

风险资金投资招商处-亚洲

Is China Taking All the Money from the Rest of Asia?

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Benny T. Hu

Chairman, CDIB Bioscience Ventures Fund

2005 The 8th World Chinese Entrepreneurs Convention



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Chairman
董事長

*October 09-12, 2005
Seoul, Korea*

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Mr. Hu

>Experience

Mr. Hu was the former President of China Development Industrial Bank (CDIB), the largest investment bank in Taiwan. He grew the bank from US\$160 million paid in capital to over US\$1.86 billion, and the market cap of the bank increased from US\$926 million to US\$5 billion during tenure(1993~2001). He also expanded business of the bank to the United States, Great Britain, Japan, Hong Kong, Korea, Australia, and Philippines. Of the 250 companies invested during tenure, more than 100 companies had IPOs and 10 were acquired. Prior to CDIB, Mr. Hu was the Chairman of the Board and the President of China Securities Investment Trust Corp., a joint venture among CDIB, Fidelity Investment, Merrill Lynch, Yamaichi Securities and Bangkok Bank. He also launched Taiwan Fund, the first NYSE-listed single-country fund.

He was also the Chairman of Chung Hwa Lone Star Assets Management Corp., a joint venture between U.S. based Lone Star Group and China Development Industrial Bank to handle distressed assets in Taiwan, and it was the first asset management company established in Taiwan.

2005 The 8th World Chinese Entrepreneurs Convention

(Cont'd),

In 2001 December Mr. Hu formed CDIB BIOSCIENCE VENTURE MANAGEMENT (BVI), INC, with a predominantly US-trained staff of 12 scientists and investment professionals. The company raised its first fund, CDIB BioScience Venture I, a US\$72 million life science venture fund from Taiwanese investors. The fund invests primarily in high growth, late-stage/pre-IPO pharmaceutical companies located mainly in the San Diego and San Francisco Bay areas. Mr. Hu is the chairman of CDIB BIOSCIENCE VENTURE MANAGEMENT (BVI), INC from December 2001 to present.

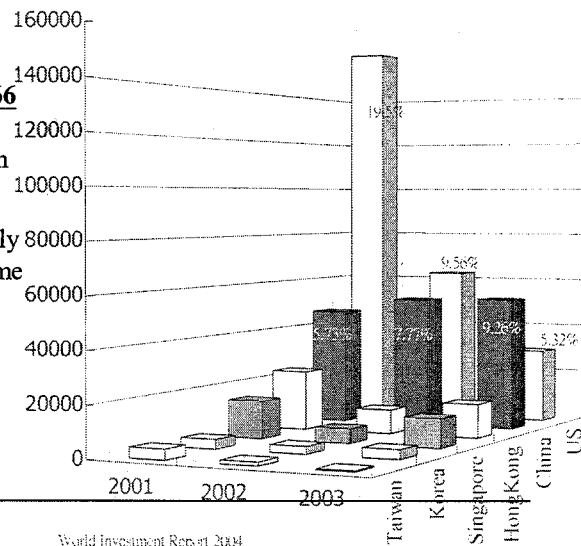
Outline

- **IS China taking all the money from the rest of Asia:**
 - **Identifying factors that make china an interesting place of investment!**
 - **Why Taiwanese are amongst the most successful multinationals operating in China?**
-

Is China taking all the money from the rest of Asia

• Since Mainland China adopted open door policy in 1979, accumulative foreign direct investment has totaled **US\$1.0966 trillion** by the end of 2004, of which **US\$562.1 billion** has been materialized.

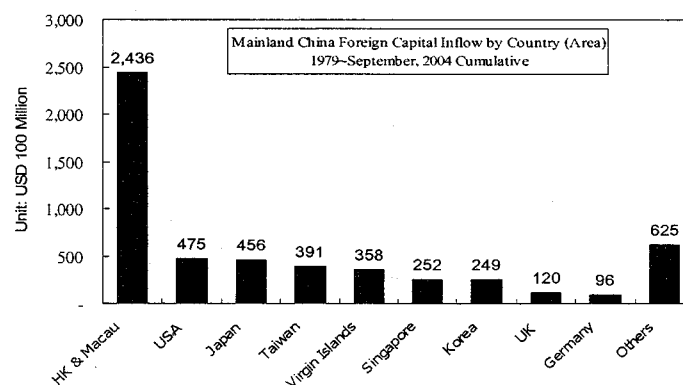
• Global executives are more likely to invest in China than at any time since 1998. China maintained its position as the No. 2 most attractive FDI destination in the world and became No. 1 in 2003 (9.26% W.W), in 2004 just behind the U.S



World Investment Report 2004

Is China taking all the money from the rest of Asia?

