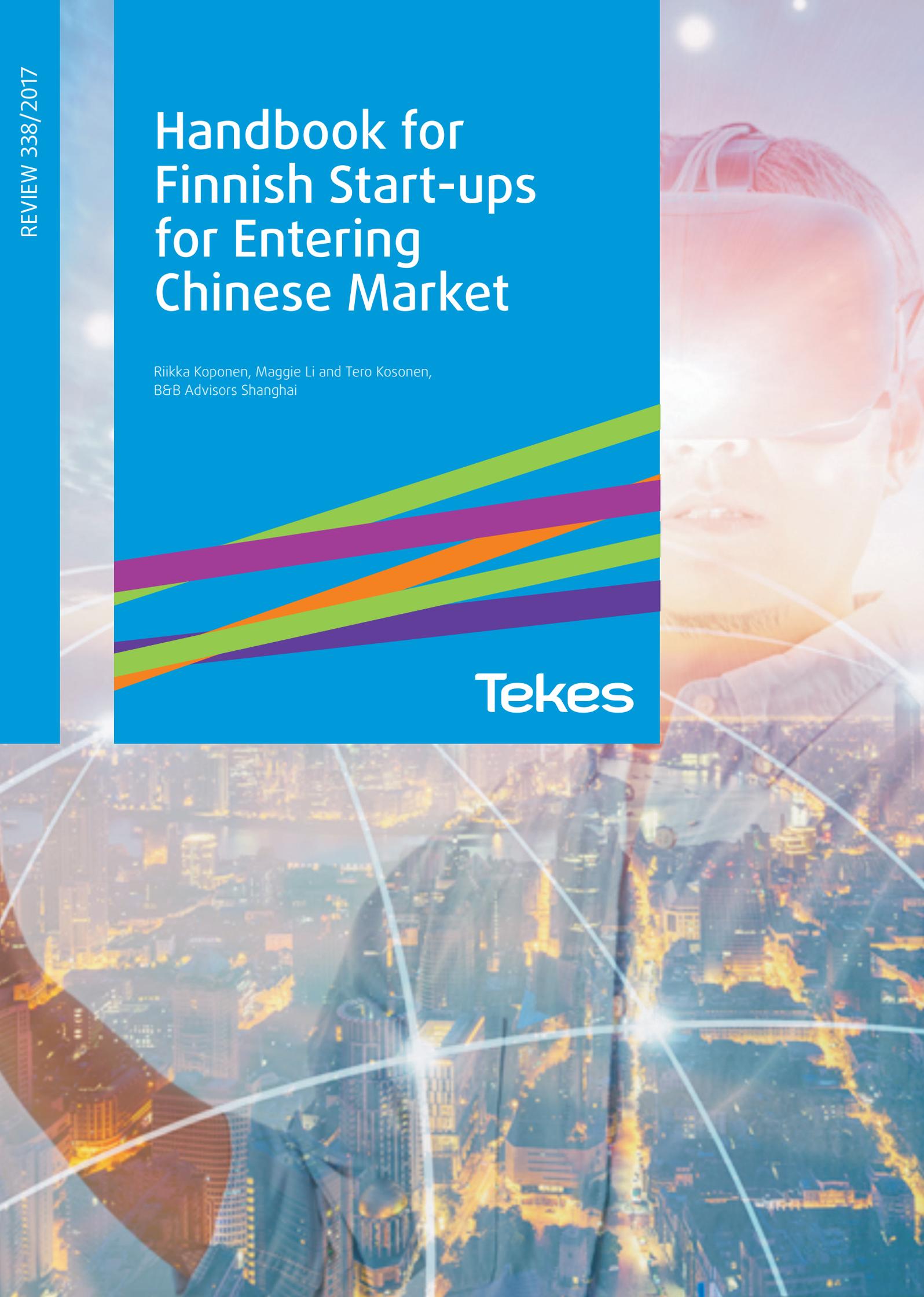


Handbook for Finnish Start-ups for Entering Chinese Market

Riikka Koponen, Maggie Li and Tero Kosonen,
B&B Advisors Shanghai

Tekes



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Handbook for Finnish Start-ups for Entering Chinese Market

B&B Advisors
Your management extension in China

Tekes

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Tekes – the Finnish Funding Agency for Innovation

Tekes is the main public funding organisation for research, development and innovation in Finland. Tekes funds wide-ranging innovation activities in research communities, industry and service sectors and especially promotes cooperative and risk-intensive projects. Tekes' current strategy puts strong emphasis on growth seeking SMEs.

B&B Advisors Shanghai

B&B Advisors Shanghai is a Finnish boutique-sized management-consulting firm with offices in Helsinki, Shanghai and Hong Kong. B&B Advisors Shanghai provides Nordic companies with strategy and market entry-related advisory services as well as project and interim management in China. www.bietbi.com

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Forewords

China has seen great economic development during the last decades and its economy is already the second biggest economy in the world (only after US). The country itself is big both in area and in population has invested a lot in the economic development and would like to turn a new page also in R&D and innovations. Its ambitions and goals highlight the importance of entrepreneurship and startups and there is support to develop the country further in this area from the highest level, central government.

To highlight some aspects of the enormous potential in China there are more than 700 million Internet users and most of them using the Internet from their mobile phones. One could argue it is the land with "app economy". Different mobile applications are truly in the necessity of daily life, at least in the developed big cities. You can book a taxi, reserve a restaurant, rent a bicycle, order groceries to your home etc. with applications in your mobile.

The economic development has also lighted up the interest towards China, recently also from startup companies perspective. When the large foreign organizations came to China already decades ago we can now see more and more foreign startup teams and companies finding their way to the biggest startup capitals in China especially Beijing, Shanghai and Shenzhen.

Tekes has been actively offering co-operation opportunities in China and has offices in Beijing, Shanghai and Hong Kong. For instance, Tekes programs organize annually match-making and fact-finding trips e.g. in the areas of cleantech, ICT, urbanization and design. These trips serve the match making needs of yearly published joint funding calls together with Ministry of Science and Technology of China (MOST) and 2 provinces in China, Jiangsu and Zhejiang. Moreover, there is an established partnership between Tekes and 2 top universities, Tsinghua in Beijing and Fudan in Shanghai, that offer market entry consulting projects by the local MBA students within the Tekes Market Access Programs (MAP). Thus we, Tekes – the Finnish Funding Agency for Innovation, see that there is a need to support and give guidance also to Finnish startup teams with ambitions to start or widen up their business in the biggest single market in Asia.

Hopefully this handbook written by B&B Advisors Shanghai gives you as a reader a better picture about the startup and incubator scene in China - different locations, their special features and the support that they can give to Finnish startup teams and companies.

With best regards,

Arto Mustikkaniemi, Head of Tekes Mainland China, Tekes

Aila Maijanen, Senior Advisor, Product manager for Market Access Programs to Asia, Tekes

Executive summary

During the past few years, China has experienced a dramatic boom of its start-up ecosystem. In 2015, about 12 000 new companies were founded each day in China and the number of newly registered companies grew to 4.4 million with a growth rate of 21.6% year-on-year¹. Over 80% of these companies were set up in the tertiary industry (services). Further, thanks to the venture capital of USD 49 billion flooding to China's start up sector in deals made China the world's second largest VC market after the US² in 2015. Even more interestingly, venture capital investment value in China-based Internet businesses was worth USD 20 billion, exceeding VC investment in US-based Internet businesses (USD 16 billion) for the very first time³.

