



Asia Pacific Innovation and Entrepreneurship Conference 2003

**Structuring the Financing Food Chain to Enhance the
Growth of Start-Ups and SMEs at Different Stages**

**John S. Wadsworth Jr.
Honorary Chairman, Morgan Stanley Asia**

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Epoch Foundation

Summary

- **Conditions Precedent**
- **The Food Chain of Finance**
- **Four Case Studies**
- **The Best Way Forward**

NEW COMPANY FORMATION – NECESSARY CONDITIONS

USA	Taiwan	PRC	Japan
■ Large Home Markets	No	Yes	Yes
■ Great technology companies	Yes	Not Yet	Yes
■ World-class universities	Yes	Yes	No
■ New ideas / new industries	Yes	Starting	Yes
■ Intellectual property rights	Yes	No	Yes
■ Effective patent laws	Yes	Yes	Yes
■ Entrepreneurs	Yes	Yes	No
■ Icons	Yes	No	No
■ Low capital gains tax	Yes	No	Yes
■ Venture capital funding	Yes	Starting	Limited
■ M&A market for new technology companies	Yes	No	No
■ Easy access to big IPO market	Marginal	No	Marginal
■ Public Policy Bias	Show Me	Yes	No
■ Culture	Yes	Yes	No

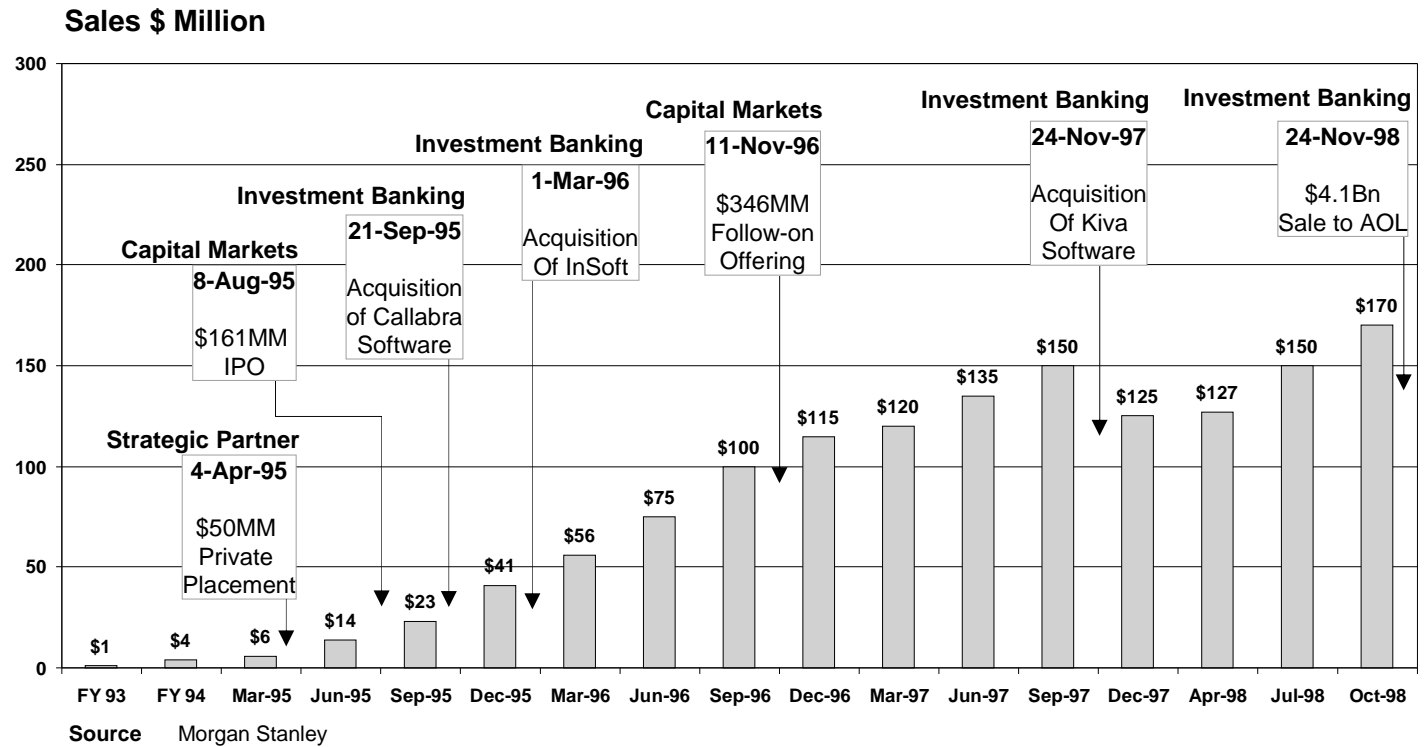
The Food Chain of Finance

- The Entrepreneur / Founder / Leader
- The Angel
- The Strategic Partner
- The Venture Capitalist
- The Investment Banker
- The Capital Markets
- The Strategic Acquiror
- The Ultra High Net Worth Brother
- Entrepreneur Becomes Angel, Etc.

Netscape

Netscape - a Case Study

- Morgan Stanley advised Netscape throughout its entire lifecycle
 - Private placement with strategic partners Adobe, TCI Technology Ventures, Times Mirror, Hearst Corporation, and Knight-Ridder
 - Over \$500MM of equity capital raised
 - 3 strategic acquisitions to build out their product offering, broaden their sales channel and competitively differentiate themselves in the market