Top 5 Nations (areas) invested in China are: Hong Kong & Macau, USA, Japan, Taiwan, Virgin Islands

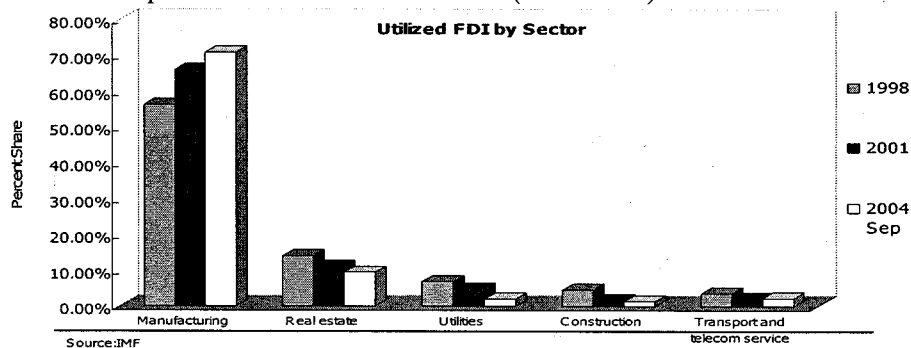


Source: World Investment Report 2004 and press release, United Nations Conference on Trade and Development, China Statistical Yearbook, China Foreign Economic Statistical Yearbook

Is China taking all the money from the rest of Asia?

For the past 7 years FDI in China were distributed in the following Industries:

- Manufacturing(56.3%~70.9%)
- Real estate(14.1%~9.4%)
- Utilities(6.8%~2.0%)
- Construction(4.5%~1.3%)
- Transport & telecommunication service(3.6%~2.2%)

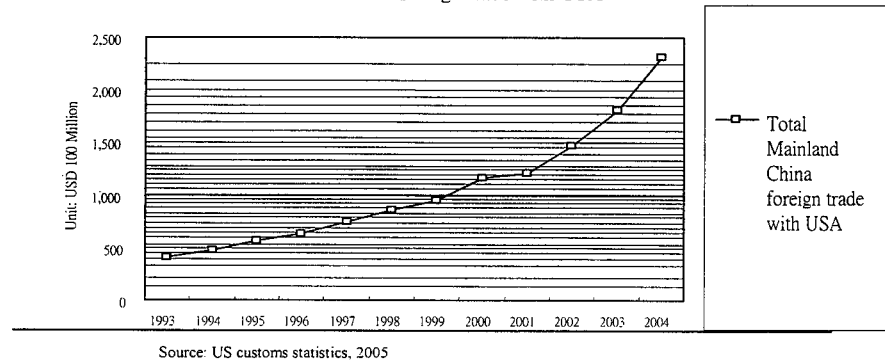


Is China taking all the money from the rest of Asia?

Growing Greater China Foreign Trade with US

For the year of 2004 China was the 2nd largest exporter to the US. US imports from Mainland China accounted for 13.38% of its total imports during year of 2004, a gain of 1.28 percentage points from 12.10% at the end of 2003.

Total Mainland China foreign trade with USA

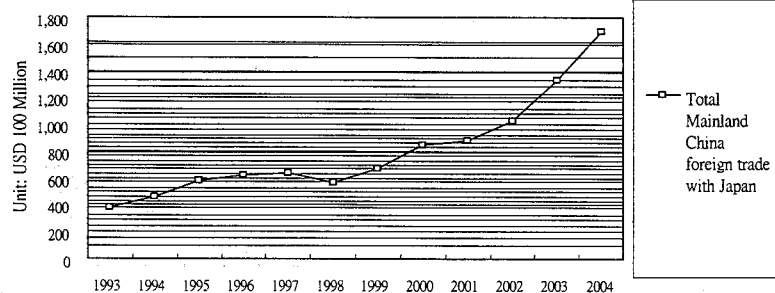


Is China taking all the money from the rest of Asia?

