

Venture Capital in Asia: Background

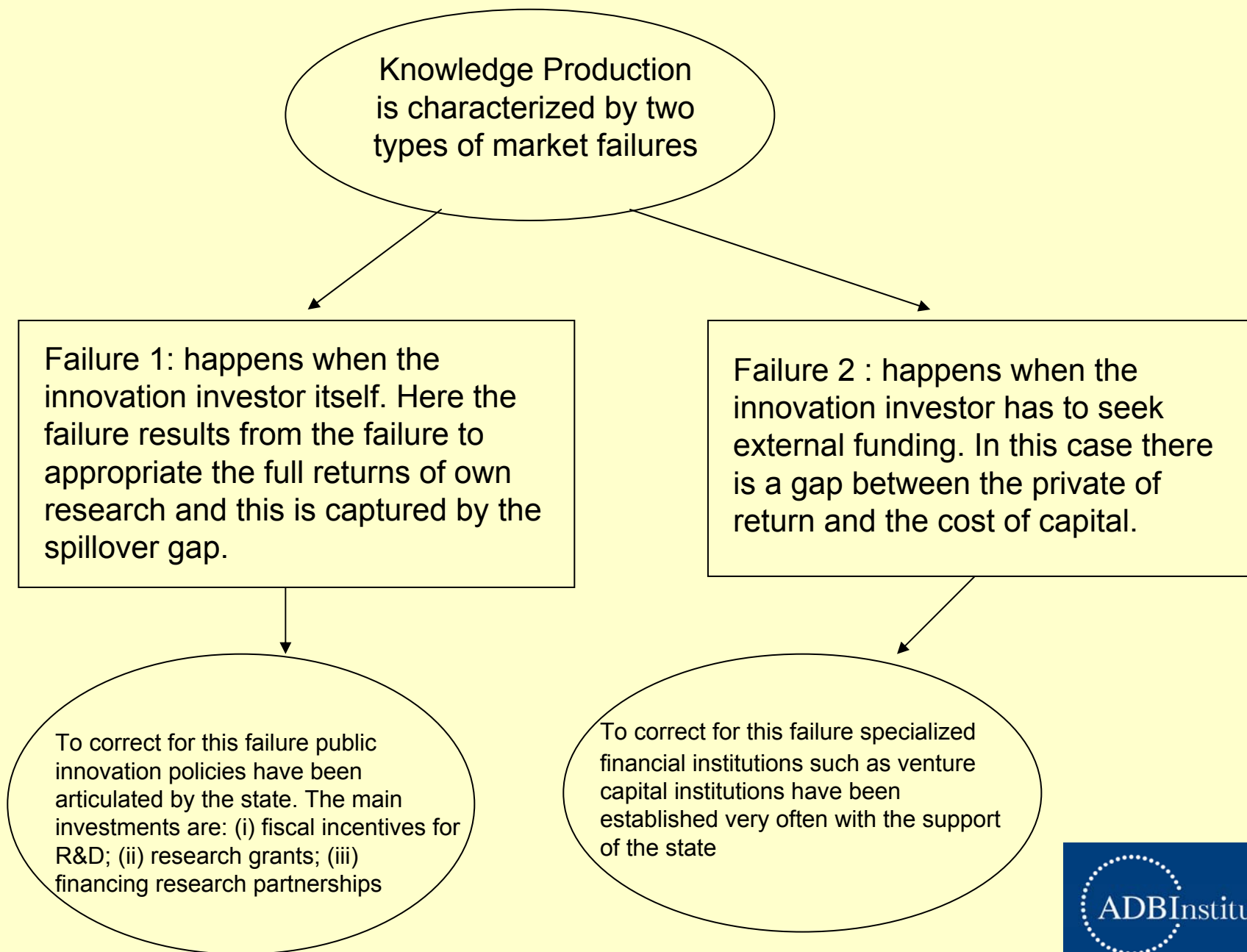
Mario B. Lamberte

16 November 2007

❖ Thanks are due to Hiroyuki Kiyota and Vuthy Chea for excellent research assistance.

The views expressed in this paper are the views of the authors and do not necessarily reflect the views or policies of the Asian Development Bank Institute (ADBI), the Asian Development Bank (ADB), its Board of Directors, or the governments they represent. ADBI does not guarantee the accuracy of the data included in this paper and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.