 - Upstream merger with AOL to create a category killer in the internet, connectivity and content market



E Access

E Access – a Case Study

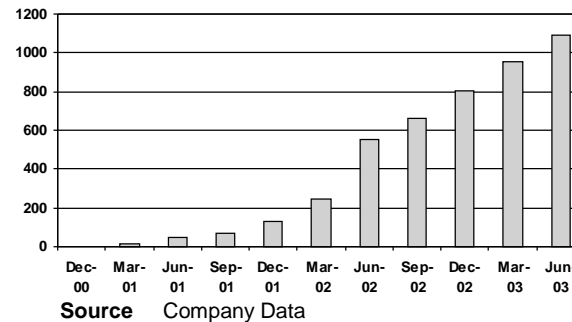
A Technology Venture Success Story in Japan

Morgan Stanley Investment Summary

- Founded in Nov. 1999 by Sachio Semmoto, former executive and co-founder of DDI, and Eric Gan, former senior telecom analyst at Goldman Sachs
- eAccess is a competitive data communications provider in Japan focused on providing high-speed broadband Internet solutions with DSL technology
- Morgan Stanley invested in the Company in Feb 2000, with follow-on investment in Feb 2001 and Aug 2002. Other shareholders include Japan Telecom, Ripplewood, Carlyle and Goldman Sachs
- Morgan Stanley has a seat on the Board of the Company. Goldman Sachs worked closely with the Company and has monitored their business and financial performance on a quarterly basis
- eAccess first targeted an IPO in Dec 2002 but decided to postpone due to weak market conditions. In the fall of 2003, eAccess planned for an IPO for the second time and on Oct 3, 2003, it successfully completed the IPO(JPY7.2Bn)
 - Offering Price(JPY180,000) was priced at the top of the Book Building range(JPY150,000-180,000)
 - Current Stock Price as of Oct 14, 2003(JPY353,000) is 96% up from Offering Price

eAccess Subscriber Growth

Subs: '000s



Financial Improvement

¥MM

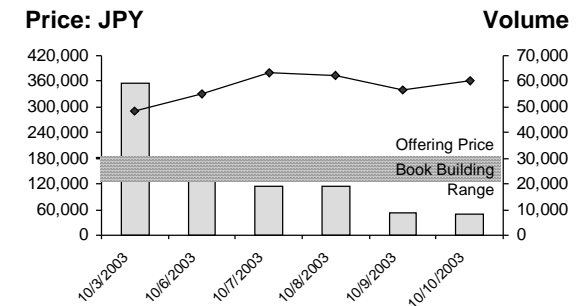
	3/2001	3/2002	3/2003	4-6/2003
Revenue	423	5,193	20,276	8,250
Growth %		1,127.7%	290.4%	
Operating profit/loss	(2,696)	(5,641)	(4,346)	459
EBITDA	(2,506)	(3,885)	2,775	2,915
EBITDA Margins	-592.2%	-74.8%	13.7%	35.3%
Net Income	(2,783)	(5,861)	(5,579)	141
Net Income Margins	-647.3%	-112.9%	-27.5%	1.7%

