**1st Case Study: Venus Medtech - Global Innovation in the Race**

**Between China and the USA**

***Q1. For Venus Medtech’s Series A financing, which venture capital firm is the top choice among the finalists?***

a. What are the key considerations for this decision?

***Decision:*** Among the four finalists, White Crane Ventures stands out as the top choice for Venus Medtech’s Series A financing. White Crane is a cross-border venture capital firm with a strong healthcare focus and deep networks in both China and the U.S., which is exactly what Venus Medtech needs. Managing Partner Beatrice Chung had an extensive track record in medtech/biotech and shared founder Zhang “Joe” Zi’s vision of building an innovative Chinese company that can compete globally. Importantly, White Crane offered founder-friendly terms – Chung did not insist on the heavy veto rights common among Chinese VCs, instead trusting Zi’s expertise (“Why would I want to constrain you? You’re the heart valve guy.”). This light-touch governance approach, combined with White Crane’s industry expertise and global perspective, makes it the optimal partner beyond just providing capital.

***Key considerations:*** All four term sheets offered an identical valuation, so Zi’s decision hinged on what each investor could bring beyond money. White Crane excelled in several areas. It provided local understanding and international know-how, positioning Venus Medtech to succeed first in China and later abroad. In contrast, the other finalists each had notable drawbacks: HealthTech Ventures (Shanghai) was a leading domestic healthcare VC with quick deal execution, but it tended to pursue “fast-follower” copycat strategies for quick returns. HealthTech’s term sheet demanded extensive control – board control and veto rights over future financing, asset sales, etc. – and it preferred a domestic China IPO exit. Such terms could conflict with Zi’s global ambitions and constrain the startup’s flexibility. Davidson Lockhart, a Silicon Valley healthcare fund, offered deep medical device expertise and a long-term outlook (its governance terms were far more relaxed, reflecting typical U.S. VC latitude). However, neither partner had China experience, raising doubts about how much Davidson Lockhart could help in the crucial early phase in China. Its diligence process was also slower and more lawyer-heavy (≈60 days to close vs. 30 days for Chinese VCs). Eucalyptus Capital (China) came with a legendary Sand Hill Road brand and a large fund (its Hong Kong affiliate could even invest in RMB and was likely to provide follow-on funding). Eucalyptus fully supported Venus’s multi stage global growth strategy and, like Davidson Lockhart, did not demand onerous veto rights. But Eucalyptus lacked a strong track record in healthcare – its principal Arnold Guo had only one prior medical device investment (in orthopedics, not cardiology), and the firm’s healthcare returns in both China and the U.S. had been mediocre. In short, White Crane offered the best fit: it combined the industry focus and cross-border resources of a healthcare specialist with a founder-aligned approach, whereas HealthTech was too controlling/short-term, Davidson Lockhart lacked local insight, and Eucalyptus, despite its prestige, was less specialized in medtech.

b. Do you have different recommendations for later rounds?

Yes. As Venus Medtech grows, it should consider adding another investor in later rounds to complement White Crane’s strengths. In a Series B or beyond, when the company prepares for U.S. clinical trials, FDA approval, and global marketing, having an investor with deep U.S. regulatory and market expertise or greater capital resources would be advantageous. For example, Davidson Lockhart (or a similar U.S. based healthcare VC) could be brought in during a later round to help navigate Western regulations and commercialization – a role that was premature at Series A but becomes critical once Venus Medtech achieves “escape velocity” in China. By waiting until the company is ready to expand overseas, Venus can fully leverage Davidson Lockhart’s knowledge of the U.S. medical device industry at the right time. Additionally, a prominent global fund like Eucalyptus might be valuable in future rounds for its large follow-on capacity and international credibility, boosting Venus Medtech’s profile ahead of an eventual Hong Kong or NYSE IPO. In summary, White Crane is the ideal Series A lead, but the company should strategically include a different investor with global reach in later rounds – to inject additional capital, open doors in overseas markets, and guide the next phase of growth.

***Q2. Which city in China would be the best location for Venus Medtech’s headquarters?***

a. What are the key factors to consider in making this decision?

***Best city:*** For Venus Medtech’s headquarters, **Hangzhou** is the optimal choice. In fact, Zi established the company in Hangzhou’s Hi-tech Industrial Zone, and this decision paid off. Hangzhou offered an unusually supportive environment for a medtech start-up. City officials treated the high-tech zone “like a big incubator,” eager to nurture innovative companies in healthcare (as well as internet, software, electronics) . Local government programs provided strong policy support and funding: there are dedicated innovation funds and the city helped arrange free or low-interest bank loans for high-potential projects. This means Venus Medtech could access crucial early-stage capital without diluting equity – a huge advantage for a young company. Hangzhou’s government was also notably hands-off regarding ownership; officials had no interest in taking an equity stake, focusing instead on facilitating growth and industry development.