



Investing in Broadband Communications

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Equipment Vendor Balance Sheet Analysis

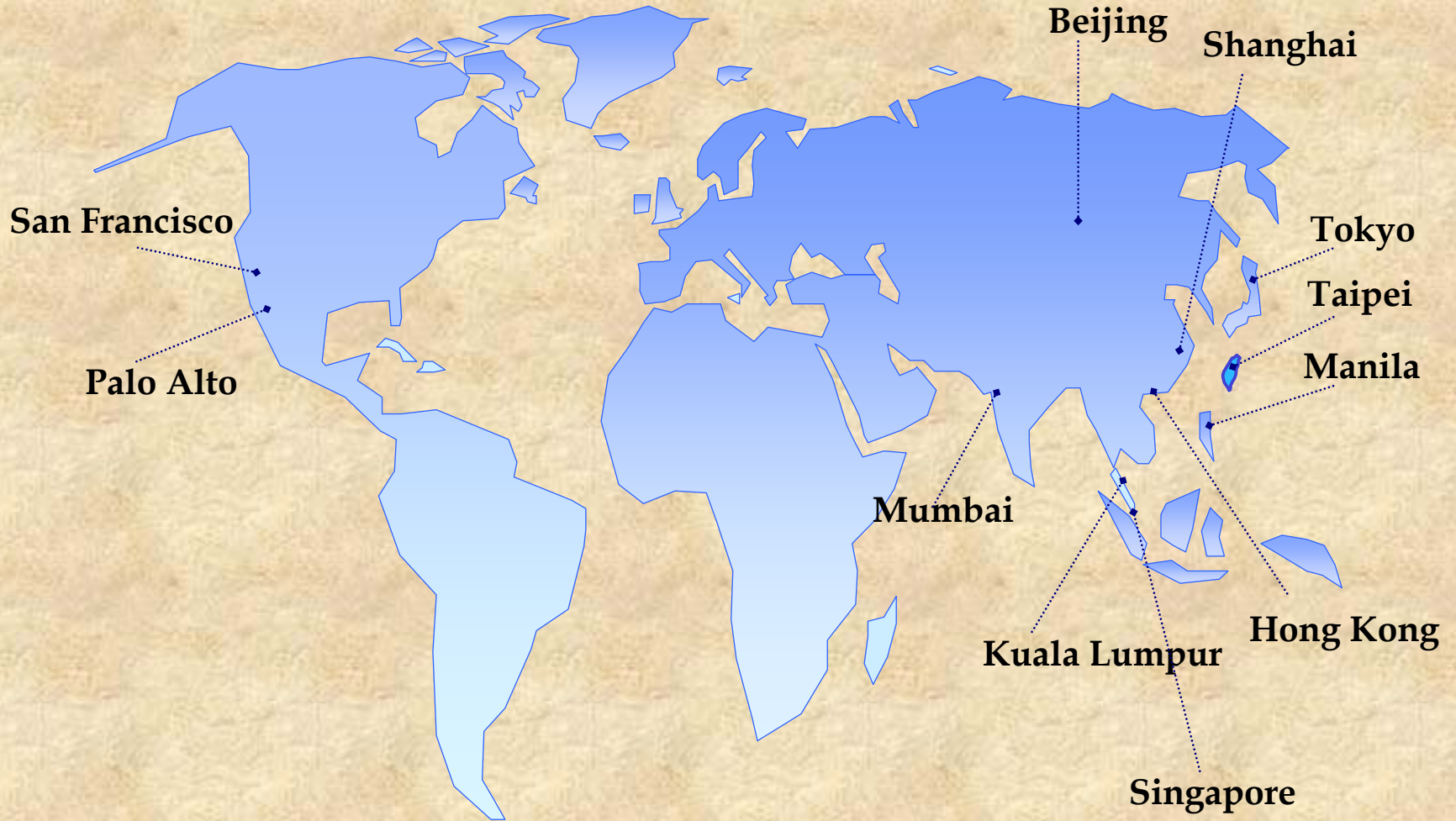
USD M	<u>ALCATEL</u>	<u>CISCO</u>	<u>ERICSSON</u>	<u>LUCENT</u>	<u>MOTOROLA</u>	<u>NOKIA</u>	<u>NORTEL</u>	<u>SIEMENS</u>	<u>TELLABS</u>
Market Cap	\$3,231	\$74,971	\$8,025	\$2,849	\$24,668	\$69,126	\$1,919	\$31,357	\$1,888
Cash	4,723	21,061	8,204	5,423	6,487	6,303	4,869	8,891	993
Debt	5,965	--	6,999	5,160	8,943	1,042	4,790	10,543	1
<u>Free Cash Flow</u>									
2002E	193	4,782	(2,582)	(1,859)	1,662	6,110	(933)	3,161	110
2003E	981	6,482	(1,507)	91	2,725	6,634	356	4,709	199