The sudden boom of start-ups, incubators and entrepreneurship in China stems from the fact that the Chinese government has not only started to encourage entrepreneurship at the level of speech by calling for "mass entrepreneurship, people's innovations as China's new strategy", but also by raising about RMB 1.5 trillion (about USD 220 billion) through state-backed venture funds in 2015 alone resulting in the formation of the world's largest fund pool for start-ups¹⁰. Moreover, Chinese authorities have created a wide range of supportive tools, policies and financial incentives for innovative start-ups, entrepreneurs and incubators. As a result, along with the start-ups, also the number of Chinese incubators has increased from about 500 in 2005 to 4,000 in 2016¹¹. Naturally, the majority of these incubators are located in and around China's key start-up cities; Beijing, Shanghai and Shenzhen as well as the emerging start-up hubs of Hangzhou, Guangzhou and Chengdu.

The incubators relevant for Finnish start-ups planning an entry to China can be divided into three categories based on their funding background; government-, university- or private capital company-backed incubators. In terms of pricing and services, the incubators can be further divided into 1) *accelerators requiring pre-screening and equity* from start-ups in exchange to their help (e.g. Chinaccelerator and HAX), 2) *providers of tailor-made accelerator programs* for Finnish start-ups (e.g. COMB+, InnoSpace, TusPark, XNode, Z-InnoWay and Zhang Jiang Group) as well as 3) *co-working and maker spaces* (e.g. DayDayUp, NakedHUB, TechCode, TechTemple, TroubleMaker and WeWork).

In conclusion, based on the findings of *Handbook for Finnish Start-ups for Entering Chinese Market*, there are four options recommended specifically for Finnish start-ups when entering China. Firstly, a start-up can participate in a short-term acceleration program designed for foreign start-ups. Secondly, a Finnish start-up can consider testing the viability of its product or service in the Chinese market via a soft-landing platform (e.g. FinChi) that enables a company to have a virtual office in China without setting up yet a legal entity in the country. Thirdly, a start-up can get a professional business plan for its China entry using Tekes' Market Access Program (MAP) either with Tsinghua University in Beijing or Fudan University in Shanghai and study market, customers, stakeholders and business practices before investing in operations in China (<https://www.tekes.fi/en/programmes-and-services/grow-and-go-global/market-access-program/>). Or, finally, a Finnish start-up can find a Chinese partner to start distribution or pilot sales directly in China.

Definitions and accronyms

Start-up company in this handbook refers to a young company, which is maximum of five (5) years old with a scalable product, service or technology that can be applied to global markets. In terms of funding, a start-up company can be either on a seed stage or it can have already closed Series A round. A start-up company can either have a business model of business-to-business (B2B) or business-to-consumer (B2C).

Incubator in this handbook and in the context of China refers to a service provider, which provides a start-up with one or several of the following services; a co-working space and hardware, an online community consisting of entrepreneurs and other related stakeholders, mentoring and other basic business services, acceleration programs and camps, investment and financial advisory.

B2B2C is a business model, where online or e-commerce businesses and portals reach new markets and customers by partnering with consumer-oriented product and service businesses. A business developing a product, service or solution partners with another business to use its particular service, such as an e-commerce website, portal or blog and hence it gets an access to a large consumer interface through the partner. The two businesses combine forces and promote mutually beneficial products, services and/or solutions.

QR code refers to a quick response code that is a matrix barcode readable by a smartphone application such as WeChat. QR code provides a quick access to the QR code owner's website or a social media account.

- BAT = Baidu, Alibaba and Tencent (China's top three Internet giants)
- CNY = Chinese Yuan (same as RenMinBi RMB)
- CTE = China Technology Ecosystem
- IPR = Intellectual Property Rights
- MVP = Minimum Viable Product
- MOST = Ministry of Science and Technology of China
- NSRC = National Survey Research Center at Renmin University of China
- OEM = Original Equipment Manufacturer
- RMB = RenMinBi (same as Chinese Yuan CNY)
- SME = Small- or medium-sized company
- SOE = State-owned enterprise
- STIP = Science and Technology Industrial Park
- TBI = Technology Business Incubator
- TMT = Technology, Media, Telecom
- USD = United States Dollar
- VC = Venture capital
- WFOE = Wholly foreign-owned enterprise

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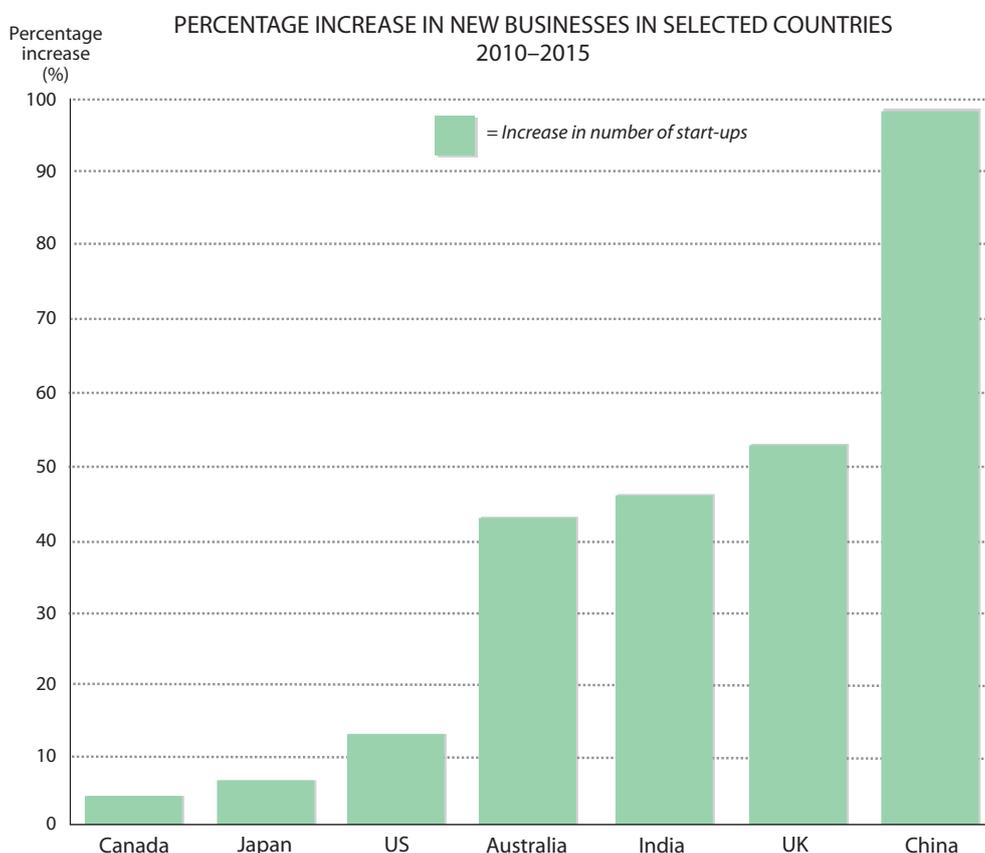
China's boom for start-ups, capital and mass entrepreneurship

1.1 Start-up boom in China

When it comes to China, the numbers are often incredibly big and the start-up scene is no exception. In 2015, approximately 12 000 new companies were founded each day in China and the number of newly registered companies grew to 4.4 million with a growth rate of 21.6% year-on-year¹. More than 80% of the new companies were set up in the tertiary industry referring to services such as financial, education, healthcare and other services to consumers. Along with the government funds, venture capital (VC) flooding to China's start-up sector reached USD 49 billion in deals in

2015 making China the world's second largest VC market after the US². Further, venture capital investment value in China-based Internet businesses was worth USD 20 billion in 2015, exceeding VC investment in US-based Internet businesses (USD 16 billion) for the very first time³. Hence, for those who still think China as the hub of cheap copycat innovators and redneck entrepreneurs, it is time to refresh one's knowledge about the new, entrepreneurial China. Or, *the Silicon Dragon*, as PwC Hong Kong recently put it. Figure 1 exemplifies China's start-up boom by showing the increase in the number of new businesses in selected countries from 2010 to 2015.

