

# Correlation Between China and U.S. in Venture Investment

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# **China Home-Grown vs. Foreign** (Venture Investment)

## China

**Small Fund**

**Heavy in Technology**

**Government Flavor**

**Not Purely for Profit**

**Advantage On Red Tapes**

**Unclear in Exit**

## U.S.

**Larger Deal**

**Global Market Vision**

**Extension of Foreign Biz**

**With Clear P/L Goal**

**Minimize Legal Exposure**

**Hoping It Gets Clearer**

## Some Numbers

- Source of Funds (2002)
  - Local 40%, Foreign 55% and JV 5%
- Categories of Investments (2002), Top Seven ...
  - Communication, IC Design, Network, Manufacturing, Software, Biotech and New Materials.
- 90% of the Investments Were Made in Guangdong, Shanghai and Beijing (2002)
- \$418 M Invested in 208 Cases (2002)

# Statistics

(Survey Dec. 2002 by Zero2ipo VC Research Center)

Type of Firms in China	# of Firms Responded/Surveyed	Capital Available in China (in Million US\$)	Capital Available Worldwide (in Million US\$)
Domestic VC	149/269	4,109	4,177
Foreign VC	36/38	5,967	101,795
Joint Venture	15/18	420	540
Total	200/325	10,495	106,512

# GOOD MATCHES IN THE MAKING

(Buy out and M&A)

- China Companies

- Privately Held
- Short on Cash
- Revenue & Profit
- Facility
- China's Channels
- Looking to Expand Outside

U.S. Companies

- Public Listed
- Cash > Market Cap
- At Loss
- Technology
- U. S. Channels
- Looking to Expand in China

## Some Examples

(Feb. 2002)

<u>Company</u>	<u>Cash</u>	<u>Market Cap</u>	<u>C/M</u>
VYYO	\$94.1 m	\$29.6 m	3.18
PRTS	\$25.5 m	\$8.4 m	3.03
LOUD	\$70.1 m	\$28.4 m	2.46
TNSI	\$59.0 m	\$27.0 m	2.19
AETH	\$641.5 m	\$300.7 m	2.13
LQID	\$103.6 m	\$50.7 m	2.04

- **Impact to U.S. Start-up Companies :**  
Why start-up? It better be something new !!
- **How Venture Community Views China:**  
We value the dynamics of investment.
- **Outsourcing – To Be or Not To Be?**  
“Job moves, but not people”