Growing Greater China Foreign Trade with Japan

During year of 2004 China was the No.1 exporter to Japan. Japan imports from Mainland China accounted for 20.74% of its total imports, a gain of 0.98 percentage points from 19.76% at the end of 2003.

Total Mainland China foreign trade with Japan



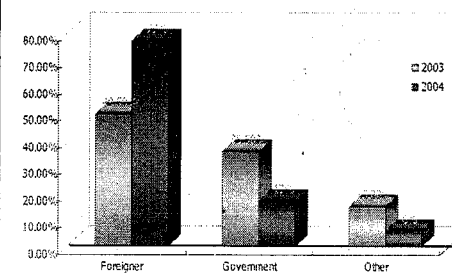
Source: Japan customs statistics, 2005

Identifying factors that make china an interesting place of investment!?

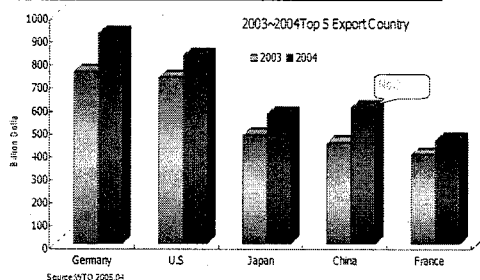
► Global Production Center

- The 3rd largest trading partner to the world in 2004
- Large pool of manufacturers exporting to worldwide market
- Foreign companies lead China export

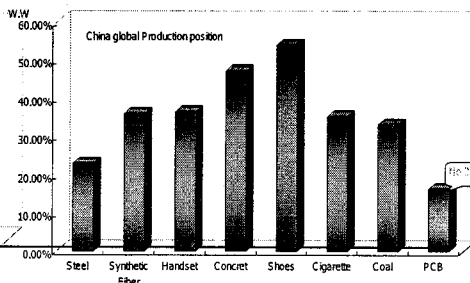
2003-2004 Top 200 export companies composition



Source: Ministry of Commerce of the PRC



Source: WTO 2005.04



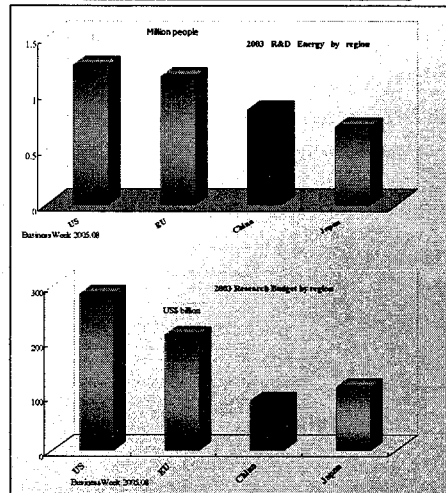
Source: IISI 2004, CPCA 2005, IT IS 2005

Identifying factors that make China an interesting place of investment!?

➤ Global Production Center

China Offers Compelling Cost Advantages

- Large pool of Chinese engineering talent
 - "China's education system has met rising demand for skilled workers...37% of [university] graduates in 2000 were engineers, compared with about 6% in the U.S."
- Lower engineering costs
 - Chinese engineers are 1/5-1/10 the cost of the U.S.



Source: BusinessWeek 2005.08

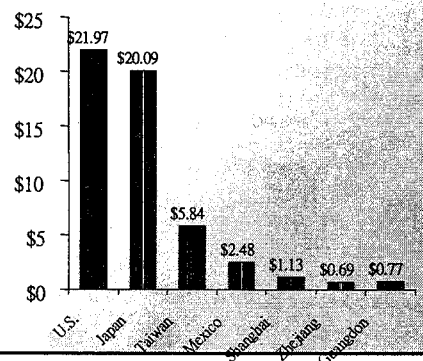
Identifying factors that make China an interesting place of investment!?