Figure 1. The combination of capital inflow, new start-up platforms and entrepreneurial spirit has resulted in a start-up boom in China. Source: Bloomberg, UHY Advisors³³



China's start-up scene has long been the most vibrant in Asia. Since 2014, China has created 35 tech start-ups valued at USD 1 billion or more making it to rank second globally in the amount of 'unicorns' per country after the US (138)⁴. Only in few years, China has produced some of the most highly valued start-ups in the world such as a smartphone maker Xiaomi (valued USD 45 billion) and a ride-hailing service Didi Chuxing (USD 28 billion)⁴. As of March 2016, five of the world's 14 privately owned businesses valued at more than USD 10 billion were Chinese-headquartered and related to mobile Internet, mobile hardware or mobile services³ (see Figure 2).

The timing of China's start-up boom is not an accident. In the context of the "new normal", where the Chinese economy is entering into a period of medium-to-high growth, the emphasis will be on innovation- and service-led growth instead of investment and exports. The era of the "new nor-

mal" is characterized by two macro trends transforming and restructuring the Chinese economy and the society - urbanization and digitalization. In practice, urbanization refers to a massive demographic conversion, in which over 350 million Chinese people will be added to urban population by 2030⁵. Consequently, China's urban population will reach 990 million by 2030, while China will have over 220 cities with a population of over 1 million people⁶.

Digitalization, in turn, means that every year China will have a huge number of new Internet users joining the digital space. In 2015 for instance, China gained almost 100 million new Internet users. In total, as the end of 2016, China had already over 720 million Internet users⁷, of which about 92% surfed the Internet via smartphones. On average, each of these users spent 3.8 hours per day on the Internet⁸. Figure 3 shows China's position as the top one country in world in regard to the number of Internet users.

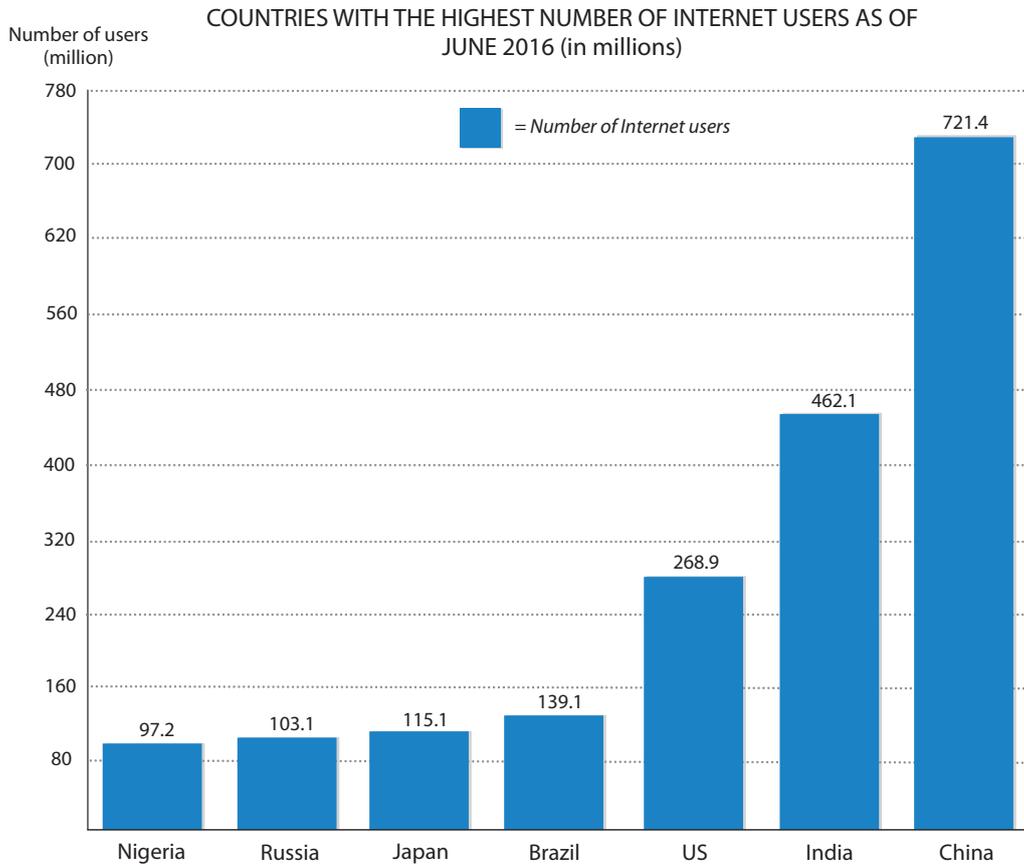
Figure 2. Privately owned technology companies with valuation exceeding USD 10 billion as of March 2016. Chinese-headquartered firms are marked in blue. Source: PwC Hong Kong 2016³.

Valuation, USD bn
As of March 2016

Company name	Founded	Description	Funds raised USD bn
Uber	2009	Taxi hailing service	63 8.8
Xiaomi	2010	Smartphone manufacturer	46 1.5
Airbnb	2008	Tourist accommodation booking	26 2.4
Palantir Technologies	2004	Big data analytics	20 2.4
Didi Chuxing	2012	Taxi hailing	20 5.4
Lufax	2011	P2P lending platform	19 1.7
Meituan-Dianping	2015	Group discount and dining information	18 4.2
Snapchat	2011	Picture messaging service	16 1.2
WeWork	2010	Office space provision	16 1.0
Flipkart	2007	Online store	15 3.2
SpaceX	2002	Aerospace manufacturer	12 1.3
Pinterest	2009	Photo sharing	11 1.3
Dropbox	2007	Cloud-based file sharing	10 0.6
DJI Innovations	2006	Unmanned aerial vehicles manufacturer	10 0.1