Source: Company Data

eAccess IPO

Pricing Date	September 25, 2003
Listing Date	October 3, 2003
Listed Section	MOTHERS
IPO Size	JPY7.2Bn
Offering Price	JPY180,000
Bookbuilding Range	JPY150,000-180,000
Offering Shares	46,000 shares (including greenshoe)
Lead Manager and Bookrunner	Nikko Citigroup

Price Performance Since IPO

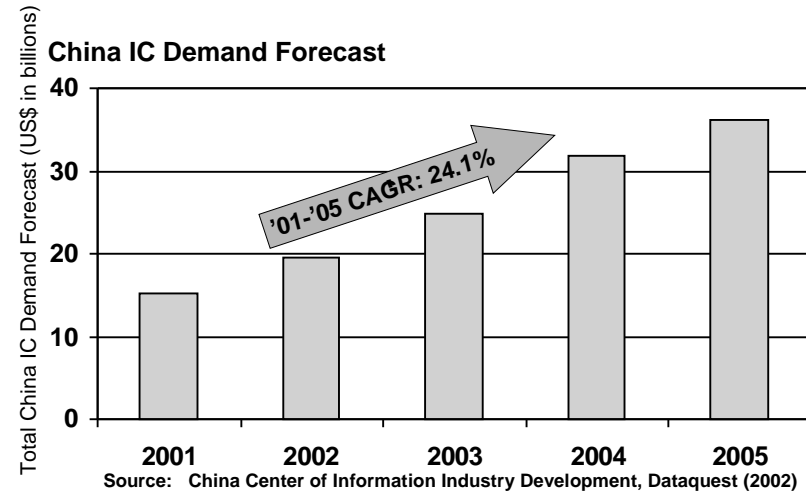


Source: Factset

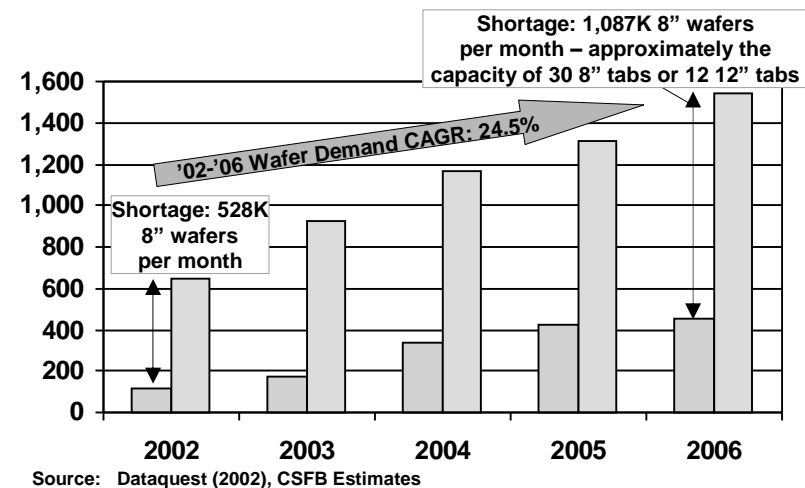
Semiconductor Manufacturing International Corp.

SMIC – a Case Study

- China should be a key focus for semiconductor investment
 - Semiconductor growth in China outpaces the world
 - Domestic wafer supply far lags demand
 - Semiconductor supply chain is complete and rapidly growing
- #1 foundry in China with significant first mover advantage
 - Domestic IC supply significantly lags behind demand growth
 - SMIC enjoys a significant lead over competitors in China
- SMIC has the premier foundry growth story
 - Superior top-line growth relative to peers
 - Operating leverage significantly greater than peer
 - Highest revenue growth rate among the known foundries
- Strength in technology, R&D and partners
 - Strong internal R&D program catching up with TSMC
 - Strong customers with momentum and technology partners
- Experienced management with strategic vision
 - Extensive background from leading foundries and IDMs
 - Strategic vision to create shareholders' value



Chinese semiconductor industry will play an increasingly important role within the global semiconductor market



Domestic IC supply shortage is expected to be doubled by 2006

Quanta

Quanta Computer – a Case Study

- Founded in 1988 by Barry Lam
- Quanta now is the largest notebook PC manufacturer globally with 17% market share in 2002
- Quanta has expanded into enterprise and entertainment business. Its products now include servers, handsets and LCD TVs
- CDIB (China Development Industrial Bank), WK Investment and several private investors invested in Quanta before its public offering

