

ASIATECH



**OECD/ADB 7th Round Table on Capital Market Reform in
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**SESSION 4:
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Venture Capital in Asia
Before and After the Tech Bubble
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Asian PE at a Glance

- US\$100 billion under management
- Investing US\$4 billion per annum and Growing
 - Two of the first US\$2 billion funds in 2005
- Centred in the Financial Centers
 - Hong Kong (US\$30 billion, 200 PE Firms)
 - Tokyo, Singapore
- Different Investment Destinations
 - Taiwan, India, Korea and China

The Asian Investment Themes

- In the 80's
 - Asian Tigers Growth and PIPE's
- In the 90's
 - Privatizing State-Owned Enterprises
 - Bamboo Network Deals of the Chinese Diaspora
- 1997-99 Post Financial Crisis
 - Controlled Buy-outs/Buy-ins in Korea and Thailand
- 1999-2000 Riding the Tech Wave
- 2005-Beyond China and India Growth

Governments Active in PE

- Promotion of Growth Company Exchanges
- Funding Schemes included
 - Government LP's
 - Singapore, Hong Kong and South Korea
 - Government Run VC Firms
 - Singapore, Taiwan, Malaysia, South Korea, Thailand, Municipalities and Provinces of China
 - Government Loan Schemes to Complement PE
 - Singapore, Hong Kong, Malaysia
- Other Improvements
 - Free Movement of Talents
 - Tax, Legal and Regulatory Changes

The Public Equity Markets

- Second Boards Abound in Asia
 - MOTHERS of Japan
 - KOSDAQ Korea
 - OTC Taiwan
 - GEM Hong Kong
 - SGX Singapore
- Liquidity for Small Companies
 - Public Unlisted Companies
 - Salvaging the “Zombies”

Phenomena of the Tech Bubble

- “Entrepreneurism” on the Rise
 - Professional Management
 - Non-Technology Corporations
- Reverse Takeover of Listed Shells
 - Raise Funds Quickly
 - General Purpose Investment Fund
- Spin-Outs and Spin-In’s
 - Chinadotcom and Hongkong.com
- China Internet Listings on NASDAQ
- Acquisitions post Tech Bubble increases

Asian PE Fund Investors

- US and European Institutions
 - Pension Funds
 - Insurance Companies
 - Fund of Funds
- Asian Families
- Middle Eastern Families and Institutions
- Select Japanese Institutions

Financial Centers of the World

- New York
- London
- Tokyo
- Frankfurt
- Zurich
- Singapore
- Dubai
- Hong Kong is the only financial center where the Government restricts pensions to invest in PE asset class

What about Local Institutions?

- Countries forbidding Pensions and Insurance Companies from Investing in PE
 - China
 - Hong Kong
 - Malaysia
- Taiwan restricts investment in China
- Korea Invests mainly Locally
- Singapore Institutions Invests mostly in US and Europe

Our Challenges

- Perceptions from Western Investors
 - Legal and Regulatory Risks
 - Data difficult to Obtain
 - Corporate Governance in PE Firms
 - Spotty Track Record on Exits
 - Exits largely limited to Public Listings
- High Staff Turnover
 - One Man Dynasties. Little Depth in Team
- Finance Personnel Running VC Funds
 - Emerging Companies require Greater Operational Assistance
 - Changing Themes with Changing Times

Our Future Looks Bright

- Clear Delineation of PE allows Diversification
 - Buy-outs and Growth Capital
 - Technology Venture Capital
- Growth Rate of China, India and Rest of Asia
- Real and Profitable Exits
 - Asian Listings on US/European Markets
 - M&A and Corporate Venture Capital on Rapid Rise
- Upgrading of PE Talent Pool
 - Tie-up with Western VC Firms for Knowledge Transfer
 - New Breed of PE Talent with Operations Background, Strong Governance and Local Relationships

The China Phenomena

- Rush of US VC's and Hedge Funds to China
- US VC's investing in Late Stage deals in China
- Formation of local JV's of VC Firms
 - Accel-IDG
 - Doll-Lenovo
- SAFE Circulars 11 and 29 a mere "Speed Bump"
- M&A Activities on the Rise
 - Local and Foreign M&A's happening
- High valuations for recent Chinese IPO's of "Tech" companies

Would you have funded this Team?



This Team Made....

- 1,211 times return on Original Capital Invested
- Still has US\$11 billion in Cash
- Is Still No. 1 in its Industry after 31 years
- Made Millionaires out of over 4,000 employees

Thank You

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www.asiatechgroup.com

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