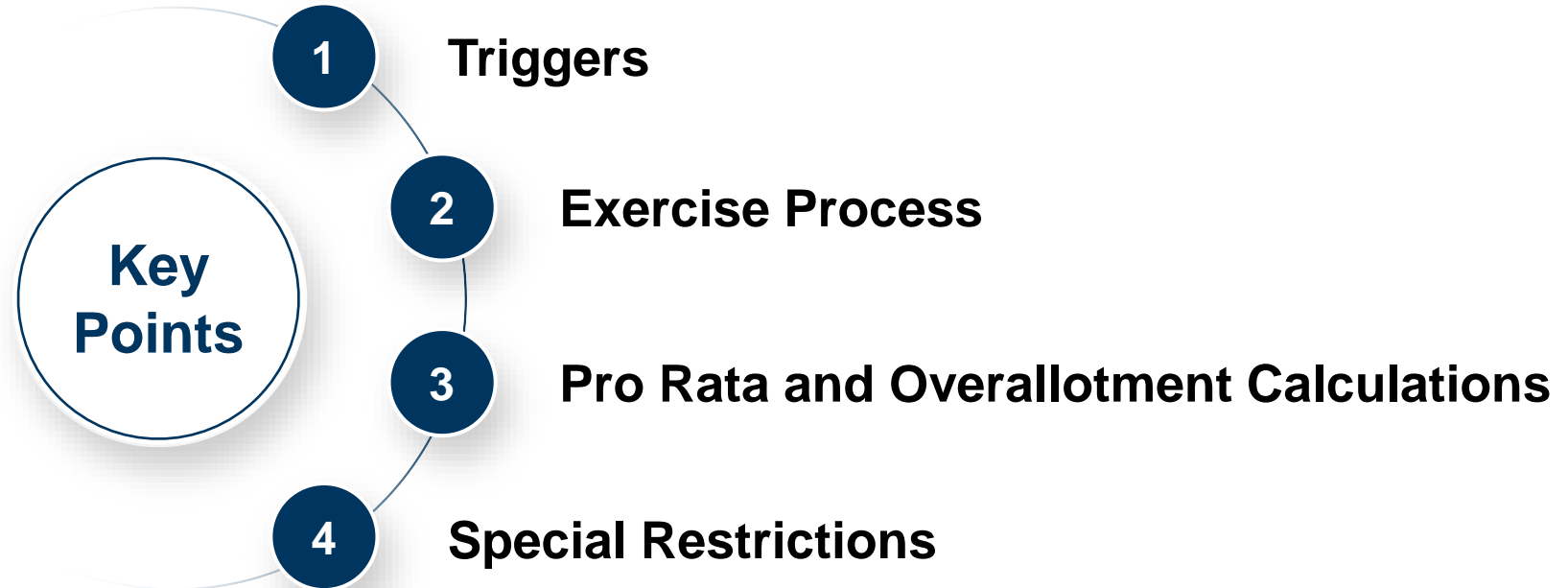
Onshore Structure

Offshore Structure



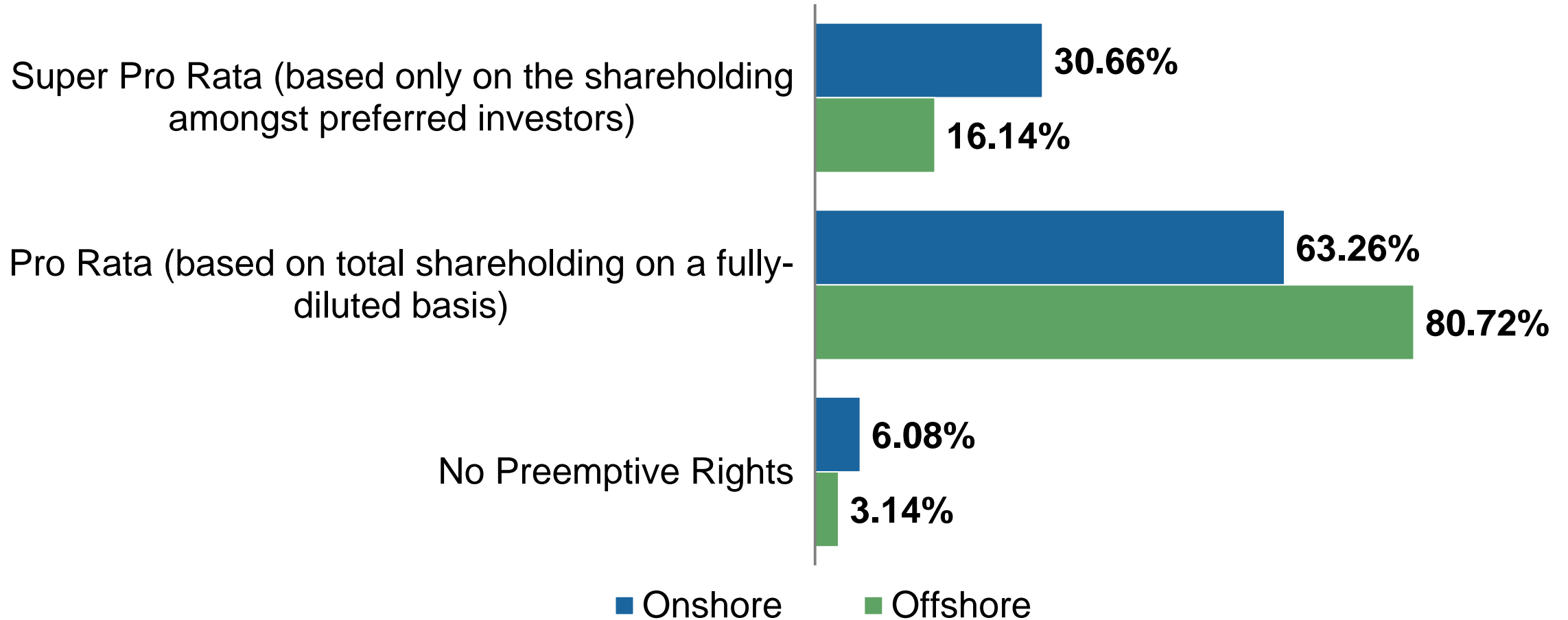
Dividend Yield





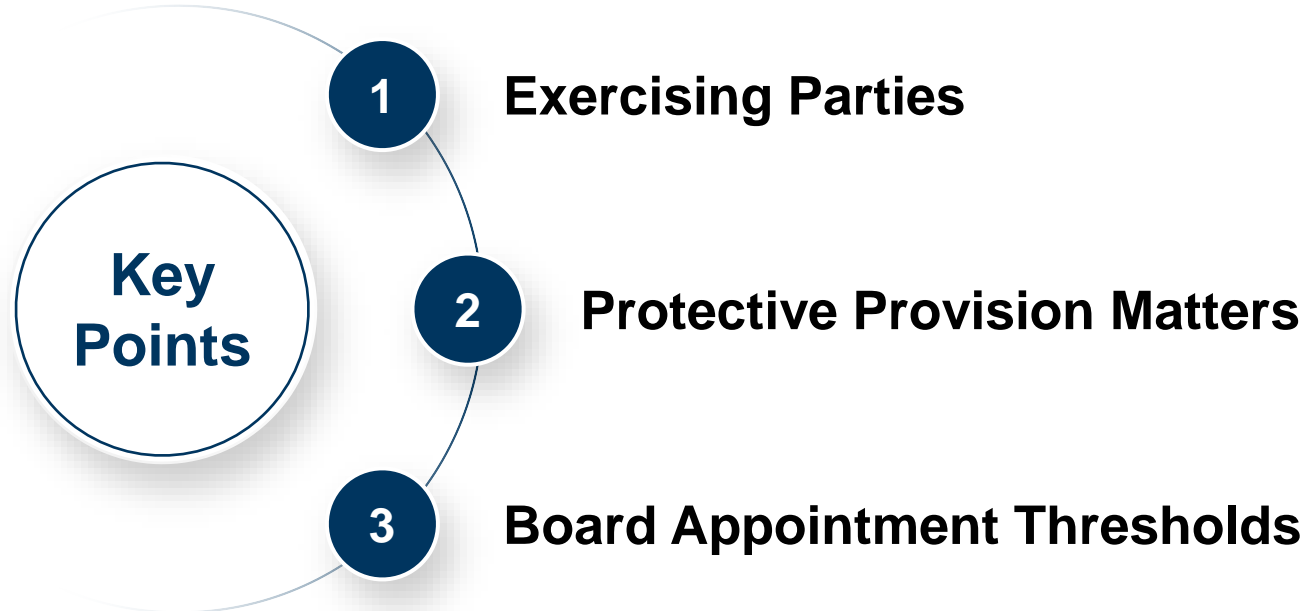


Pre-emptive Right (Cont'd)





Protective Provisions and Board Appointment Rights HAN KUN





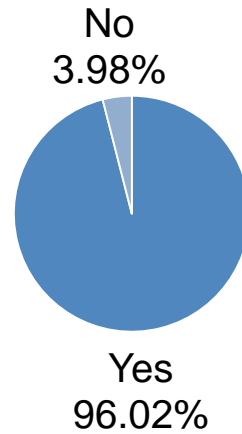
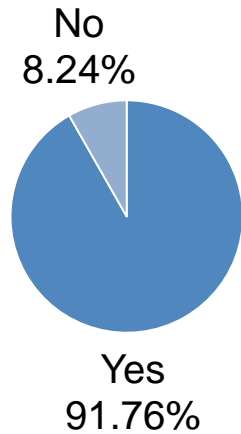
Protective Provisions and Board Appointment Rights (Cont'd)

