Venture Capital Opportunities Across China

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China’s Economy in a Macro View

- Unprecedented Economic Growth Rate for Two Decades – Fastest in the World
  - GDP – 9.5% for 2004; **9.8% for 2005** (avg. 9.4% from 1979 – 2003)
  - GDP Projection – 8%+ for 2006
  - Projected to surpass the US in 40 years and Japan in 15 years

- China is Integral to the Global Economy
  - Already a leading manufacturing center to the world’s supply chain
  - Already the 3rd largest auto consumption nation behind US and Japan

- China is the Leading Recipient of Foreign Direct Investment
  - Actual FDI in China in 2005 was **US$60.33 billion** (down 0.5%)

- Globalization, Infrastructure and Technology are Key to Sustained Growth
  - New wave of global industry giants will emerge from China
  - leapfrog technology innovation and rapid adoption are necessary
  - Infrastructure upgrades in transportation, communication, banking and healthcare

Source: China National Bureau of Statistics
China’s IT Market Facts

- China’s IT Industry Will Grow Faster than GDP (approaching 2X)
  - China's IT market to reach US$35.08 billion in 2006, up 13.7% over 2005 (IDC)
  - Projected IT investment 2004-2008: $288+ billion
  - China exported $180 billion worth of ICT (information and communication technology) goods in 2004, compared with U.S. exports of $149 billion. (the OECD)

- Fast Growing Internet and Broadband Penetration
  - Over 130M Internet Users in 2005 (vs. 80M users in 2004)
  - Online gaming and messaging great fit for local culture

- Largest Telecom Market in the World
  - 350 Mn fix-line (27% penetration) and 388 Mn mobile (29% pen.) subscribers (Nov. 05, MII)
  - 274 Bn SMS sent in first 11 months of 2005 (218 Bn in 04’ and 137 Bn in 03’, source MII)
  - China’s telecom services market will growth to US$71.98 billion, up 9.5% over 2005 (IDC)

- Leapfrog Adoption of Technology
  - Little or no legacy systems in most sectors
  - China setting own standards – DMB-T for digital TV, etc.

- Government Support for Semiconductor and other IT Sectors
  - Large demand for local semiconductor consumption
  - China's IC market size rapidly grew to US$46 billion in 2005 (Analysis Intl)
Current VC Environment

- In the year of 2004, Shanghai was the hottest place in terms of venture investing, with the largest number of deals and highest investment amount. Beijing ranked second both in number of deals and investment amount.
- Other hot regions included Shenzhen, Shandong, Guangdong (not including Shenzhen), Helongjiang, Zhejiang and Jiangsu. (Source: Zero2IPO)
Great China Technology Clusters

- Up and Coming:
  - Chengdu
  - Chongqing
  - Dalian
  - Xiamen
  - Xian

<table>
<thead>
<tr>
<th>Region</th>
<th>Description</th>
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<tbody>
<tr>
<td>Bohai - Beijing and Tianjin</td>
<td>Emerging Software and Telecom Center</td>
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<tr>
<td>Yangtze River Delta – Shanghai, Suzhou, Hangzhou, Nanjing</td>
<td>Emerging Semiconductor and Hardware Cluster</td>
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<td>Pearl River Delta – Shenzhen, Guangzhou</td>
<td>Established Consumer Electronics and Telecom Equipment</td>
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<tr>
<td>Taiwan - Taipei/Hsinchu</td>
<td>Matured Semiconductor and Hardware Cluster</td>
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Clusters Under Development

- Technology Anchors
  - Lenovo
  - China Telecom
  - TCL
  - ZTE
  - Haier
  - Konka
  - Great Wall
  - Beijing Enterprise Holding
  - Bird
  - Tsinghua Tongfang
  - SMIC
  - MNCs (Microsoft, Oracle, etc.)

- Research Labs
  - Chinese Academy of Sciences
  - Other Government Research Institutes

- Universities
  - Tsinghua University
  - Peking University
  - Zhejiang University
  - Fudan University
  - Nanjing University
  - Univ. of Science & Technology of China
  - Shanghai Jiao Tong University
  - Huazhong Univ. of Science & Tech
  - Xi’an Jiao Tong University
  - Xi’an Fanyi University

- Value Added Services
  - Venture Capital
  - Executive Search
  - Consulting
  - Legal
  - Accounting
  - Investment and Commercial Banking
Thank You

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