



CHINA

BUILDING THAT TRULY GREAT TECH COMPANY IN CHINA

“We do have our particular vision regarding the China opportunity,” Joseph Tzeng, Managing Director of Crystal Ventures, told *AVCJ*. We don’t follow the hype or the promotion. We try to assess reward and risk. In other words, we are also very realistic and pragmatic about it. We don’t have illusions. We are very passionate about the opportunities that are coming together at this time in history. It provides the kind of rare opportunities for people, those with foreign venture capital, who can really make something happen in China.”



Joseph Tzeng

“Specifically, we are really going to build that true great company that will affect the world. Not quick money. Not at all. We want to make a company that will really affect the world, not just China.”

Crystal Ventures’ strategy for investing draws on an almost ten-year track record in China. “Our basic principles for investment do not change, whether in the US, Taiwan, Singapore, or China. Our three fundamentals are Technology, People, and Market,” Tzeng said.

According to Tzeng, what differentiates China as an investment destination comes down to three ingredients:

dependable professionals, companies of global vision but with local savvy, and synergy. “We are looking for the companies that have global vision, a global element, yet with a very strong local flavor. SMIC is a very good example.”

As regards sectors, “The three areas we are very interested in are wireless, broadband, and content. “[In wireless], we are most interested in the whole spectrum – devices, chipsets, platforms, applications. You’ve got the biggest wireless market in the world, right here in China – 260 million users and growing.” He views SMS, entertainment-related services including music, and publications as other major areas for hi-tech investment.

In content, his expectation hinges on the dynamic and diverse society created by China’s rampant growth: “It’s created a very dynamic society, requiring different levels of content to address the various demographics, whether that be entertainment-related, lifestyle-related, sports, economics, or general media. We learned a very hard lesson from Sina: their content is very, very localized.”

Tzeng’s assessment of China IPOs, trade sales, and other exits, and his expectations for these, are candid and realistic: “For foreign venture investors like Crystal, I think very few of us have any expectation that in two to three years we are

going to have them listed in Shanghai or in Shenzhen. For the time being, listings in China are pretty far away from us. We would still keep our eyes on potential exits via Hong Kong, Singapore, Taiwan, and US exchanges, or trade sales to either multinational corporations – US- or Europe-based – or large well-run Chinese companies.”

According to Tzeng, venture-backed hi-tech companies are the true growth drivers for any economy. “You really need a large number: I am not talking about 1%, 2%; I am talking about 25%, 40%. The Gross National Product depends on this kind of startup.” He believes it may be feasible to create an environment for these companies. “The sooner it is done, the sooner it could encourage a lot of those venture-backed startups.”

“Today, before we invest, or after we invest, we need to look three to five years into the future, and begin to make hard decisions today ... knowing what our potential exit is going to be. We’ll hire people differently. We’ll incorporate the company differently. So this has to be done today in order for the future exits.”

Tzeng has no doubt that this is a historic opportunity. “We will not see another such large economic entity forming like this in our lifetime. If we get it right, we will then have a company like Sina.”

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