■ Chinese HQ'd company
 ■ Known Chinese investors
 ■ No known Chinese investors

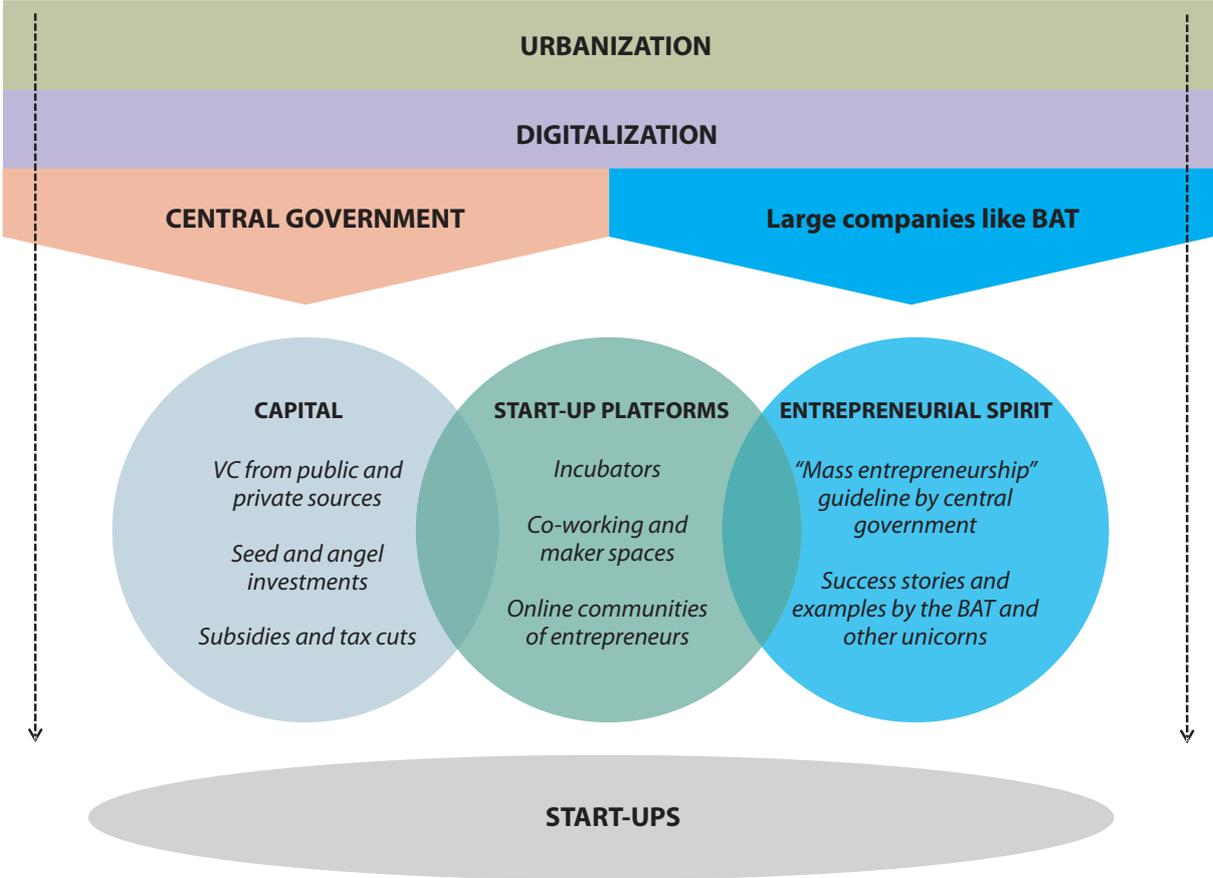
Figure 3. China has most Internet users in the world. After the first half of 2016, China had over 720 million Internet users, of which about 92% used smartphone to access the Internet. Source: Statista⁷



In line with the “new normal” guideline, the Chinese government has been the key catalyser of China’s start-up boom. After the Premier Li Keqiang called for “mass entrepreneurship, people’s innovations as China’s new strategy” in 2015, local authorities across China have ever since been creating investment funds, providing cash subsidies and building incubator platforms for start-ups and SMEs. Meanwhile, Chinese Internet companies, both large and small, have been in the forefront of China’s digitalization and start-up boom by integrating mobile, social and commerce

platforms. In this view, in addition to the Chinese government, the three Internet giants, Baidu, Alibaba and Tencent (the BAT) have played a key role in creating mainstream and open channels to market for Chinese start-ups, while bringing hundreds of millions of consumers, or monthly active users (MAUs), to the digital market place. That is, the BAT has created China’s digital infrastructure and interface, where consumers, start-ups and larger businesses can meet and grow. Figure 4 further describes the components of China’s start-up boom.

Figure 4. The components of China's start-up boom. Source: B&B Advisors Shanghai



1.2 Start-up funding in China

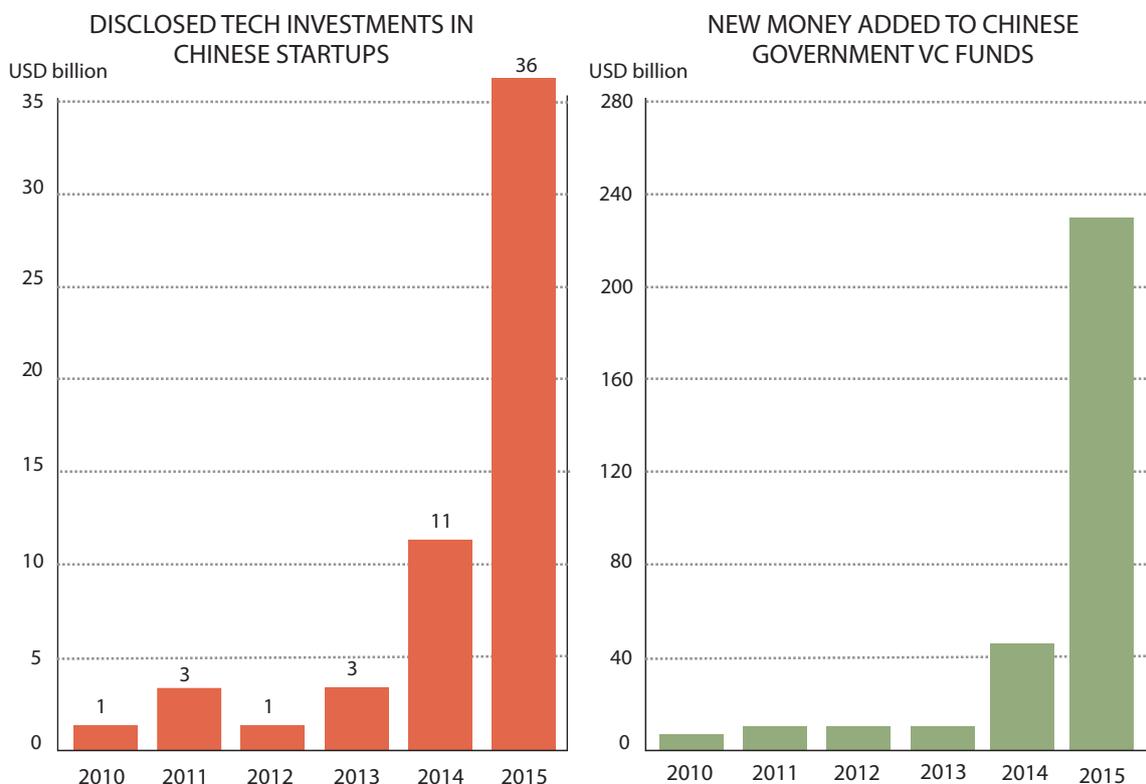
As China's economy decelerates, start-ups are one of the few asset classes with strong growth potential. Accordingly, it has been relatively easy for technology entrepreneurs to secure funding from the government funds, venture capitalists, private equity firms and the Internet giants (the BAT). When China's official GDP growth rate fell to a 25-year low of 6.9% in 2015, the state-backed venture funds raised about RMB 1.5 trillion (about USD 220 billion) forming the largest fund pool in the world for start-ups¹⁰.