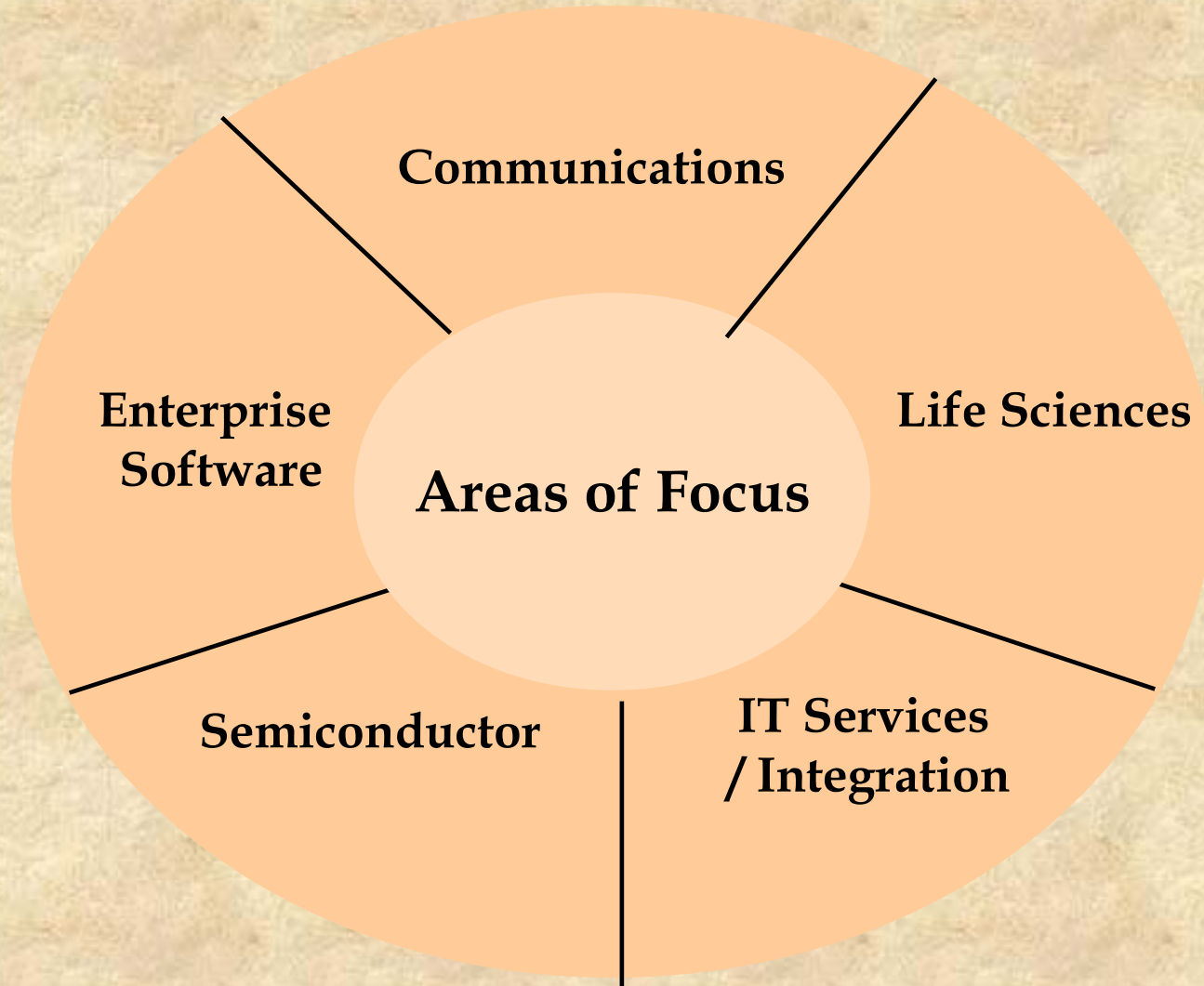
Walden International Overview

- Founded in 1987
- Extensive presence in Asia and U.S.
- Relationships with top tier investors
- Fifteen General Partners
- US\$2.0 billion under management