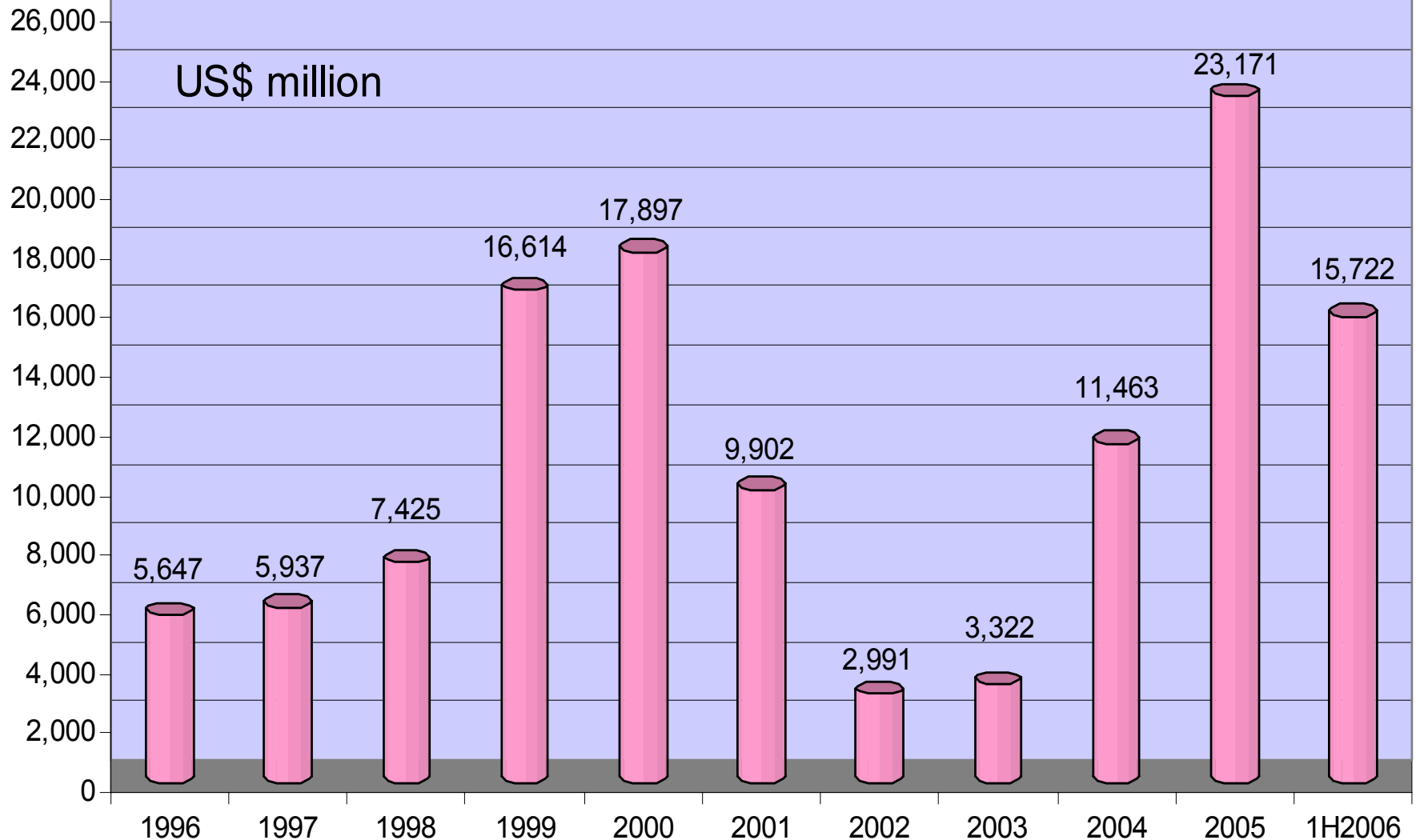


Overview of the Venture Capital Industry in Asia

Economies	No. of Venture Capital Funds/Companies	Number of Venture Capital Professionals	Venture Capital Under Management (US\$ million)
China, People's Rep. of	200	360	6,044
Hong Kong, China	177	631	26,019
Indonesia	31	105	153
Japan	232	1,531	21,515
Korea, Rep. of	180	483	6,251
Malaysia	41	95	811
Philippines	18	59	291
Singapore	117	509	9,754
Taipei, China	165	437	6,261
Thailand	16	58	580
Viet Nam	7	21	114