In terms of funding, the government support for technology start-ups started at a large scale in 2014. In May 2015, the State Council further issued new guidelines to boost high-tech entrepreneurship in China. As a result, the central government's support in terms of disclosed technology investments in Chinese start-ups and new money added to the government's venture capital funds skyrocketed in 2015¹². Figure 5 elaborates the development of technology investments in Chinese startups as well as the volume of new money added to the government's venture capital funds.

When it comes to Chinese start-up investors, there are two main types of funds in China; 1) *USD venture capital funds* and 2) *funds that only invest in RMB*. There is also some combination of these two types of funds. The USD venture capital funds are usually prioritized by foreign start-ups or SMEs in China, as these funds can invest in companies all around the world as well as in China. The USD funds usually invest in foreign start-ups through special purpose vehicle in Hong Kong or other offshore location, since if the foreign start-up is a wholly foreign-owned enterprise (WFOE) it is not entitled to accept local RMB investment as it is in contradiction with WFOE legal fundamentals¹³. The major USD funds in China using the special purpose vehicle are GGV Capital, IDG Capital Partners and Gobi Partners¹³. In addition to the money itself, foreign start-ups in China can benefit from the USD funds because of the global mind-set and experience these funds bring to the start-ups.

RMB funds, in turn, hold RMB or the Chinese Yuan (CNY) currency and invest predominantly in Chinese start-ups. It is possible for foreign founders to get an investment from RMB funds as well, though it often requires more

Figure 5. Thanks to the systematic support of the central government of China starting in 2015, the number of disclosed tech investments in Chinese start-ups as well as new money added to Chinese government venture capital funds skyrocketed in 2015. Source: Tech in Asia¹², Zero2IPO¹⁰, B&B Advisors Shanghai



bureaucracy. Alternatively, foreign start-ups can get RMB funding directly from the local government, which might require changes in the start-up's legal structure to close the deal. Examples of RMB funds in China are Shenzhen Capital Group and New Margin Ventures¹³.

Naturally, there are funds that invest globally in USD and locally in RMB. Most of the major venture capital companies in China manage both types of funds to be able to operate globally. For instance, SAIF Partners, KPCB China and TDF Capital invest in both USD and RMB terms¹³.

1.3 Start-up ecosystem in China

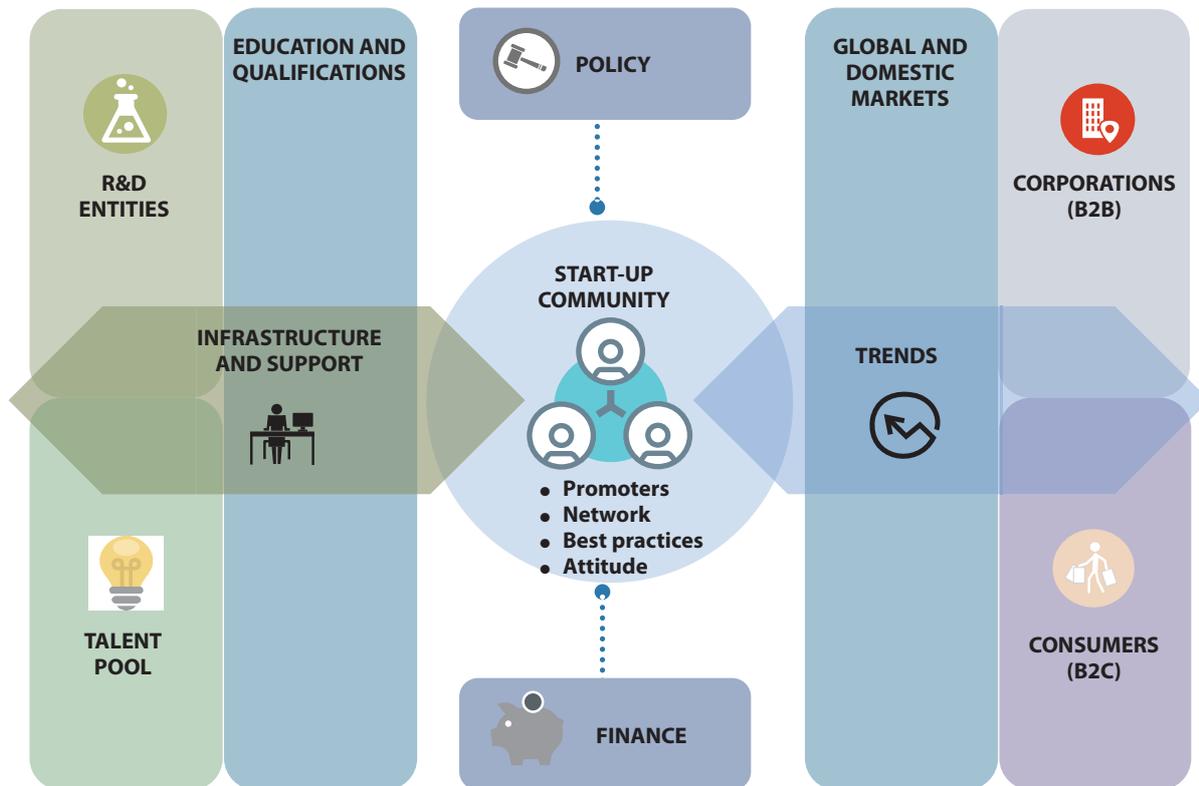
When looking at China's start-up ecosystem from a macro perspective and comparing it to the start-up ecosystems in the West, China's special characteristic is the strong involvement of the government at the level of policy and regulations, finance, education as well as R&D activities. That is, China's top education and research institutes are primarily government-related or -funded, while the government also play a key role in funding start-ups and incubators. Figure 6 describes the dynamics of the global start-up ecosystem¹⁴, which applies to China, too.

Compared to the Western world, the Chinese start-

up ecosystem is subject to and highly interconnected through a network of personal relationships, *guanxi*. In fact, relationships can be considered as one of the most important components of any type of business in China. Namely, interpersonal relationships and business relationships are inseparable in China³⁸. In practice, the concept of *guanxi* refers to building a network of mutually beneficial relationships, which can be used for personal and business purposes³⁷. The depth of relationships developed through *guanxi* can be much deeper in China than in the West. Accordingly, building a network of personal relationships requires spending time with the Chinese counterparts outside the boardroom during tea sessions and dinners to build trust. Hence, having a full-time, long-term presence in China is very important to develop and maintain *guanxi*.

When it comes to start-ups, Chinese entrepreneurs spend time and energy in forming *guanxi* and building ties with officials, as it has a positive influence on high technology start-up innovation³⁸. Namely, international *guanxi* triggers government intervention, which in turn facilitates the acquisition of local *guanxi*³⁸. Even though Beijing is naturally the key hub of the most powerful companies and authorities to co-operate with, the role of local governments and high technology parks is significant for a start-up, too.

Figure 6. A global start-up ecosystem consists of ideas and talents, the start-up community, policy and finance markets.
Source: The Global Startup Ecosystem Ranking 2015¹⁴



1.4 IPR and innovation policy development in China

One of the most important tasks for the Chinese government is to create the right conditions for entrepreneurs, particularly in fast-moving consumer market such as e-commerce, to thrive. Accordingly, there are several factors and actions taken by the Chinese government that have enabled China's innovation and start-up ecosystem to boom in recent years. Firstly, China has done gradual research and education reforms by increasing spending on basic research and by funding independent projects carried out by research institutes. Secondly, companies have established engineering centers to enable technology innovation collaboration between business and universities. Simultaneously, China has adjusted tax assessment criteria for R&D expenses and increased their business activities that can be deducted from corporate income tax.