➤ Global Production Center

China Offers Compelling Cost Advantages

- Lower labor costs
 - "China's population is so vast that it can stay smart and cheap -- a formula that's making it a new superpower in high-tech manufacturing...There's enough talent in the poor interior that prices will stay relatively low...It begins with the millions who abandon farming or menial jobs in small towns and provide a constant stream of cheap factory labor."

Hourly compensation costs in US\$ for production workers in manufacturing (US\$)

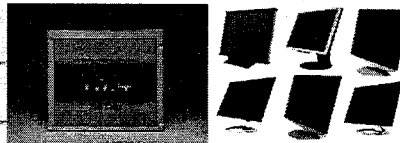
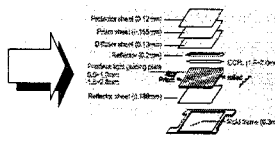
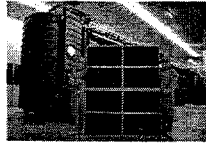


Source: China Statistical Office and WSJ March 14, 2002

* Shanghai, Zhejiang and Guangdong are all parts of China.
Source: U.S. Bureau of Labor Statistics, 2003

Identifying factors that make China an interesting place of investment!?

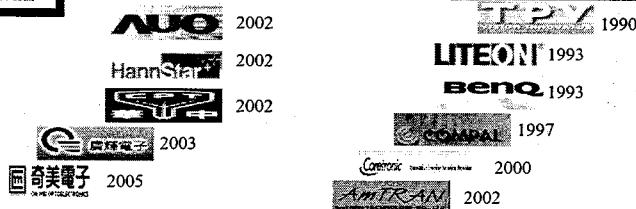
China Offers Compelling Cost Advantages to build up industrial park



Tech oriented
TFT panel production rate
939 pieces/person-month
All Panel made in Taiwan



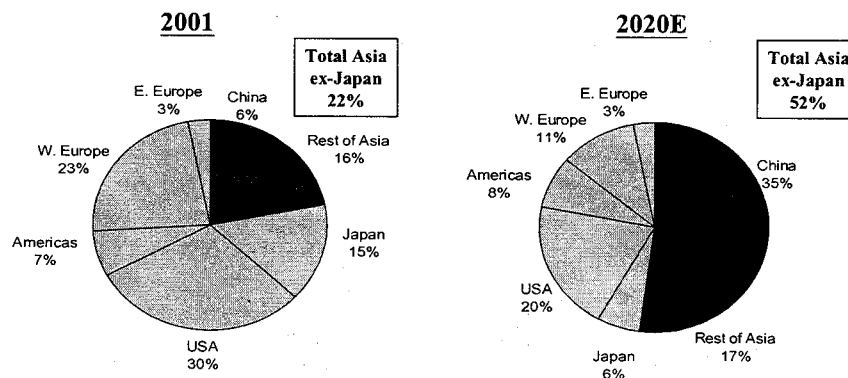
Laborer oriented
LCM production rate 2 pieces/person-month
China offers 1/5~1/7 laborer cost of Taiwan
laborer cost: all system made in China



Identifying factors that make China an interesting place of investment!?

➤ Global Production Center

Boosted by the FDI shift to China, China will soon become the world's largest manufacturing center

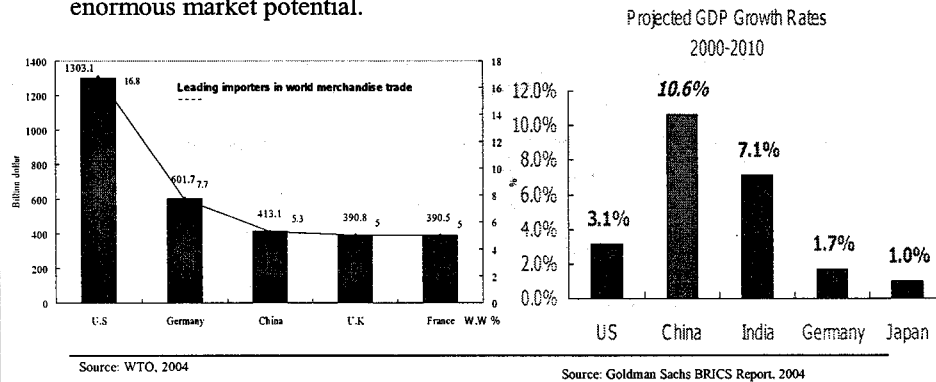


Source: Dover company reports, 2003

Identifying factors that make china an interesting place of investment!?