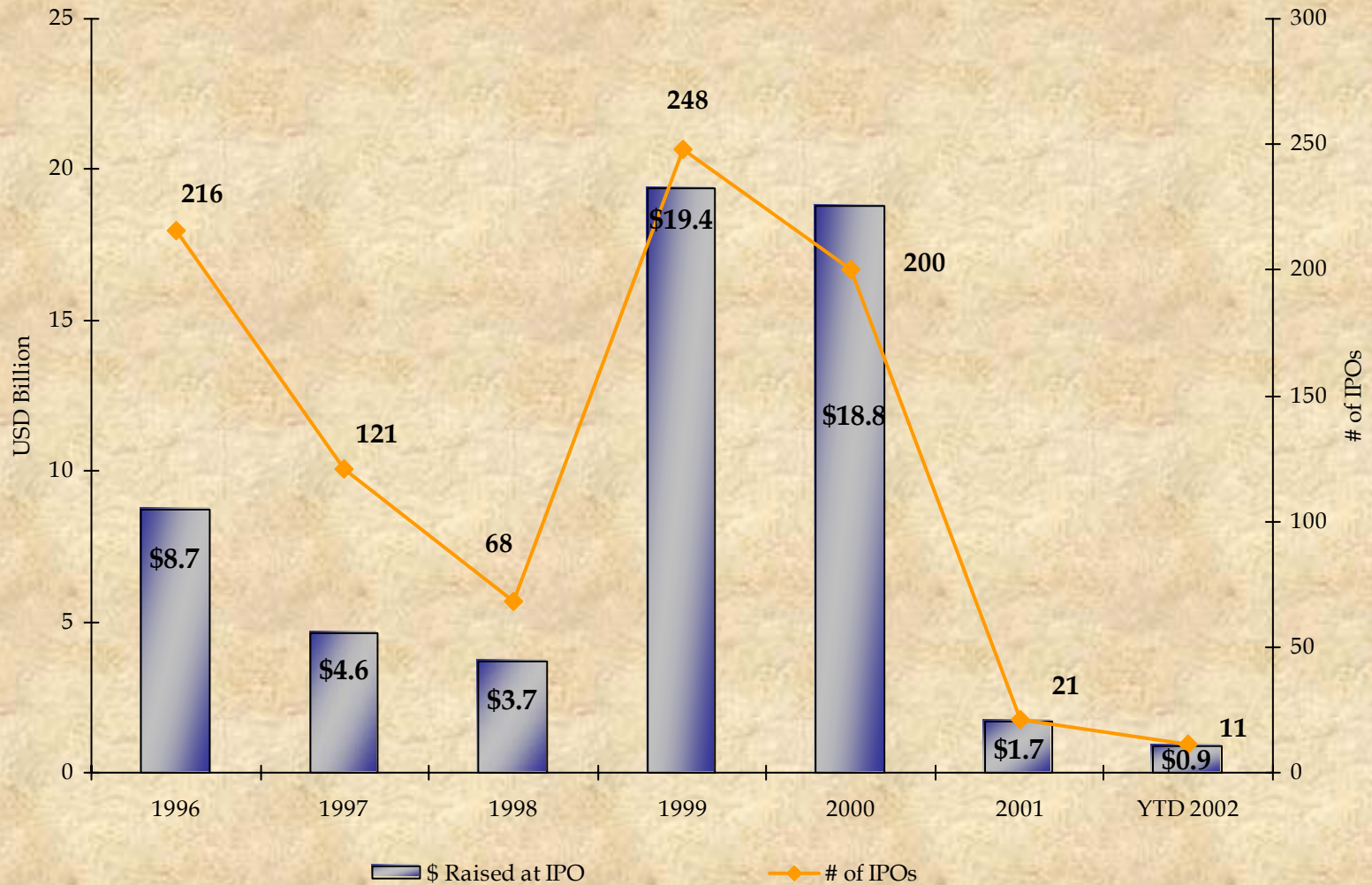
Geographic Coverage



Team Experience and Expertise



Venture-Backed IPOs in the US



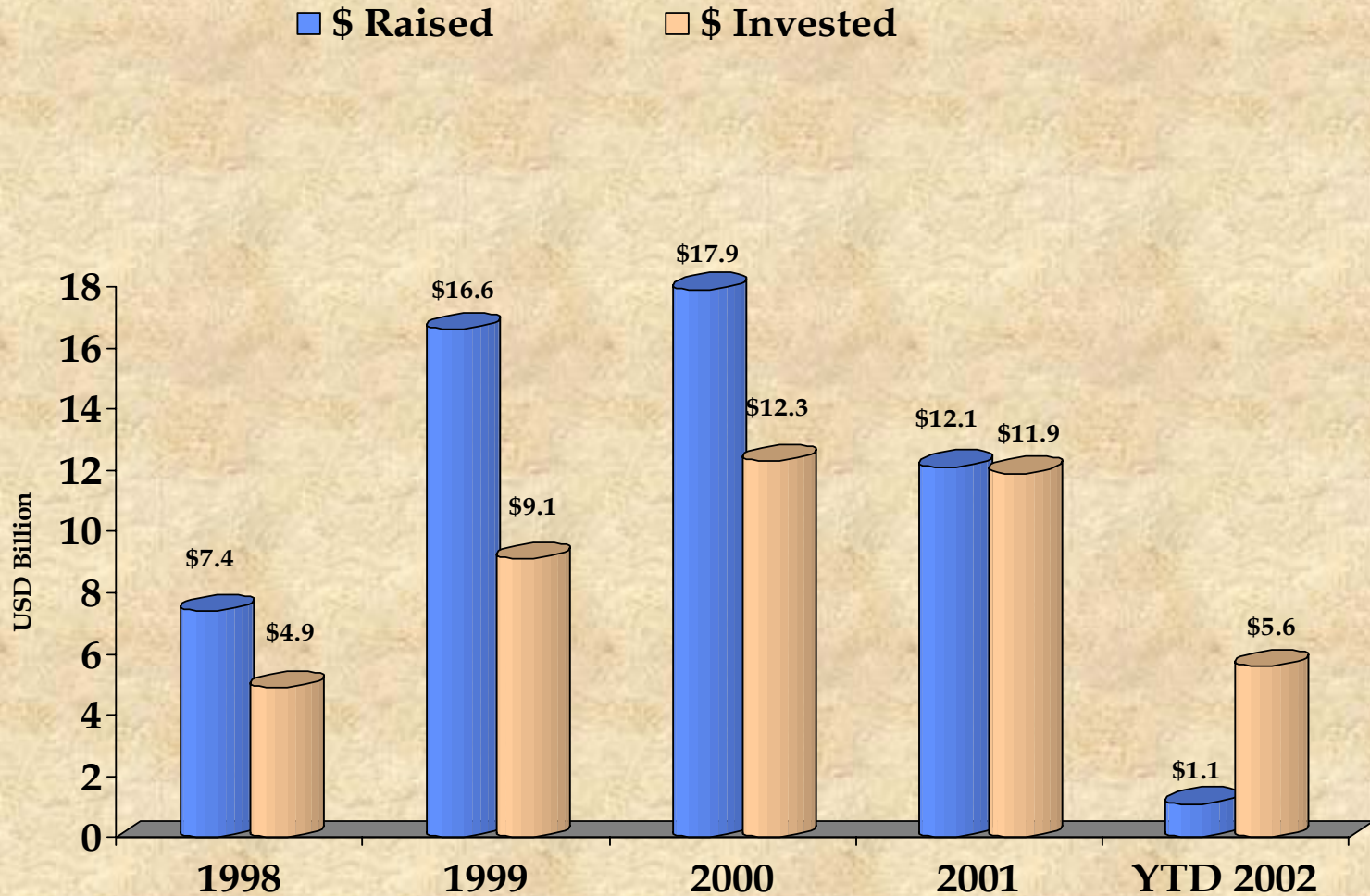
US VCs - \$ Raised & \$ Invested

□ \$ Raised

■ \$ Invested



Asian VCs - \$ Raised & \$ Invested



Source: AVCJ

- Information Technology becoming a new driving force of China's economy growth
- China's MII a 10-year plan focusing on network construction, software development and R&D of core IT technologies, incl.
 - ➔ Making a strategic adjustment to its existing networks under the principle of integrating computer networks, telecom and cable TV networks
 - ➔ Building high-speed broadband information network, providing voice as well as data and multimedia transmission services
- Core IT Technology sector
 - ➔ Aim to master core technologies, including IC and software development
 - ➔ Make breakthroughs in R&D of large-scale IC, high-function computers, large scale system software, high-speed network systems, new generation mobile communications and digital TV broadcasting
- Changes in regulation
 - ➔ Telecom carriers are free to set tariffs on non-basic services such as ISDN local calls, voice mail rentals, cellular SIM card fees and satellite mobile

China Communications market

- Broadband (ADSL + Ethernet)
 - ➔ # of broadband users in 2001 was between 1.8 to 2 million
 - ➔ Capacity of broadband networks was 5.7 million in 2001

- Cellular
 - ➔ Projected by IDC to reach 166 million subscribers in 2002
