



China: start up nation - what Australia needs to know

Beijing's Zhongguancun district birthed 49 startups daily in 2014, and behind them was China's booming venture capital industry. This is big news for Australia's startup sector.

1. Encouraging venture capital is included as a specific action point in guidelines for China's 13th five year plan.¹
2. In 2015 Chinese government-backed venture capital funds tripled their funds under management in a single year and raised five times the amount of venture capital firms globally.²
3. In 2015 venture capital invested in China amounted to \$US48.86bn, nearly 10 times the \$5.23 billion invested in 2013.³
4. In 2015 venture capital invested in China was 67.5 percent of that in the US, up from 14.5 percent in 2013.⁴
5. In 2014 Beijing ranked 2nd globally for attracting venture capital investment, following only the Bay Area of U.S.⁵
6. Beijing is home to the world's highest valued private start-up, Xiaomi. Focusing on smart phones and mobile apps, Xiaomi was established in 2010 and is now worth more than \$US45bn.⁶
7. In 2015 there were over 2,500 technology business incubators in China, up from 1,468 in 2013. There were over 80,000 technology startups under incubation, employing more than 1.8 million people.⁷
8. GGV, named the world's second most successful venture capital firm by Forbes in 2015, has 70 percent of its portfolio allocated to China, compared with 30 percent to the US. In 2000 it had been 70 percent to the US and 30 percent to China.⁸
9. In 2015 China-based venture capitalists were part of a \$6.5 million capital raising by Australian start-up, Airtasker.⁹ Former Queensland Premier, Peter Beattie says that for promoting innovation "Australian brains and Chinese money" is a match made in heaven.¹⁰

¹ Subheading source 'China's Silicon Valley sparking 49 start-ups a day', *Bloomberg News*, March 11, 2015,

<http://www.bloomberg.com/news/articles/2015-03-11/china-s-silicon-valley-sparking-49-technology-startups-a-day>

'CPC Proposal for 13th Five-Year Plan Full Text', 2015,

http://news.xinhuanet.com/fortune/2015-11/03/c_1117027676_3.htm

² Shai Oster and Lolu Yilun Chen, 'Inside China's \$445 billion state-back startup boom', March 9, 2016,

<http://www.smh.com.au/business/china/inside-chinas-445-billion-statebacked-startup-boom-20160309-gneo8v.html>

³ Dow Jones, 'Dow Jones VentureSource Report China 4Q2015', calculated by ACRI, <http://www.dowjones.com/press-room/dow-jones-venturesource-4q15-china-venture-capital-report/>

⁴ Dow Jones, 'Dow Jones VentureSource Report US 4Q2015', calculated by ACRI, <http://www.dowjones.com/press-room/dow-jones-venturesource-4q15-u-s-venture-capital-report/>

⁵ Ernst & Young, 'Venture Capital Insights 4Q2014', [http://www.ey.com/Publication/vwLUAssets/Venture_Capital_Insights_4Q14_-_January_2015/\\$FILE/ey-venture-capital-insights-4Q14.pdf](http://www.ey.com/Publication/vwLUAssets/Venture_Capital_Insights_4Q14_-_January_2015/$FILE/ey-venture-capital-insights-4Q14.pdf)

⁶ Juro Osawa, Gillian Wong and Rick Carew, 'Xiaomi raises another \$1.1 billion to become most-valuable tech start-up', *Wall Street Journal*, December 29, 2014, <http://www.wsj.com/articles/xiaomi-becomes-worlds-most-valuable-tech-startup-1419843430>

⁷ 'China Issues Opinions to Encourage mass entrepreneurship, innovation', *Xinhua News Agency*, March 11 2015, http://news.xinhuanet.com/english/2015-03/11/c_134059020.htm

'Full transcript of the State Council policy briefing on Feb 5, 2016', February 5, 2016, http://english.gov.cn/news/policy_briefings/2016/02/05/content_2814752847_49774.htm

⁸ Liu Xiaojing, 'US Venture Capital Firm is Still Betting on China', *Cai Xin*, January 29, 2016, <http://english.caixin.com/2016-01-29/100905348.html>

⁹ Peter Cai, 'Chinese Venture Capital Eyes Australian Start-ups', *The Australian Business Review*, May 12, 2015, <http://www.businessspectator.com.au/news/2015/5/12/china/chinese-venture-capital-eyes-australian-start-ups>

¹⁰ Peter Beattie, 'We Could Use Chinese Capital to Fund Innovation', *Australian Financial Review*, February 24, 2016 <http://www.afr.com/opinion/we-should-use-chinese-capital-to-fund-innovation-20160223-gn1e43>