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Existence of Protective Provisions

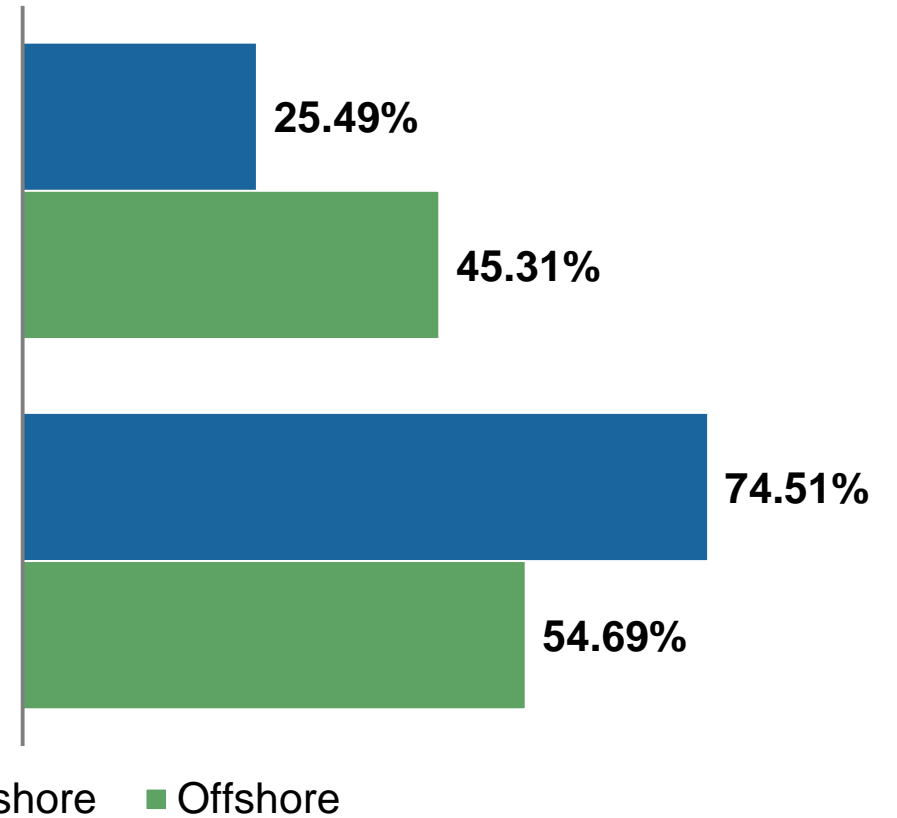
Onshore Structure

Offshore Structure



Approval Mechanism

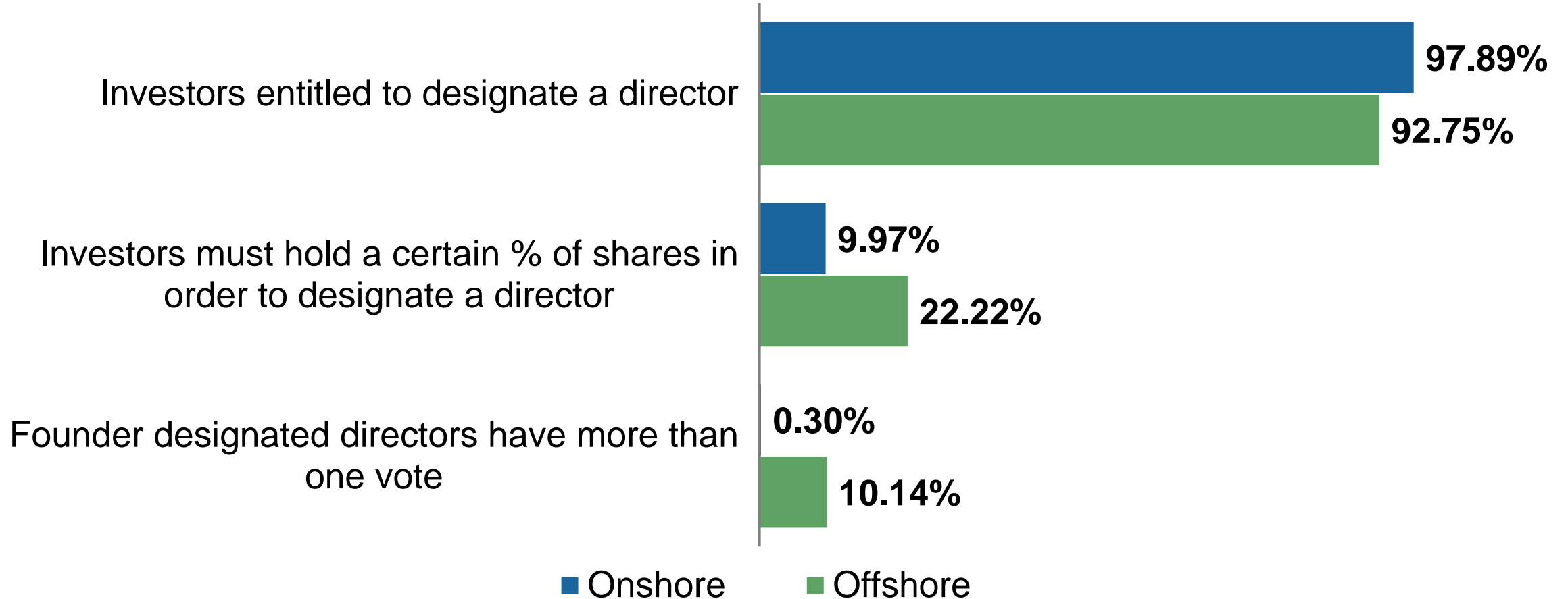
Class Voting
(each class of preferred shares
has individual veto rights)