 - ➔ Mobile penetration reached 6.7%

- Opportunities
 - ➔ Wireless LAN
 - ➔ DSL deployment
 - ➔ Metro / access optical networks
 - ➔ Broadband access

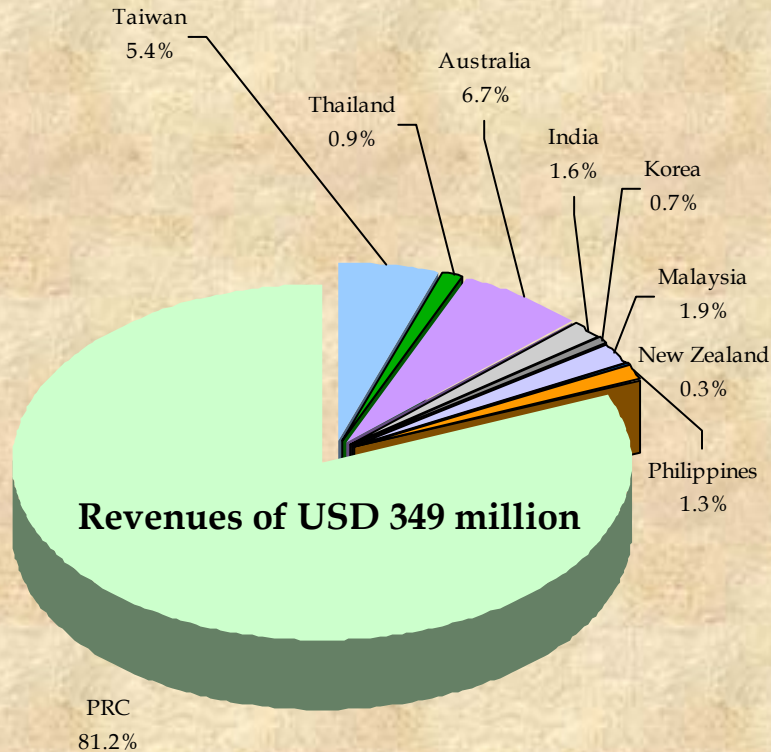
- Output of IT industry accounted for 4.2% of China's GDP in 2001, up from 2% in 1995 and is expected to double to account for more than 7% of the national GDP by 2005
- Under the 10th 5-Year Plan, by 2005
 - ➔ China's IT industry to reach RMB 920 billion (~USD111 billion)
Sales revenue of electronic IT products expects to reach RMB 1.5 trillion (~USD181 billion)
 - ➔ Export of electronic IT products will rise to USD100 billion
 - ➔ Telecom revenue expects to be RMB1 trillion (~USD121 billion)
 - ➔ 40 million Internet-connected computers
 - ➔ A telephone penetration of 40%
 - ➔ 200 million data, Internet and multimedia users
 - ➔ Internet penetration rate of 15%
- China's IT market has approximately 46,000 IT companies

- “Digital Olympics” program
 - ➔ Building of telecommunications infrastructure and network systems
 - ➔ Creation of Media Village for the press
 - Workstations with sophisticated equipment and facilities, including high definition TV signals, ISDN telephones, multimedia network terminals, various wire and wireless wideband access
- Government support & budget will accelerate infrastructure investment
 - ➔ Set up a mobile communication product R&D fund to bolster domestic technology development
- Current MAN infrastructure is limited in both capacity and coverage, require major built out