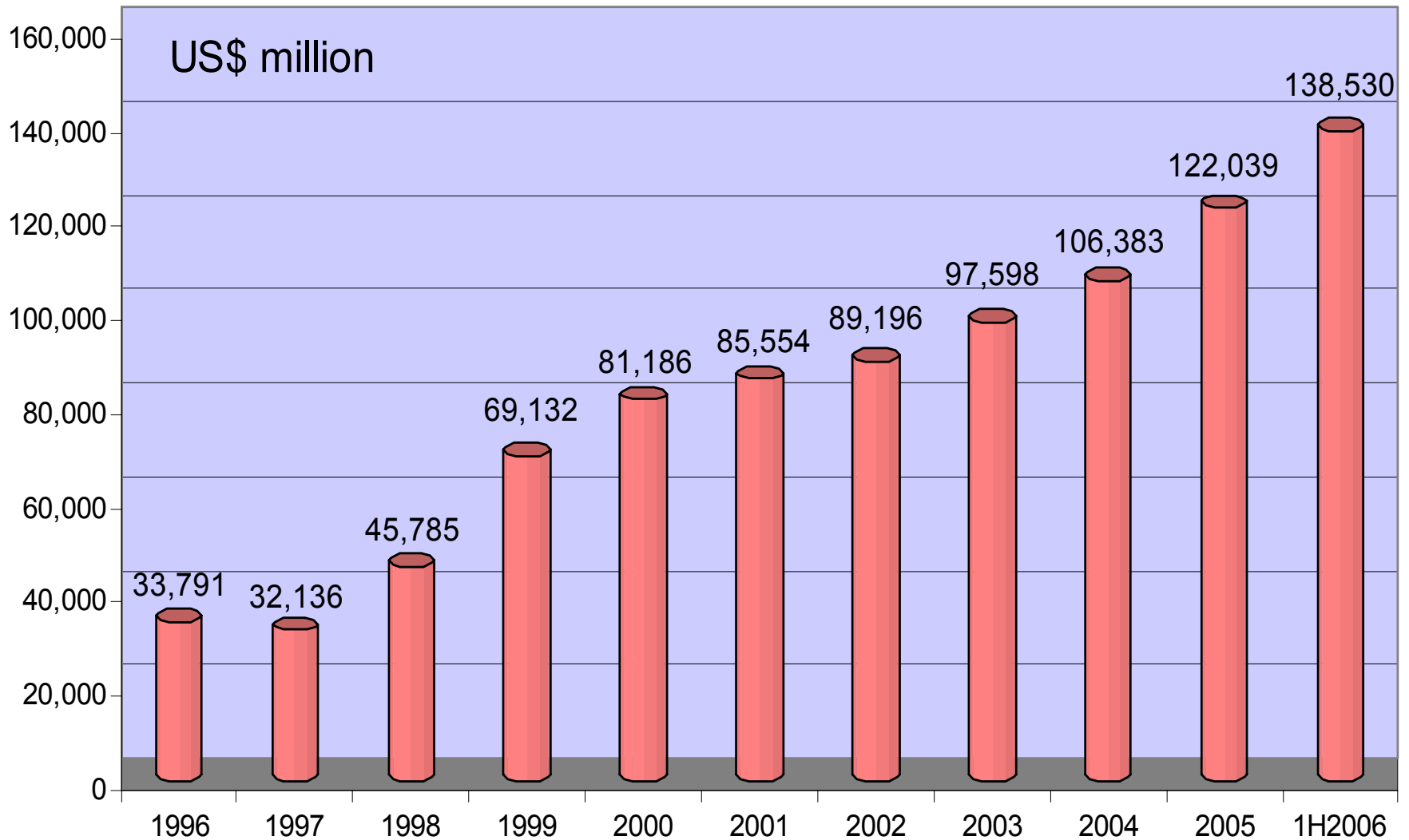
Source: Asian Venture Capital Journal, *The 2003 Guide to Venture Capital in Asia*