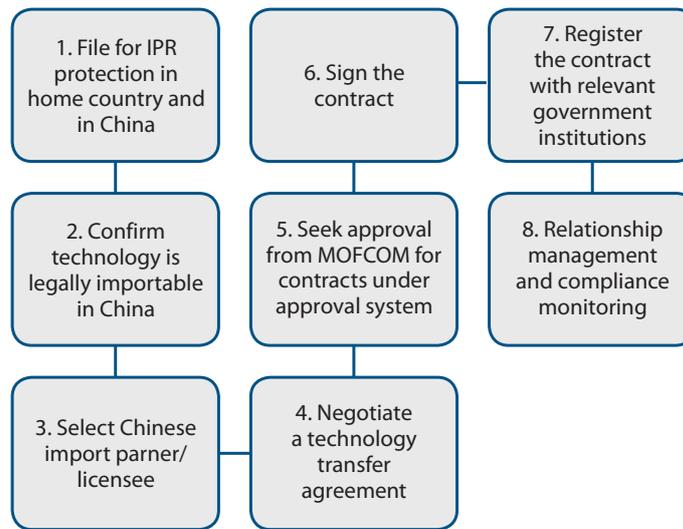
Thirdly, commercialization of technology has speeded up. Funding of innovation and entrepreneurship is growing and diversifying, while significant progress has been made in areas like the Growth Enterprise Market that lists Chinese high-tech companies, emerging industry funds and intellectual property financing. Further, research institutes and R&D people are more likely to be given ownership or bene-

fit from IPRs, or they are offered stock options and dividends more often making it less attractive to copy and sell out IPR of their employer. Fourthly, China's legal and policy environment is getting more mature. In 2015, the State Council issued "Opinions on Several Policy Measures to Promote Mass Entrepreneurship and Innovation", which specifies 30 actions to be taken in 10 areas, including institutional innovation and optimization of fiscal and tax policy¹⁵.

Fifthly, China has done substantial progress in protecting, applying and managing intellectual property rights (IPR). In 2014, China set up IPR courts to Beijing, Shanghai and Guangzhou, which have the power to adjudicate in civil and administrative cases concerning patents, new plants species, integrated circuit layout designs, protected technology and computer programs¹⁵. Today, IPR available in China are similar to those available in Europe including invention patents, utility patents, design patents and trademarks. Figure 7 clarifies the process of licencing the technology in practice in China.

However, in case a company finds out that its intellectual property in China has been infringed, the first step is to collect evidence and find information about the company violating the IPR. Information on companies registered in China is publicly available and can be accessed via an electronic database of each local Administration of Industry and Com-

Figure 7. The steps of licencing a technology in China. Source: World Economic Forum 2016¹⁵



merce (AIC) on <http://gsxt.saic.gov.cn>. The search can reveal, if the company is an officially registered company in China, who can legally represent the company and sign contracts on behalf of the company, what the business scope of the company is and where the company is located. While doing the search, it is recommended to consult law firms or Chinese due diligence experts for a due diligence in accordance with Chinese law of the Chinese company violating the IPR.³²

Moreover, if entering the enforcement proceedings, there are six main enforcement options in China; 1) *negotiations*, 2) *administrative actions*, 3) *civil litigation*, 4) *criminal sanctions*, 5) *customs seizures* and 6) *notice and take down procedures*. Negotiations save lots of money if the main goal is to get the infringer to stop infringing. However, it is crucial that the evidence of the infringement is already secured and that there is notarised proof of the infringement. The negotiations must be conducted in Chinese language and preferably with assistance of a professional third party service provider.³²

Administrative actions, in turn, refer to seeking help from the key Chinese administrative bodies in IPR matters that are Intellectual Property Offices (IPOs) for patent cases, the Administrations for Industry and Commerce (AICs) for trademark cases, the Copyright Office for copyright cases and the Quality and Technical Supervision Bureaus (QTSBs) for goods breaching quality and safety standards. Administrative actions offer a relatively fast and cost-effective way to deal with trademark and copyright infringements and to collect evidence for patent infringements. A simple trademark, copyright or QTSB administrative action taken by a local administrative body usually lasts 3-6 months and costs RMB 20,000-50,000.³²

A civil litigation is equivalent to a court case in Europe and takes 6-12 months from the issuance of proceedings

until handling down of the judgement. Criminal sanctions, instead, are only used in relation to patents where the counterfeiting of the patent certificates themselves has taken place. Hence, criminal sanctions are rare. Customs seizures refer to an act, where the patent or copyright owner wishes to have infringing goods seized by the Chinese customs. In practice, the company must inform the customs officers about the precise details of each shipment to be seized as well as pay a bond equal to the value of the goods seized. This usually requires extensive use of law firms or private investigators operating in accordance with Chinese law. Finally, a company can enter into a so-called Notice- and Take Down procedure, in which the IP right holder asks the Internet platform to take down the infringing links on their platform. This kind of Notice and Take Down procedures are very cheap and efficient way to take down online infringements.³²

General tips to protect the IPR in China:

- ✓ Register your intellectual property rights (IPR).
- ✓ Be vigilant and patrol trade fairs and surf various B2B and B2C websites (e.g. Alibaba, Taobao) to keep eye on potential infringing articles.
- ✓ In case of identifying an infringement, enforce your rights by entering into Notice and Take Down procedures by yourself as well as by consulting professional law firms about further enforcement proceedings.
- ✓ Consult free advisory of China IPR SME Helpdesk: www.china-iprhelpdesk.eu

2

Key start-up cities in China

For Finnish start-ups, we have selected six key cities; Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu and Hangzhou, where we see the start-up ecosystem and operational environment to be most supportive, mature and developed in regard to satisfying the needs of foreign start-ups and innovations.

Beijing, Shanghai and Shenzhen are the most developed cities in regard to their start-up ecosystem. Currently, start-ups, capital, large technology companies and incubators are mainly concentrated in these cities, while Guangzhou, Hangzhou and Chengdu are still in a relatively early phase in developing their start-up community. Some of the six cities have also specialized in some specific in-

dustry segments. For instance, while Beijing is the nest of majority of China's unicorns, top talents and the focus of venture capital, Shanghai and its surrounding cities such as Hangzhou and Suzhou are cultivating, incubating and supporting start-ups to break through in e-commerce, digital services and social media. Shenzhen, in turn, has a long history of being the pilot zone for a more open market economy in China and the hub of hardware innovations and OEM manufacturers. We have used government official population figures in the report but acknowledge that the actual population numbers in these cities are somewhat different, e.g. Beijing population in 2016 is estimated to be around 21 million.

2.1 Beijing

Compared with the US, where technology start-ups are largely aggregated in California, China is much more disparate and has several emerging start-up hubs across the country. However, Beijing is undeniably the largest one in China and the closest resemblance to Silicon Valley. In

addition to its position as the capital city of China, Beijing also has one of the largest domestic markets in the world with a wide range of technology giants such as Lenovo and Baidu originally born in the city. Consequently, only during few years, Beijing has become the home of the second-largest number of valuable tech start-ups in the world after Silicon Valley.