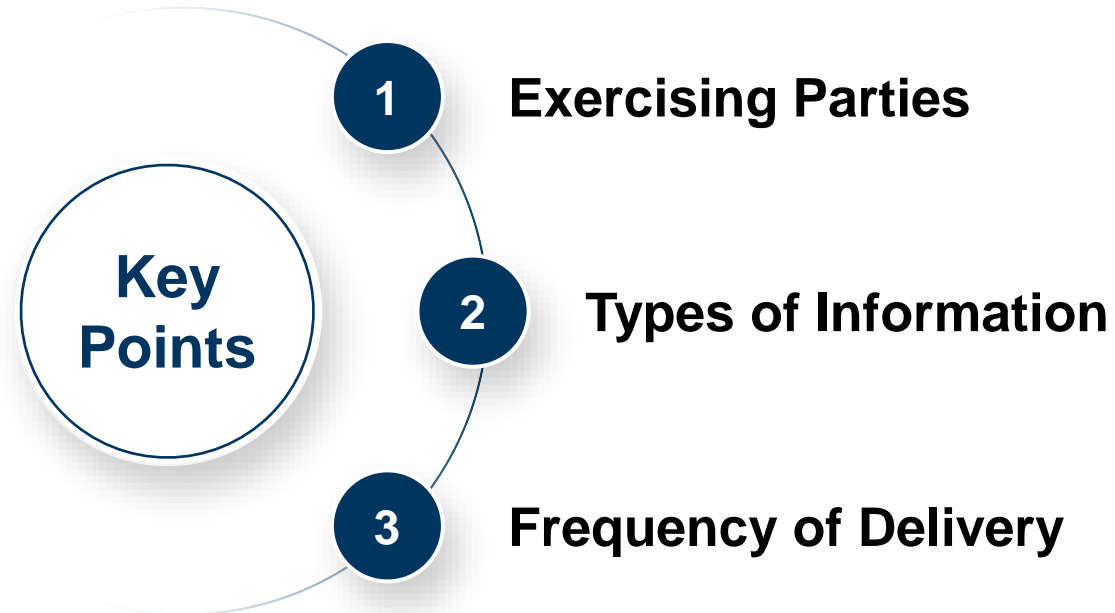




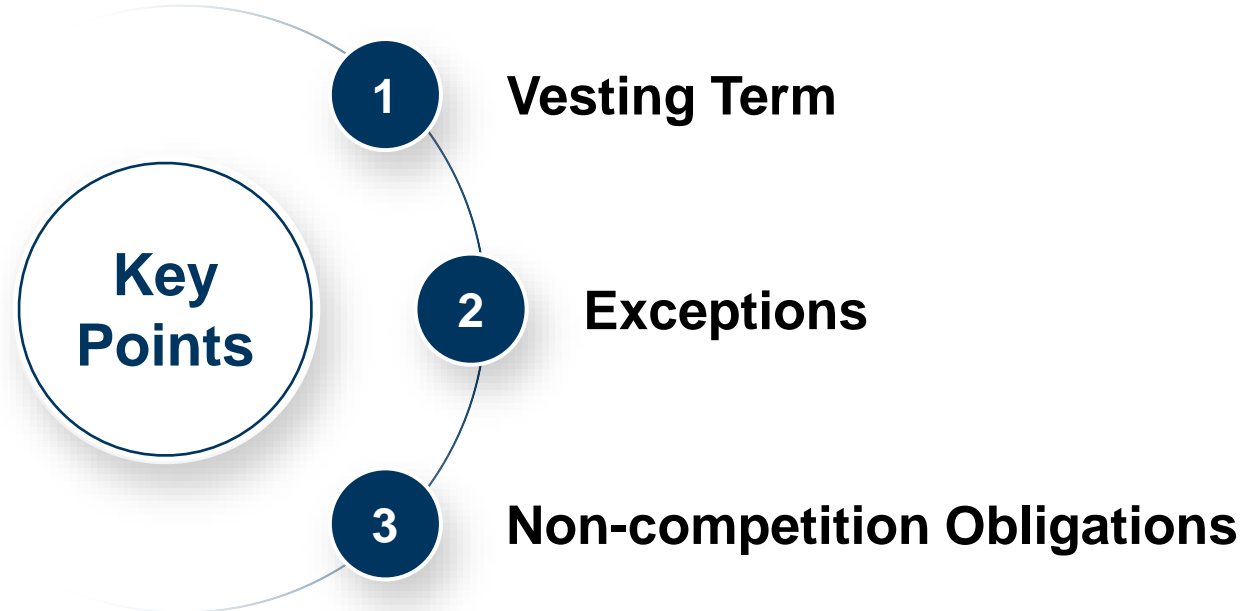
Protective Provisions and Board Appointment Rights (Cont'd)

