

“Hong Kong-US Partnership for the Mainland China Market”

-- Lessons and Insights

World SME Expo
Hong Kong
December 2, 2010

Philip Leung
Managing Partner
Commence Technology Partners



Commence Technology Partners



A Tale of Two Creatures



Introduction

- Some previous assignments and projects:
 - Compaq Computer E Asia
 - Quantum Asia Pacific
 - AMD Asia Pacific
 - Rackable Systems (now called SGI) Greater China
 - Chinese Books Cyberstores
 - Vtech Computers Inc (USA)
- Topics:
 - Reaching target customers in Mainland China
 - Client case examples
 - Risks and Challenges
 - Some Words of Advice

Commence Technology Partners

Who We Are, What We Do

- We accelerate the market entry and revenue generation of technology companies entering Greater China markets
- We launch, mentor, and support our clients' Asian subsidiary, resulting in a successful Greater China operation
- Founded in 1999. Some of our clients:
 - Rackable Systems (SGI), Algorithmica, JMango,
 - Cityline, eTelecare, LeCroy, Visual Numerics (VNI),

Commence Technology Partners

Our Teams

- Seasoned executives who have managed pan-Asian operations, financed start-ups, and done stock listings
- Extensive network of industry experts from which we draw for special assignments
- Partners with impressive track records and experience in Internet, IT & Telecom, Software, Hardware, Multimedia, E-business enterprises
- Website: www.commencepartners.com

Some Recent Clients



Our Clients – Nature of Their Businesses

- Rackable Systems (now called SGI) – a computer server and data storage supplier
- Algorithmica – a mathematical modeling software provider for industrial optimization
- JMango – a mobile app company specializing in mobile banking
- Cityline – Asia’s most advanced ticketing service provider
- LeCroy – an electronic test equipment manufacturer
- NextEd – an education infrastructure provider
- VNI – a developer of data analysis and visualization software
- FuelQuest – a provider of fuel management solutions

Client Case Example 1

Rackable Systems (now called SGI)

- A supplier of computer server and data storage (www.rackable.com)
- Hong Kong is RHQ for Asia -- platform to reach out to China and rest of Asia
- Virtual HK office supported by Commence
 - Speedy ramp up of revenue generation
 - Built a service center in Beijing
- Built a world R&D center in Zhangjiang (near Shanghai)
 - Set up WFOE subsequently

Client Case Example 2

Algorithmica Technologies

- A mathematical modeling software provider for industrial optimization (www.algorithmica-technologies.com)
- Increase production yields, reduce CO2 emission, forecast failures
- Reduce maintenance costs
- Virtual office in HK supported by Commence
- Hong Kong office is key to company's effort in Mainland China business development

Client Case Example 3

JMango

- A mobile app company specializing in mobile banking (www.jmango.net)
- Provides mobile application development solutions that simplifies the software development to allow anyone to create mobile apps in minutes for any handset
- Hong Kong is RHQ for Greater China
- Commence is assisting company in expanding into Mainland China
 - Starting with HK prospective customers

Hong Kong as a Service Platform

Conclusions from client case examples

Common threads:

- HK is Asia's leading business platform
- HK is an excellent RHQ for Asia *and* for Mainland China
- The HK + PRD combo offers a compelling business model
- CEPA further strengthens HK as Mainland China market continues to grow



Insights from Personal Odyssey of Helping American Companies Enter China

Core values of American Chamber of Commerce in HK

- Private enterprise
- Free trade
- Rule of law
- Ethical and responsible business practices
- Transparency and free flow of information



Key Observations

1. Hong Kong embodies these core values better than any other Asian city
2. US businesses doing business in/with Mainland China find that Hong Kong holds advantages over most other cities

Hong Kong Advantages

Hong Kong advantages – as perceived by our US business clients:

- Economic freedom
- Well-educated workforce, strong work ethics
- Rule of law
- IPR protection
- Location: < 2.5hours to any China market
- Low and simple tax regime
- World-class telecom and logistics
- World financial center with stable currency



Words of Advice for Successful China Entry/Penetration

“Thou shall have a strong China team”

- Includes local managers, alliance partners, bankers, channels, etc.
- Key to successful execution
- Helps develop Guan Xi, support services, etc. to sustain success

“Size doesn’t matter”

- Except to investment bankers
- To the customer in China, your ability to deliver matters most



Words of Advice for Successful China Entry/Penetration

“Watch how and where to look; exercise common sense”

- What’s obvious to you may be invisible to the next guy
- How and where you’re looking provides hidden advantages
- Yesterday’s market gospel may be today’s garbage

“Usual economic indicators don’t tell the whole story”

- China is NOT one big homogeneous market; regional and local conditions are key
- “The Mountains are High; the Emperor is Far Away”
- Absorb conventional wisdom, then be prepared to discard it



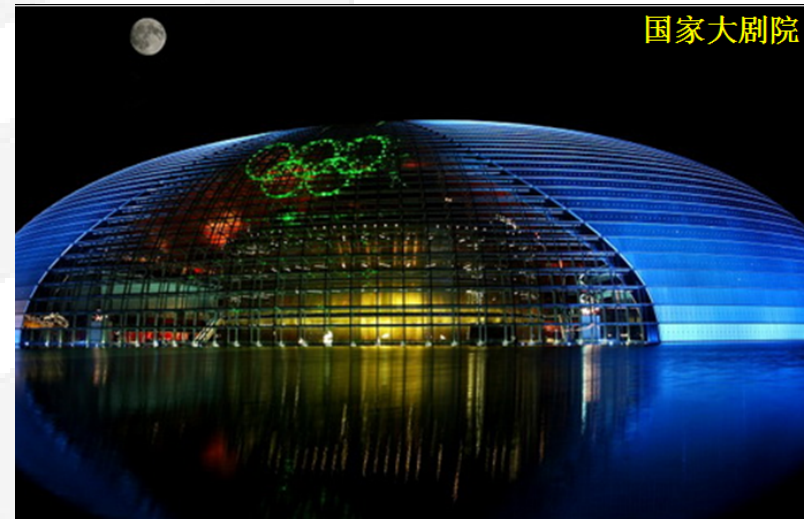
Words of Advice for Successful China Entry/Penetration

“Visualize the end game”

- Plan your China exit strategy BEFORE entering China

“Collect data; turn insight into foresight”

- Numerous gaps and disconnects exist in the flow of info
- When you think your market research is complete, start anew



Words of Advice for Successful China Entry/Penetration

“Getting orders is great; getting paid for them is better”

- Case example – Compaq
- Install an effective collection system from the start

“Define shades of gray within which thou shall operate”

- Eskimos language has 17 words for snow; Chinese regulations have 17 shades of gray
- What’s tolerated is a function of time and place
- Rules change frequently; check carefully



Words of Advice for Successful China Entry/Penetration

“Beware of Oral Guan Xi”

- He who represents that he has Guan Xi, may not deliver the real thing

“Play the game of GO”

- First secure the corner (Hong Kong), then the side (PRD, SH, BJ), and finally capture the heartland of the China chessboard
- Hong Kong is an excellent service platform for entering and succeeding in the Mainland China market!





Thank You

Philip Leung
Managing Partner

Commence Technology Partners

2503 Bank of America Tower, 12 Harcourt Road, Hong Kong. Tel: (852) 2527 2228

Email: philip.leung@commencepartners.com

Website: www.commercepartners.com