Figure 8. Special features of Beijing relevant to foreign start-ups. Source: National Bureau of Statistics of China³⁴, B&B Advisors Shanghai, Giancotti, J. (2016)¹⁶, Zhaopin.com³⁵

BEIJING – SPECIAL FEATURES

POPULATION: 13.45 million people (one of the largest domestic markets in the world).

COST LEVEL: Very high. Beijing's average salary level highest in China with a monthly average income of RMB 9,227 (2015).

GOVERNMENT SUPPORT FOR START-UPS: Launch of a USD 6.4 billion start-up fund in 2015. In addition, there are tax cuts, administrative subsidies, R&D support, while Beijing's municipal government's offers USD 100,000 to eligible startups with a vision in technology.

TALENT POOL: China's hottest talent pool due to Peking, Tsinghua and Renmin Universities.

LANGUAGE CAPABILITY: International environment, high chance to get along in English, while Chinese preferred.

TRANSPORTATION: Direct flight from Finland, excellent flight and railway connections to other Chinese cities.



When it comes to looking at Beijing from a start-up's point of view, the city has several unique advantages compared to other cities of Mainland China. Firstly, Beijing has a mature investment environment. In 2015, Beijing placed more than 1,700 fresh investments accounting for the largest stake in about USD 41.8 billion of total venture capital investments within China¹⁶. For comparison, Shanghai ranking second, saw 241 investments in total¹⁶. In this view, Beijing holds the top position in China's investment landscape.

Secondly, in Beijing the central government directly supports the city's start-up ecosystem through a start-up fund of USD 6.5 billion launched in 2015¹⁶. In addition, there are tax cuts, R&D support and administrative subsidies. To encourage technology in particular, the municipal government of Beijing also offers USD 100 000 to start-ups that have a unique vision related to technology. Thirdly, Beijing holds one of the hottest talent bases in China thanks to the top universities of Peking, Tsinghua and

Renmin University in the city. Interestingly, according to a survey conducted among the students of Beijing's top universities, more than half of Chinese college students said they are willing to try entrepreneurship and ventures while attending school.

Geographically, Beijing's key start-up hub is located in Zhongguancun district in Northeast of Beijing, which houses top technologists, entrepreneurs, mentors and incubators and hottest start-ups. According to Chinese authorities, about 50 start-ups are established and registered each day in Zhongguancun. Further, Zhongguancun is the hub of Chinese unicorns. Of these, the most famous ones include a smartphone maker Xiaomi valued USD 46 billion, Meituan-Dianping valued USD 18 billion and Didi-Kuaidi valued USD 34 billion¹⁷.

According to the recent survey of the National Survey Research Centre at Renmin University of China (NSRC), more than 30% of entrepreneurs across 21 cities in China, viewed Beijing as the best start-up environment with Shanghai ranking second.

2.2 Shanghai

Shanghai, having a long-held legacy of being China's financial and business hub of international trade since 19th century, can still be considered as Mainland China's most international and open city in regard to global business and flow of goods, services and foreign talents. In 2015, Shanghai represented 18% of total investments (USD 41.6 billion) made into start-ups in China equating to about USD 7.5 billion¹⁸. Comparably, the rest of Asia gathered USD 13.5 billion in total¹⁸.

Since mid 2016, over 70,000 start-ups have been set up in Shanghai being 20% more than in 2015¹⁹. Even though Shanghai's start-up community is somewhat smaller than in Beijing, Shanghai is more accessible for foreign entrants. In this view, one of Shanghai's key advantages as an emerging start-up hub is the city's position as the top go-to location for foreign investors. Currently, foreign investors represent 10% of all investment activities occurring in Shanghai¹⁸. Recently, top investors from Silicon Valley in the US like Sequoia and Kleiner Perkins have opened their offices in Shanghai with local partners. Further, Shanghai Municipal

Figure 9. Special features of Shanghai relevant to foreign start-ups. Source: National Bureau of Statistics of China³⁴, B&B Advisors Shanghai, XNode¹⁹, Zhaopin.com³⁵

SHANGHAI – SPECIAL FEATURES

POPULATION: 14.43 million people.

COST LEVEL: Very high. Shanghai's average salary level second highest in China after Beijing with a monthly average income of RMB 8,664 (2015).

GOVERNMENT SUPPORT FOR START-UPS: Investors can be compensated for up to 60% of their initial investment depending on some factors such as size of the venture and number of employees. More flexible visa and work permit policy applied to tech entrepreneurs.

TALENT POOL: One of China's best talent pools due to Jiao Tong, Fudan and Tongji Universities.

LANGUAGE CAPABILITY: Very international environment, one can get along with English.

TRANSPORTATION: Direct flight from Finland, excellent flight and railway connections to other Chinese cities.



Commission of Commerce estimates that Shanghai's total contracted foreign capital was worth USD 58.9 billion in 2015 being up by 86% compared to the previous year¹⁹.

Shanghai's government plays an important role in cultivation of new start-ups by actively supporting the city's start-up ecosystem. Currently in Shanghai, investors can be compensated for up to 60% of their initial investment depending on some factors such as size of the venture and number of employees¹⁹. The compensation for each investment project is up to RMB 3 million and the annual compensation for each investment firm is capped at RMB 6 million¹⁹. Shanghai's municipal government has also announced to make permanent residency and educational degree requirements more flexible for the entrepreneurship market.

Whereas Beijing's innovation and start-up ecosystem flourishes in Zhongguancun, Shanghai has two development zones, which are home to about 3,900 high-tech companies. By 2016, Shanghai had become home to eight unicorns, of which the most well known ones are Lufax, Ele.me and China Rapid Finance²⁰. One of the fastest developing innovation sectors of Shanghai is pharmaceutical industry, as one in every three new drugs in China comes from Shanghai.

Also, the international and open atmosphere of Shanghai attracts talent from other cities of China, while the city also has some of China's top universities such as Jiao Tong University, Fudan University and Tongji, the latter of which has established a cooperation program with Aalto University through a Sino-Finnish Center (SFC) located in Tongji University campus.

2.3 Shenzhen

Shenzhen, a city in South of China has enjoyed relatively open policies since 1980, when it was the first city designated to be China's Special Economic Zone. Consequently, manufacturing activities from Hong Kong and Taiwan relocated and expanded to Shenzhen resulting in that Shenzhen quickly became China's key hub for original equipment manufacturers (OEM) of all kinds of consumer and technological products. Thanks to the central government's approval of a strong private sector-led economy in Shenzhen,

over the past decades the city has reduced reliance on state-owned enterprises (SOEs) and developed funding channels for small and medium sized enterprises (SMEs). As a result, Shenzhen has been able to create a vibrant entrepreneurial ecosystem that is now housing a massive number of technology companies and hardware related start-ups from all over the world like Lepow, Oaxis, SZBeacon and Foream. Compared to other South Asian start-up hubs, Shenzhen is also top one in terms of R&D spending with its 4% of GDP, while Singapore and Hong Kong are far behind with 2.1% and 0.7% respectively²¹.

Figure 10. Special features of Shenzhen relevant to foreign start-ups. Source: National Bureau of Statistics of China³⁴, B&B Advisors Shanghai, Zhaopin.com³⁵, Saunders, T. & Kingsley, J. March 2016. Made in China - Makerspaces and the search for mass innovation³⁶

SHENZHEN – SPECIAL FEATURES

POPULATION: 3.55 million people.