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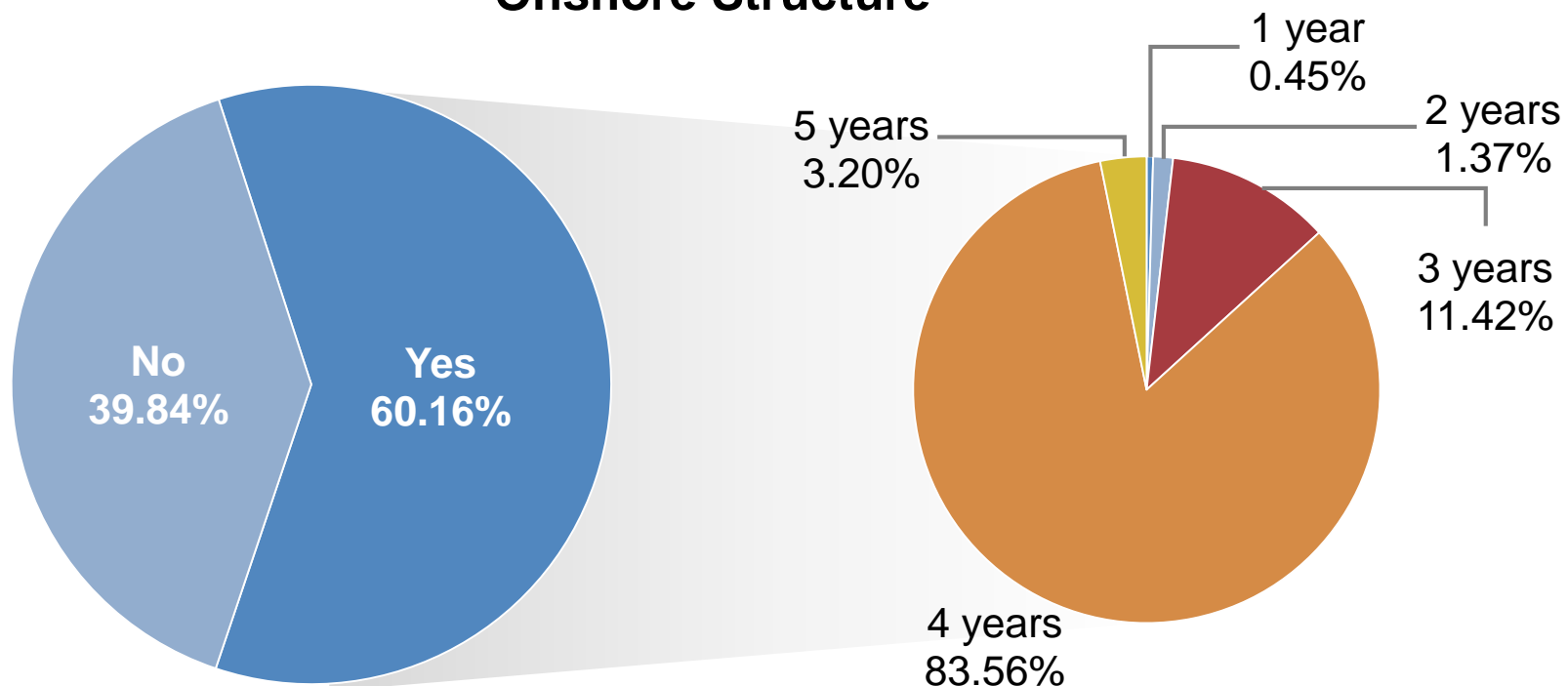
Han Kun Data: 91.86% of transactions have information and inspection rights provisions