Asia: New Funds Raised 1996-1H2006



Source: AVCJ

Asia: Venture Capital Pool 1996-1H2006



Source: AVCJ

Institutional Source of Venture Capital in Asia, 2001

Economies	Corporations (% total)	Private Individuals (% total)	Government Agencies (% total)	Banks (% total)	Pension Funds (% total)	Insurance Companies (% total)
China, People's Rep. Of	41	7	17	23	4	8
Hong Kong, China	35	1	4	13	17	30
Indonesia	52	6	12	19	4	7
Japan	44	3	2	28	10	13
Korea, Rep. of	43	1	13	22	9	12
Malaysia	32	3	39	17	2	7
Philippines	57	13	8	15	0	7
Singapore	36	4	21	15	10	14
Taipei,China	59	9	6	14	4	8
Thailand	26	2	6	36	15	15
Vietnam	38	5	10	34	5	8

Source: Asian Venture Capital Journal, *The 2003 Guide to Venture Capital in Asia*

Venture Capital in Asia: Disbursement by Geographic Region, 2001

Economies	Domestic (% total)	Other Asia (% total)	Non Asia (% total)
China, People's Rep. Of	86	13	1
Hong Kong, China	11	85	4
Indonesia	60	16	24
Japan	87	5	8
Korea, Rep of	92	6	2
Malaysia	92	7	1
Philippines	80	16	4
Singapore	15	64	21
Taipei,China	79	7	14
Thailand	95	4	1
Viet Nam	80	20	0

Venture Capital in Asia by Financing Stage, 2001

Economies	Seed (% total)	Start-up (% total)	Expansion (% total)	Mezzanine (% total)	Buyout (% total)	Turnaround (% total)
China, People's Rep. of	8	33	41	8	4	6
Hong Kong, China	4	19	33	7	32	5
Indonesia	2	9	58	2	8	21
Japan	3	13	47	11	20	6
Korea, Rep. of	7	19	35	5	9	25
Malaysia	4	29	48	4	9	6
Philippines	1	15	64	1	13	6
Singapore	2	26	42	8	17	5
Taipei, China	9	26	43	14	3	5
Thailand	3	15	45	2	9	26
Viet Nam	5	26	59	0	0	10

Asian VCCs' Perspectives Compared

Criteria	Tidd's Findings Based on Ratings by Asian VCCs
Entrepreneur able to evaluate and react to risk	3.5
Entrepreneur capable of sustained effort	3.7
Entrepreneur familiar with market	3.6
Entrepreneur demonstrated leadership of ability*	3.0
Entrepreneur has relevant track record*	2.9
Product prototype exists and functions	2.9
Product demonstrated market acceptance	2.8
Product proprietary or can be protected*	2.6
Product is "high technology"	1.4
Target market has high growth rate	3.2
Venture will stimulate an existing market	2.5
Little threat of competition within three years	2.4
Venture will create a new market	2.2
Financial return >10 x within 10 years	2.9
Investment is easily made liquid (i.e. via IPO or acquisition)	2.7
Financial return >10 x within 5 years	2.1

Ratings: 1 = Irrelevant; 2 = Desirable; 3 = Important; 4 = Essential.

* Denotes a difference of more than 0.5 level between the two ratings.

Source: Adapted by Tidd, Bessant, and Pavitt, based on the framework in Khalil and Bayraktar (1998, pp. 574-83)



Asia Equity Investee Companies Report

Investee Company	Primary Industry	Date
People's Republic of China		
Accelergy Corporation/Yashen Tech	Computer related	October-06
Advanced Micro-Fabrication Equipment, Inc.	Computer related	October-06
Carcv.com	Information Technology	October-06
Neudia Holdings Ltd.	Computer related	October-06
SweetMart	Financial Services	October-06
tai-I International	Electronics	October-06
Hong Kong, China		
China Solar Energy Holdings Limited	Utilities	October-06
India		
Allsec Technologies Ltd.	Information Technology	October-06
Ansal Properties & Infrastructure Ltd.	Construction	October-06
Guruji.com Software Private limited	Computer related	October-06
Maytas infrastructure pvt Ltd.	Infrastructure	October-06
Indonesia		
Mandala Airlines	Transportation	October-06

Asia Equity Investee Companies Report (cont.)