➤ Strong domestic market demand

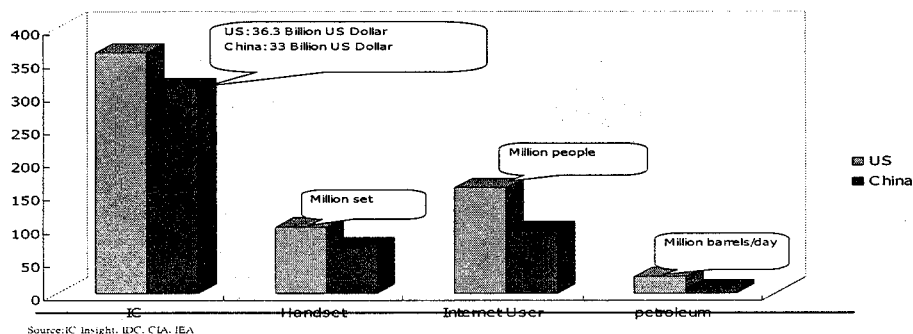
China is the world's second largest economy on a purchasing power parity basis and is driven by a population of 1.3 billion people. China enjoys a household savings rate of more than 40 percent, one of the highest in the world. As incomes rise, newly empowered consumers represent an enormous market potential.



Identifying factors that make china an interesting place of investment!?

➤ Strong domestic market demand

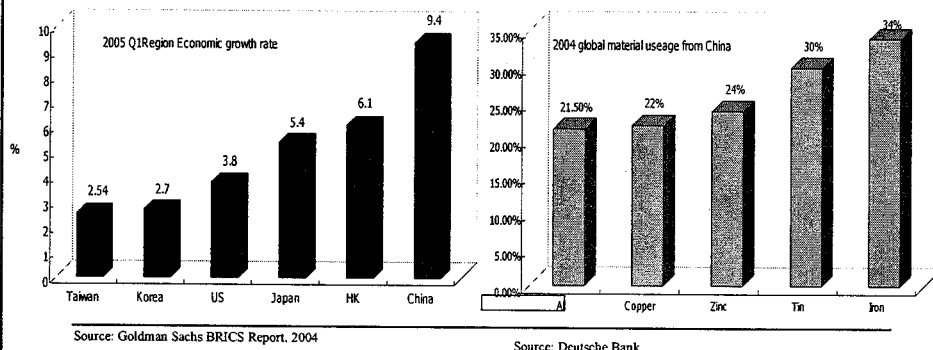
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Identifying factors that make china an interesting place of investment!?

➤ Strong domestic market demand

China needs more power to meet rising demand and consumption as its economy continues to expand. Potential opportunities in this market are truly remarkable. China's rapidly growing economy is driving more and more demand for natural resources. Massive expansion is needed in both generation and transmission & distribution infrastructure.



Identifying factors that make china an interesting place of investment!?

➤ Global Production Center

- China Offers Compelling Cost Advantages
- The 3rd largest trading partner to the world in 2004
- Accelerated foreign trades with US, Japan, and E.U.
 - Large pool of manufacturers exporting to worldwide market.
 - Already the 2nd largest exporter to the US and the No.1 exporter to Japan.

➤ Strong domestic market

- With the largest population in the world, China has given birth to massive promising markets in most industries.
- Close to 10% annual GDP growth over the next five years.

Why Taiwanese are amongst the most successful multinationals operating in China?

➤ Without language Barrier

➤ Early Bird

➤ Cluster effect

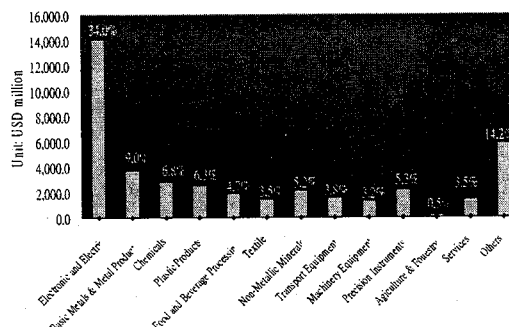
Why Taiwanese are amongst the most successful multinationals operating in China?