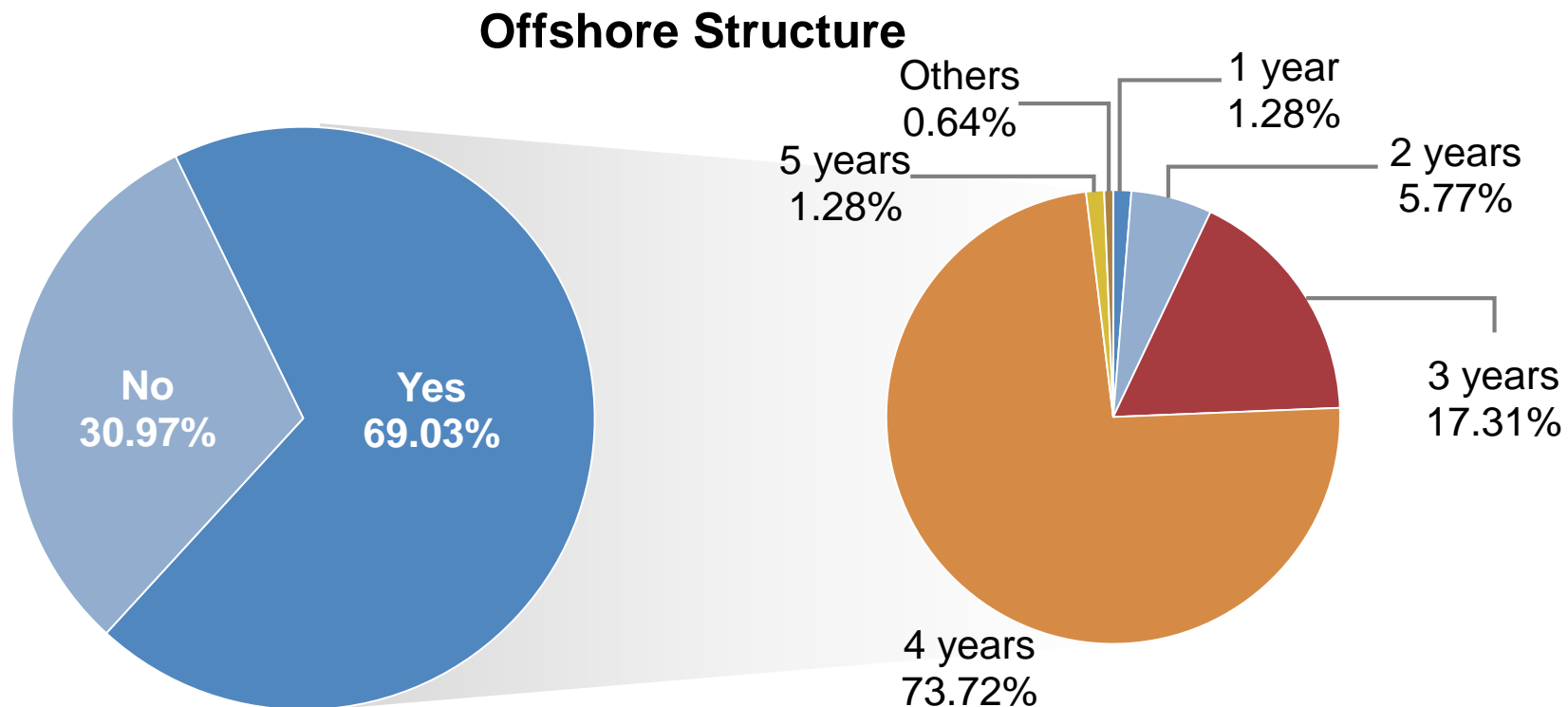
Founder Restricted Shares

Onshore Structure





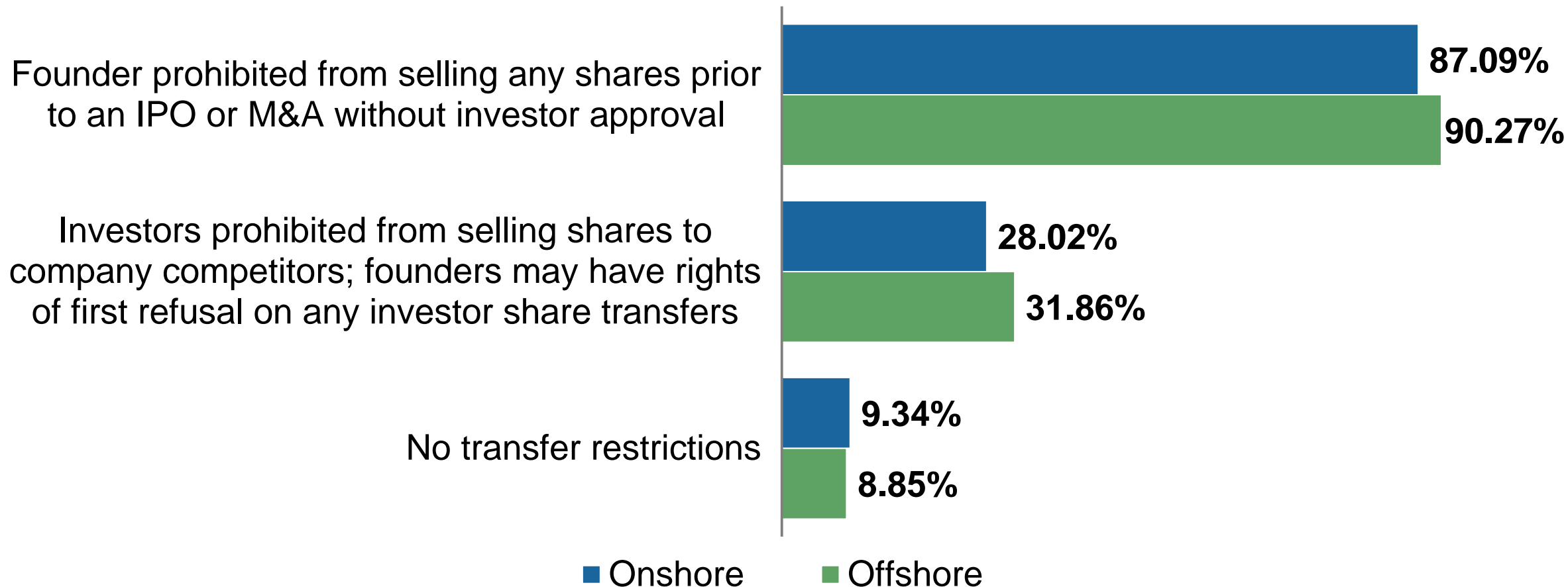
Founder Restricted Shares





Founder and Investor Transfer Restrictions (Cont'd)