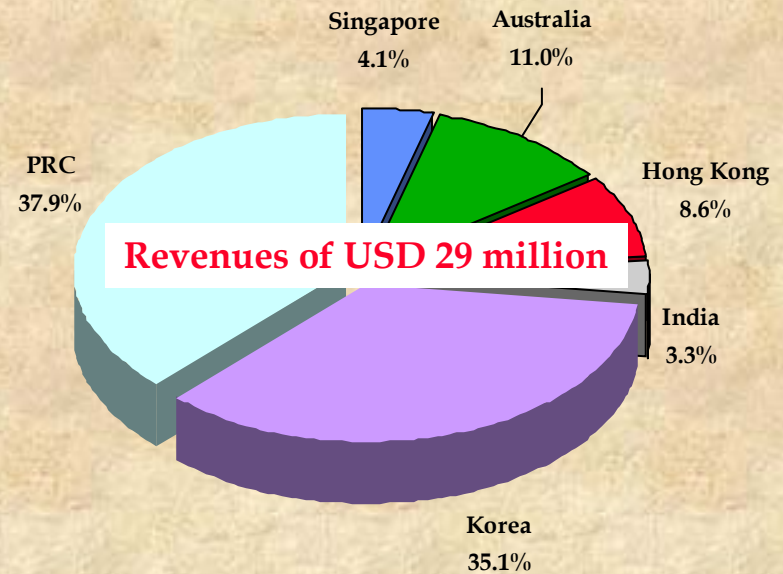
DWDM End-users Revenues

Asia Pacific (excluding Japan)

Long Haul DWDM Systems by Country
(% of 1H 2001 Revenues)

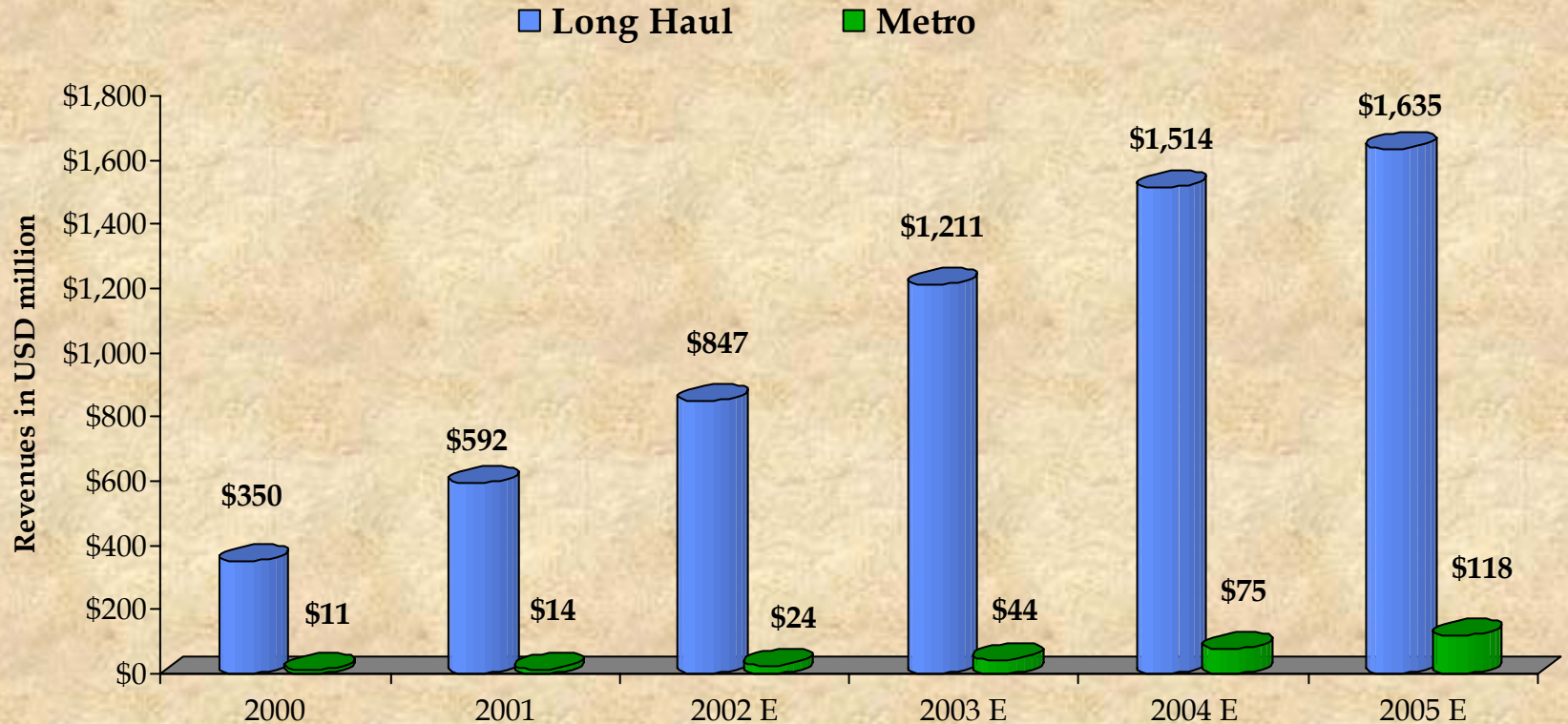


Metropolitan DWDM Systems by Country
(% based on 1H 2001 Revenues)