Investee Company	Primary Industry	Date
Japan		
Kyushu-Shinwa Holdings Inc.	Financial Services	October-06
Singapore		
Jaya Holdings Ltd	Transportation/Distribution	October-06
Korea, Republic of		
CinTel Co., Ltd.	Information Technology	October-06
Daewoo Electronics Co., Ltd.	Electronics	October-06
Taipei,China		
Aker Technology Co., Ltd.	Computer related	October-06
China Network Systems Co., Ltd.	Telecommunications	October-06
Viet Nam		
FPT Corporation	Information Technology	October-06
Saigon Securities Inc.	Financial Services	October-06

Venture-backed IPOs from Jun 2006 to Nov 2006

Issuer	Stock Exchange	IPO Date	\$Mln Raised	Industry
People's Republic of China				
China Bearing (Singapore) Ltd.	Singapore Exchange-Mainboard	26-Oct-2006	\$12.37	Manufacturing - Heavy
China Biofoods Ltd.	PLUS	7-Sep-2006	\$23.81	Medical
China MobeLeNet Ltd.	PLUS	7-Sep-2006	\$14.29	Information Technology
China New Energy Ltd.	PLUS	6-Sep-2006	\$67.01	Manufacturing - Light
Epure International Ltd.	Singapore Exchange-Mainboard	6-Oct-2006	\$41.02	Ecology
Home Inns & Hotels management Inc.	NASDAG USA	26-Oct-2006	\$109.02	Travel/Hospitality

Venture-backed IPOs from Jun 2006 to Nov 2006 (cont.)

Issuer	Stock Exchange	IPO Date	\$Mln Raised	Industry
Japan				
Alphax Food System Co., Ltd.	Hercules	15-Sep-2006	\$2.54	Information Technology
BancTec Japan, Inc.	JASDAQ - Japan	5-Oct-2006	\$11.44	Computer related
Interspace co., ltd.	Tokyo Stock Exchange - MOTHERS	19-Sep-2006	\$15.31	Information Technology
Kyowa Medical Corp.	JASDAQ - Japan	15-Sep-2006	\$8.53	Medical
Mixi, Inc.	Tokyo Stock Exchange - MOTHERS	14-Sep-2006	\$93.91	Information Technology
Orvis Corp.	JASDAQ - Japan	5-Sep-2006	\$8.23	Manufacturing - Light
Pepper Food Service Co., Ltd.	Tokyo Stock Exchange - MOTHERS	21-Sep-2006	\$10.76	Retail/Wholesale
Sanei Architecture Planning	Nagoya Stock Exchange	12-Sep-2006	\$7.94	Financial Services
Star Mica Co., Ltd.	Hercules	2-Oct-2006	\$12.71	Financial Services

Venture-backed IPOs from Jun 2006 to Nov 2006 (cont.)

Issuer	Stock Exchange	IPO Date	\$Mln Raised	Industry
Malaysia				
SCAN Associates Bhd.	Malaysian Exchange of Securities Dealing	6-Oct-2006	\$6.84	Computer related
Korea, Republic of				
Yonghyun BM Co., Ltd.	Kosdaq - South Korea	10-Oct-2006	\$40.75	Manufacturing - Heavy
Taipei,China				
Alpha Microelectronics Corp.	Taiwan Stock Exchange	25-Sep-2006	\$3.01	Electronics
Contrel Technology Co., Ltd.	Taiwan Stock Exchange - OTC	26-Sep-2006	\$30.77	Electronics
Hsin Yung Chien Co., Ltd.	Taiwan Stock Exchange - OTC	28-Sep-2006	\$5.06	Transportation/ Distribution

Eight Issues Most Important to VCCs

- 1. Investment Philosophy/Criteria of VCCs,*
- 2. Government Policies and Incentives*
- 3. Attitudes of Entrepreneurs towards Venture Capital Financing,*
- 4. Difficulty in Deal Structuring,*
- 5. Low Level of Public Awareness,*
- 6. Availability and Accessibility of Exit Mechanisms,*
- 7. Poorly Written Business Plans, and*
- 8. Availability and Accessibility to Informal Venture Capital*

Source: Adopted from Khalili Khalil (2004).



For More Information

Mario B. Lamberte
Director for Research
mlamberte@adbi.org
Web site: www.adbi.org