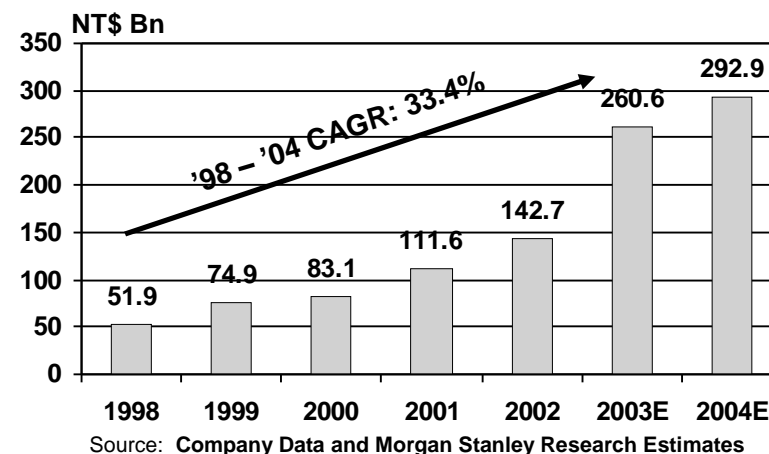
Quanta Domestic IPO

Listing Date	January 8, 1999
Listed Location	Taiwan Stock Exchange
IPO Size	SUS\$ 221MM
Offering Price	NT\$375
Offering Shares	20MM
Lead Manager	Grand Cathay
Current share Price as of 10/21/2003	NT\$91.5 / US\$ 2.7
Market Cap as of 10/21/2003	NY\$ 251Bn / US\$ 7.4Bn

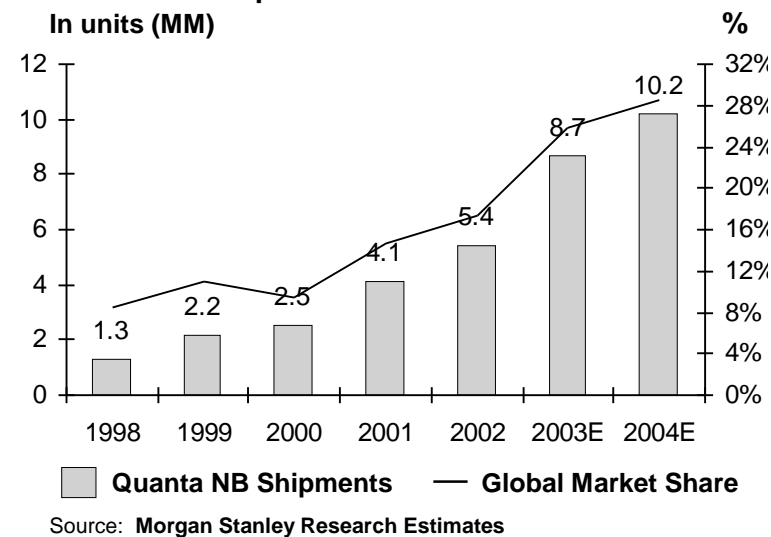
Quanta Funding

Size	US\$ 230MM	US\$ 300MM
Status	Senior	Senior
Maturity	5 years	5 years
Investor Put	10 months	2 year
Issue Price	100%	100%
Coupon	0%	0%
Yield to Maturity	N.A.	(3.31)%
Redemption Price	100%	97.525%
Initial conversion Premium	16%	32%
Initial conversion Price	NT\$113.68	NT\$98.34
Pricing Date	2/13/2001	6/10/2003
Bookrunner	UBS Warburg	Merrill Lynch

Net Sales



Quanta NB Shipments and Global Market Share



The Best Way Forward

- Cultivate The Culture of Risk Taking
- Accept Failure, Condone Success
- The Icons of Asia (KS Li to Morris Chang)
- Rule of Law Fix IP
- Good Capital Markets = Good Regulation
- Competitive Intermediators
- Best Practice in Every Category
- Leading Academies Embrace the Education of Entrepreneurs and the Teaching of Ethics

Morgan Stanley