Source: IDC

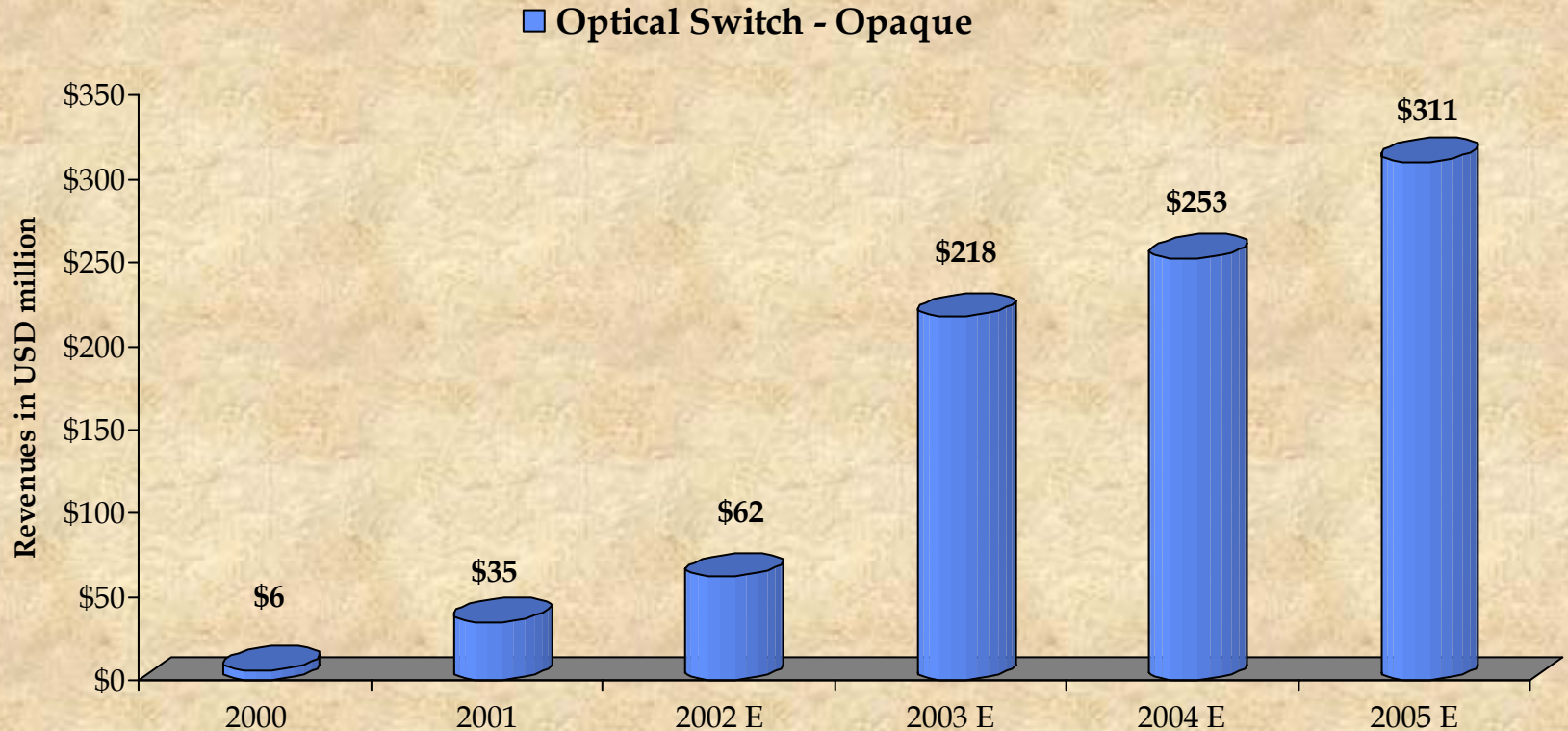
China - Market Forecast for DWDM Systems



- Carriers continue to build up their fibre optic network and utilize DWDM equipment
- Data and voice traffic continue to increase at high rates, which cannot be met by traditional managed networks services like DDN

Source: IDC

China - Market Forecast for Optical Cross-Connects

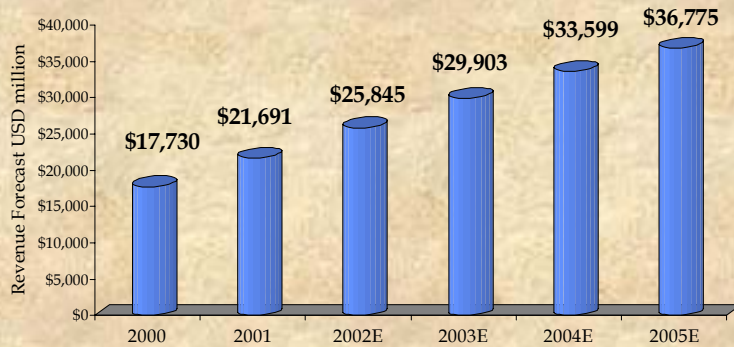


- **Optical switches are deployed by new generation carriers and potential service providers to build up their optical network.**