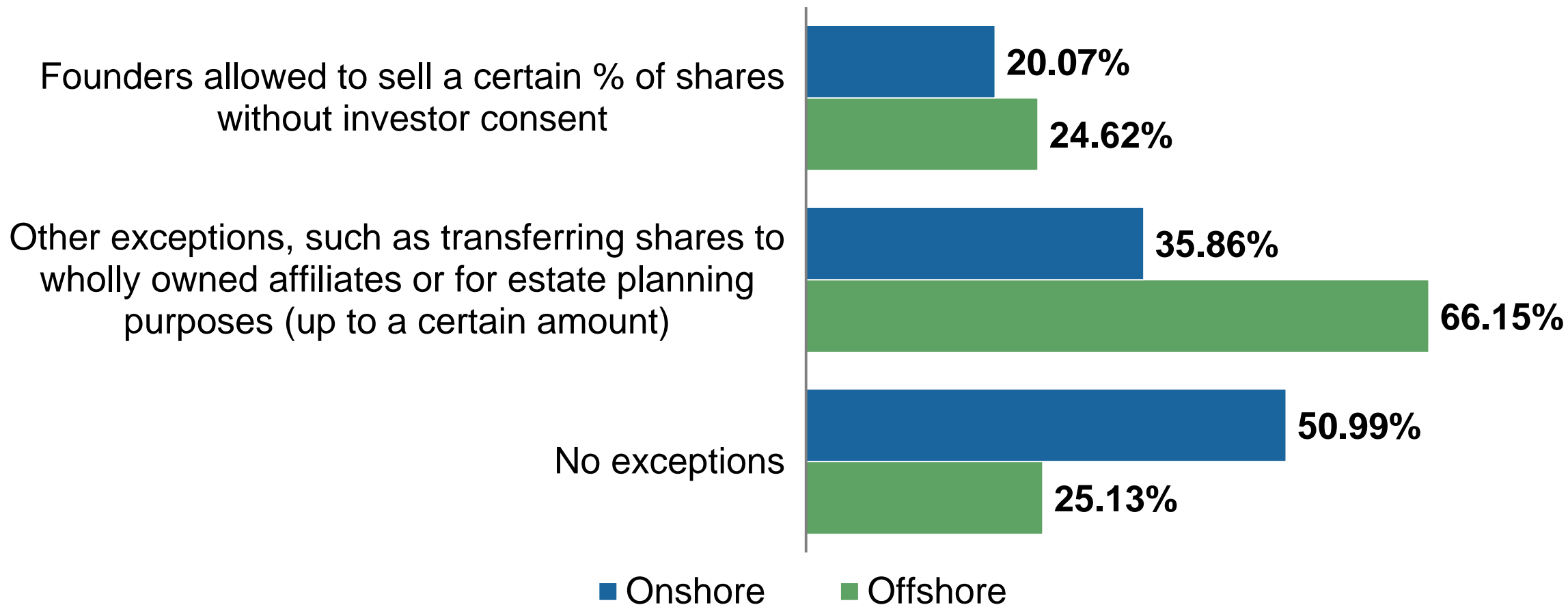
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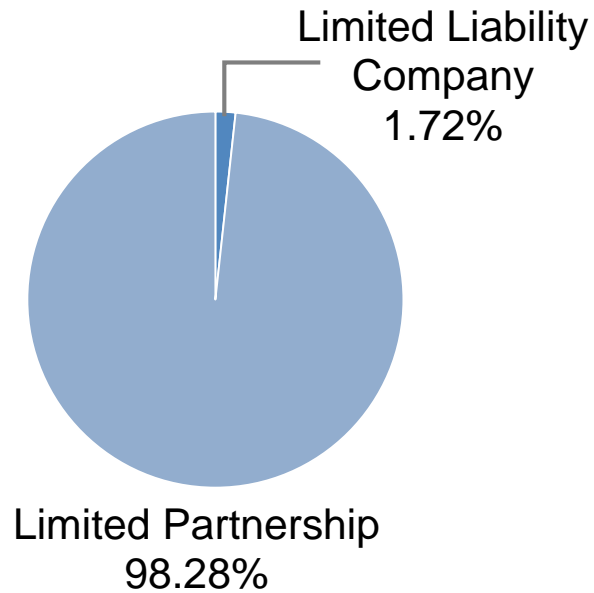


Founder and Investor Transfer Restrictions (Cont'd)

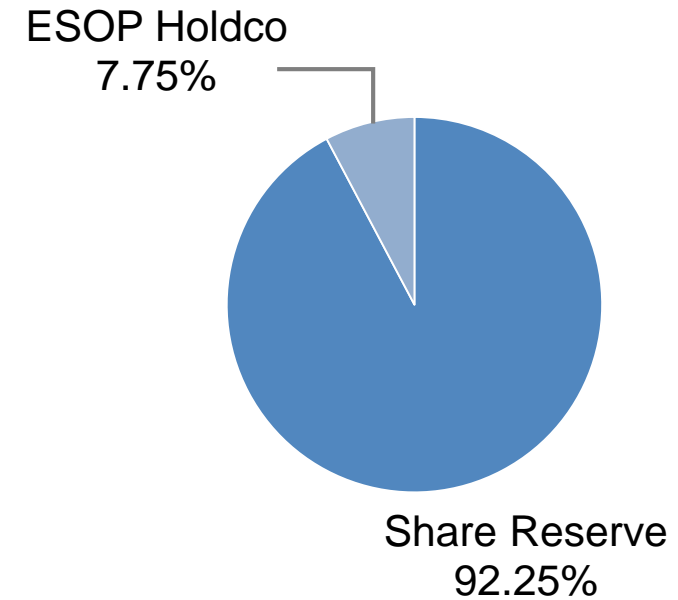
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Onshore Structure

ESOP Structures

Offshore Structure

ESOP Structures



ESOP (Cont'd)

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ESOP Reserve

Post-closing ESOP reserve (including options and restricted shares)	Percentage			
	Pre-A Round	A Round	B Round	C Round and After
ESOP Percentage ≤ 5%	0.00%	8.21%	2.06%	4.29%
5% < ESOP Percentage ≤ 10%	30.38%	40.00%	42.27%	48.57%
10% < ESOP Percentage ≤ 15%	31.65%	25.13%	41.24%	31.43%
15% < ESOP Percentage ≤ 20%	21.52%	17.44%	8.25%	5.71%
ESOP Percentage > 20%	16.45%	9.22%	6.18%	10.00%



Most Favored Nation, Warrants, and Dispute Resolution

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- 1 Most Favored Nation:
 - 35.08% of transactions
- 2 Warrant:
 - 11.36% of transactions
- 3 Dispute Resolution:
 - No Arbitration, 4.07%, Arbitration, 95.93%



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