- Approved investment to Mainland China by Ministry of Economic Affairs, Taiwan, accumulated 33,155 cases from 1991 to the end of 2004, which totaled **US\$41.23** billion.

- Investments were distributed in the following Industries:

- Electronic & Electric Appliances: 34.05%
- Basic Metals & Metal Products: 8.98%
- Chemicals: 6.79%
- Plastic Products: 6.27%
- Precision Instruments: 5.34%
- Food and Beverage: 4.69%
- Others: 33.88%

Taiwan Approved Investment in Mainland China by Industry



Source:

Investment Commission, Ministry of Economic Affairs, ROC, 2005

Why Taiwanese are amongst the most successful multinationals operating in China?

- Taiwan's success economically (especially in electronics) is amongst the most influential multinationals of the world.

Taiwanese companies as World's No.1 producer					
Rank	1	1	1	1	1
Product	LCD Monitors	Cable Modems	Notebook PCs	PDA's	Wireless LAN
Worldwide Market %	68%	66%	72%	79%	83%
Representing Company	TPV BenQ	Zinwell	Quanta Compal	Mitac HTC	DLink Gemtek
Market Value (USD)	14 billion	480 million	22 billion	1.8 billion	1.3 billion

- Taiwan has become the 7th largest trading partners to China in 2004, accounting for \$78.32 billions USD worth of trade volume.

Taiwanese companies as World's No.2 producer			
Rank	2	2	2
Product	TFT-LCD Panels	Servers	Digital Still Cameras
World Market %	35%	33%	34%
Representing Company	AUO CMO	Asustek	Altek Premier
Market Value (USD)	7.6 billion	1.8 billion	2 billion

Why Taiwanese are amongst the most successful multinationals operating in China?

Early Bird

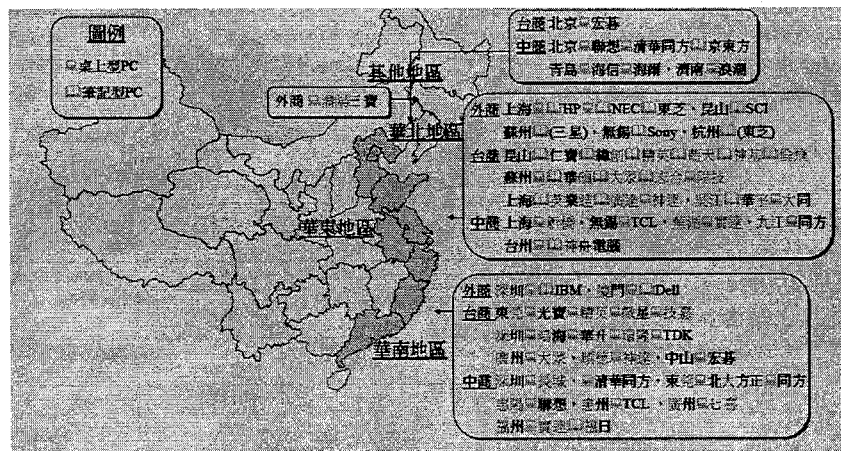
- According to the PRC Ministry of Commerce, In 2004 Taiwanese businesses in China represent 6 out of 12 largest exporters of China, accounting for 27.5 billion USD (they are Foxconn, Quanta Computers, Asustek, TPV, Compal Computers, and BenQ).

Rank	Company	US\$ (m)
1	Foxconn Since 1977	835,093
2	Quanta Since 2000	830,283
3	Motorola	571,016
4	Longwall	407,018
5	Asustek Since 1998	323,528
6	Nokia	299,393
7	China International Marine Containers (Group) Co. Ltd	299,174
8	TPV Since 1990	288,151
9	Orient International (Group)	273,983
10	Intel	260,182
11	Compal Since 1997	242,051
12	BenQ Since 1993	230,695

Source: Ministry of Commerce of the PRC

Why Taiwanese are amongst the most successful multinationals operating in China?

Cluster effect



Source: IT IS

Taiwanese companies investment in China – a trilogy