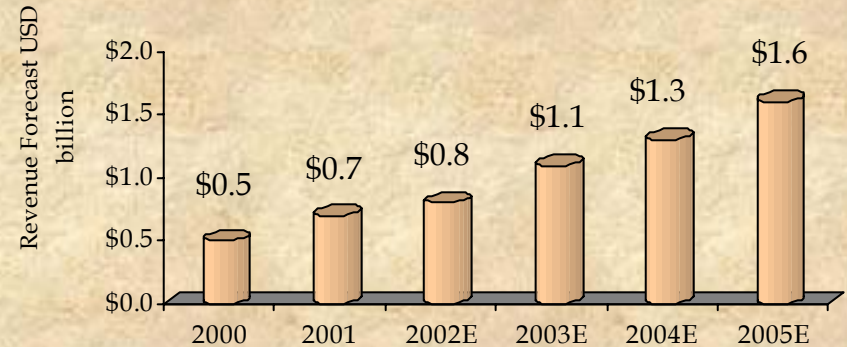
Source: IDC

China - Telecom Service Revenues Forecast

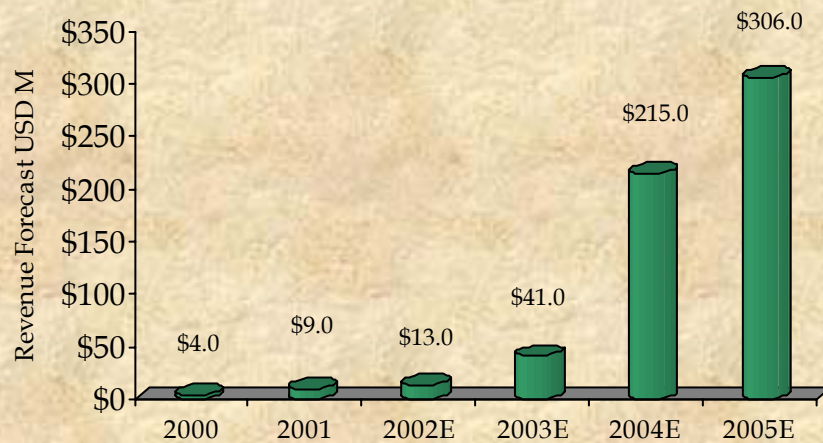
PSTN Service



MDNS



IP-VPN

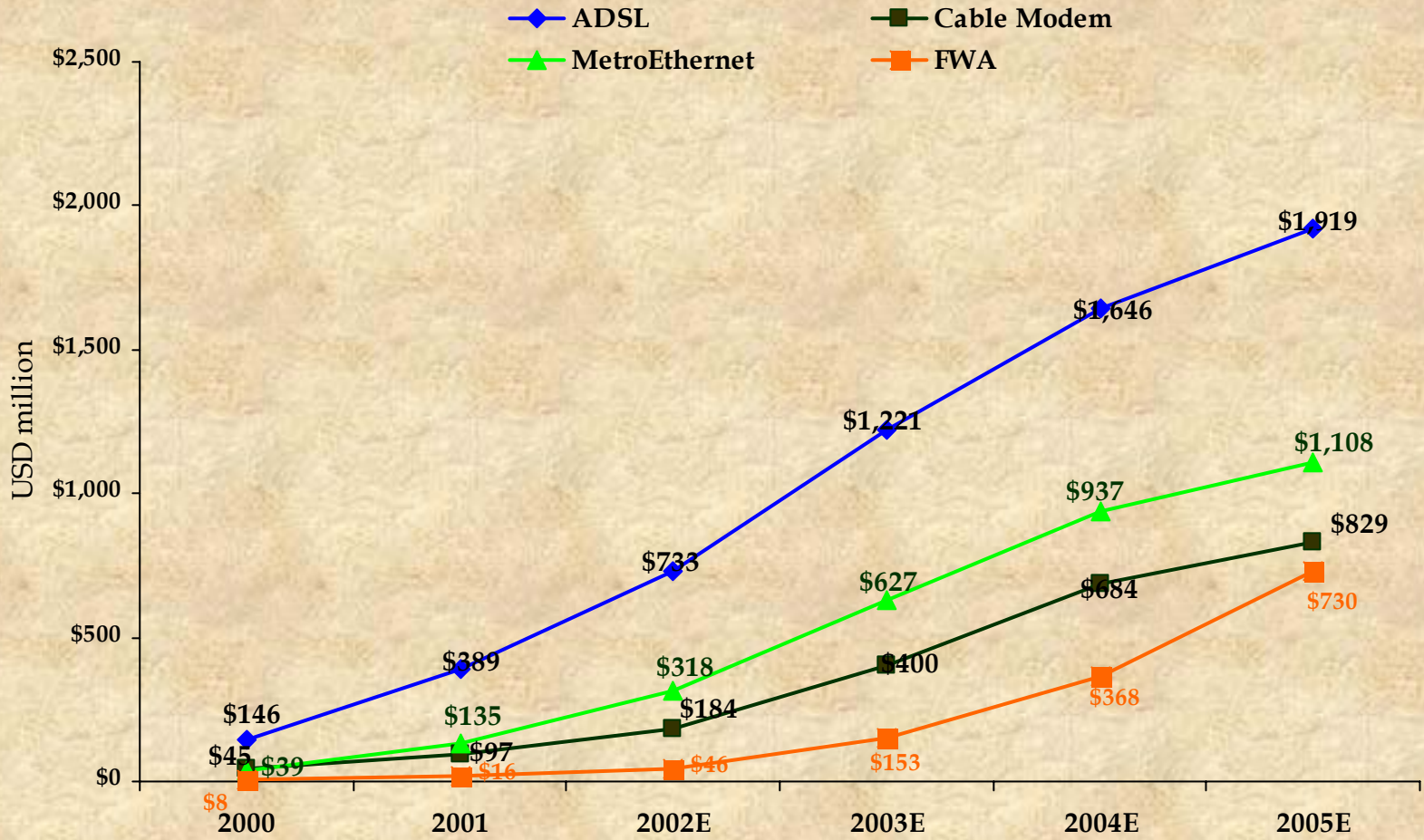


VoIP Services



Source: IDC

China - Broadband Services Revenue Forecast



Source: IDC

Macro approach – what we do

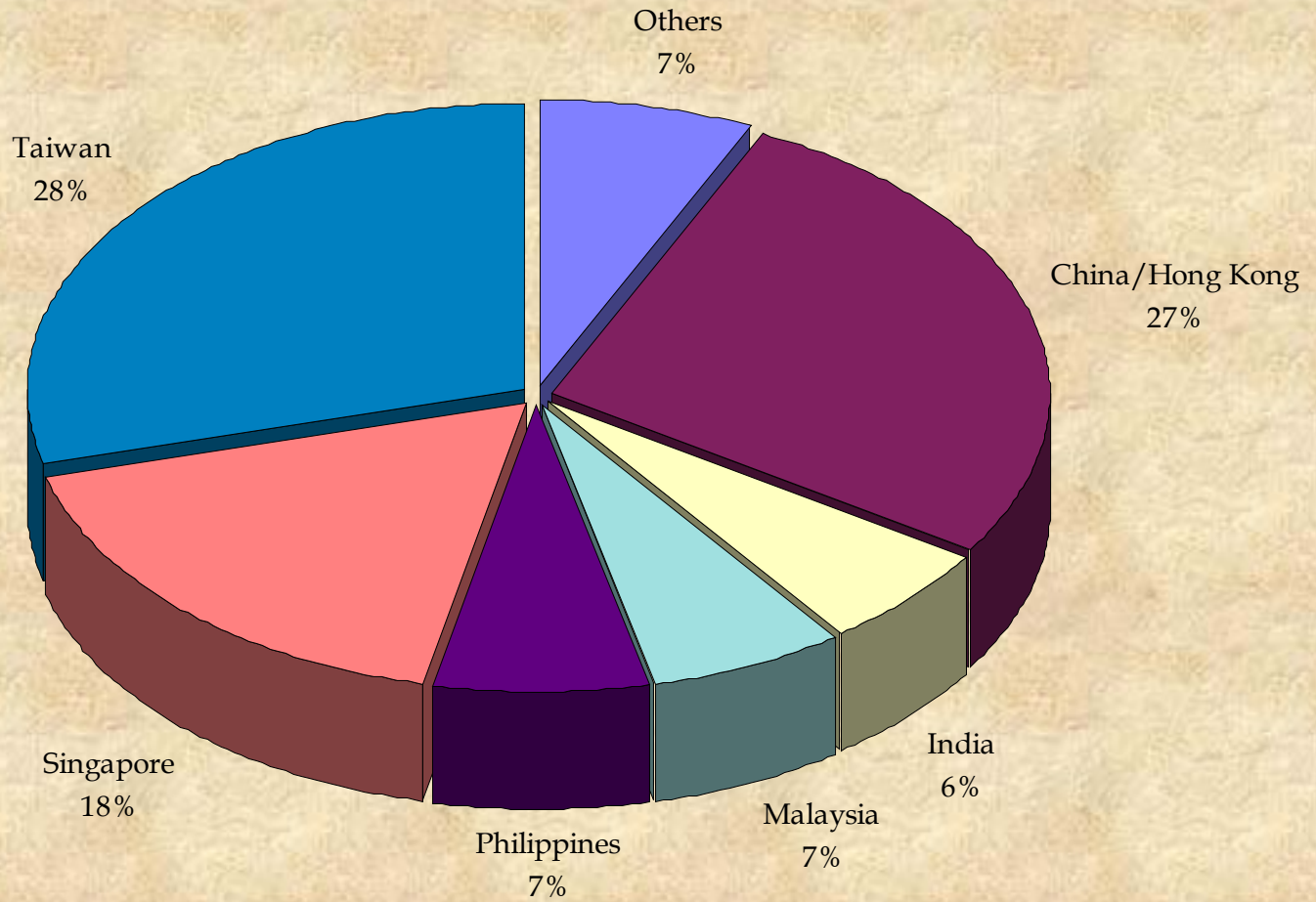
- Strong commitment to Asia
- Establish strong local government and industrial networks
- Build strong local investment team in Shanghai / Hong Kong / Beijing offices
- Develop / expand proprietary deal flows
- Provide global value adding services and strong domain knowledge

What we require

- Entrepreneurs
 - With technical experience and entrepreneurs mentality
 - Understand local market / local customer needs
 - Experience in general management
 - Hungry to build scalable world class companies

WI - Investments in Asia

(from 1992 to Aug-02)



Selected Communications Portfolio Companies