COST LEVEL: High. Shenzhen's average salary level third highest in China after Beijing and Shanghai with a monthly average income of RMB 7,728 (2015).

GOVERNMENT SUPPORT FOR START-UPS: Strong support from the government as well as the launch of ChiNext board on the Shenzhen Stock Exchange in 2009. Developed crowd funding platforms such as Angelclub, RenRenTou and Yunchou.

TALENT POOL: Less talent cultivation in universities, but a large talent pool originating from all over China thanks to top global and Chinese tech giants in the city.

LANGUAGE CAPABILITY: International environment, one can get along with English, while Chinese preferred.

TRANSPORTATION: Direct flight from Finland to Guangzhou, from where a bullet train connection taking 30 min to Shenzhen. Excellent flight and railway connections to other Chinese cities.



Foreign technology companies are making a crucial contribution to Shenzhen’s hardware innovation community. For instance, Intel and Microsoft have launched a program called China Technology Ecosystem (CTE), which has led the companies to build significant on-the-ground presence in Shenzhen via their new type of network and contacts to China’s biggest players in Internet technologies as well as smaller suppliers and manufacturers. In addition to foreign technology giants, Shenzhen is also home to Chinese top players such as Tencent, Huawei and BYD, which have recently taken a more proactive role in training the next generation of entrepreneurs. Since 2013, Tencent has been the chief organizer of an annual China Internet Entrepreneurship Competition. Further, Tencent has built “Tencent University”, an online platform providing training for developers to use Tencent API to build their own apps. In addition to this, Tencent has established 18 “incubation centers” across China to provide office space for start-ups and developers.²²

In regard to supply chain capabilities, Shenzhen’s Huaqiangbei district offering mega markets for electronic components generates daily revenue of USD 160 million and has daily foot traffic of 500,000 people²². In regard to universities and talent cultivation, Shenzhen is not an educational cluster with its mid-ranking universities and sat-

ellite campuses of top-tier institutions like Peking and Tsinghua universities. However, the talent pool for Shenzhen’s technology start-ups originates from all over China, as top global and Chinese tech giants such as Tencent, Huawei and IBM attract talent to the city.

Further, not only Shenzhen has strong support from the local government, but also the city offers low-cost mass production facilities, strong supplier base and a well-developed network of crowd funding platforms. In 2009, to boost start-up funding the Shenzhen Stock Exchange opened the ChiNext board, which is a NASDAQ-type exchange for high-growth and high-tech start-ups to attract innovative and fast-growing firms²¹. The listing rules are less strict than the main board and its purpose is to act as a prime exit route for venture investments in Shenzhen. Since the ChiNext’s opening, the listings have grown from 28 in 2009 to 295 in 2016 with almost 70% of all listed companies operating in the manufacturing sector, followed by the IT segment²¹.

Moreover, crowd funding is another significant growth factor of the start-up ecosystem in Shenzhen. Nearly half of China’s top 75 active and operational crowd funding platforms are based in Shenzhen, of which the most famous ones are Angelclub, RenRentou and Yunchou. In 2015, the total fundraise via Chinese crowd funding platforms amounted to USD 2.12 billion²¹.

2.4 Other cities – Guangzhou, Chengdu and Hangzhou



Guangzhou

Guangzhou, the capital city of Guangdong province in South of China, is clearly smaller in terms of saturation of start-ups, but it is gaining increasingly attention and interest among new entrepreneurs seeking next place to start up in thanks to the city's abundant media resources, government support to VR/AR industry and a cosy lifestyle of consumers with increasingly upgraded needs. Also, Guangzhou's advantages are its close proximity to the manufacturing hub of Shenzhen as well as the investor hub of Hong Kong. Accordingly, a start-up boom in Guangzhou is likely to start soon, as the start-up infrastructure develops. Recently, co-working spaces like Yi-gather and Inno-Valley have settled in, while new incubator programs such as 6cit.com are gaining ground²³.

However, while Guangzhou has clear potential to enter the list of key start-up hub cities in China, so far the start-up scene remains small and local. According to Start-up Grind Guangzhou, good team members are still difficult to find in the city, while having trusted partners locally is truly crucial to setting up any business in Guangzhou.

Chengdu

Chengdu, the capital city of Sichuan province in West China, is already home to 268 Fortune Global 500 companies and its start-up ecosystem is now growing, too. The biggest driver for investors in Chengdu is its low wages, as wages average 30-50% of those paid in coastal Chinese cities²⁴. This has already attracted high-tech manufacturing companies to Chengdu such as Foxconn, the contractor of Apple. According to the Chengdu's government, due to the wage advantage, Foxconn already makes one half of the world's iPads in Chengdu, while half of Intel's laptop computer chips are made in the city. The presence of high-tech contractors like Foxconn in the region has in turn attracted investors and other companies that prefer to be near the OEMs. However, Chengdu is still lacking talent compared to Shanghai, Beijing and Shenzhen, even though the low living costs are increasingly tempting for early-stage tech

entrepreneurs. Namely, with an average salary in a seed-stage company of about RMB 5,000 per month, one can still live on it in Chengdu compared to Beijing or Shanghai²⁴.

A key start-up incubator in Chengdu is Tianfu Software Park Lab, which hosts 110 Internet start-ups. It offers RMB 100 million (USD 15.4 million) in total annual subsidies to early stage start-ups and RMB 1 billion in subsidies overall²⁵. Tianfu is a project supported by Chengdu's local government to attract high-tech innovations from China's coastal cities. Further, Chengdu is attracting start-ups due to the higher survival-ability meaning that low cost environment enables a start-up to last on their own capital for a year in Chengdu, while this self-survival time would be only 2-3 months in Beijing. Hence, Chengdu is considered to be ideal for a "fledging company", as staff turnover is low, entry-level programmers are flooding out of Chengdu's eight universities, whose wages are 60-70% less than they could earn in Beijing²⁵.

Hangzhou

Hangzhou, the capital city of Zhejiang province located 175 kilometres away from Shanghai, has emerged as one of the new developing start-up hubs in China. The start-up boom coincided with Alibaba's IPO in 2014, after which the number of new start-ups in Hangzhou surged 107%²⁶. So, the growth has largely been accelerated by Alibaba, which has its headquarters in Hangzhou. Namely, 60% of entrepreneurs in Hangzhou have work experience in Alibaba, 3% in Microsoft and 2% in 163.com²⁶. Hence, it is no surprise that most of the start-ups in the city operate in e-commerce, financing, O2O and social network service segments.

In terms of capital, the funding raised by Hangzhou-based start-ups has rocketed 160% since 2013 the growth being higher than in Beijing (121%), Shanghai (119%) and Shenzhen (143%). By 2016, about USD 8.6 billion of capital had flown to Hangzhou²⁶. Also, the start-up culture is developing fast as Hangzhou had 1650 start-up events in 2015 alone. There are about 120 co-working spaces in the city, of which the major ones include Dream Town hosting about 710 start-ups.²⁶

3

Incubation boom, context and business types

3.1 Incubator boom

Even though China established its first technology incubator already in 1987, the market only gained momentum in 2005, when the Chinese authorities decided to start supporting start-ups in a large scale. Consequently, the number of domestic Chinese incubators surged from about 500 in 2005 to 2,300 in 2015 and already to 4,000 in 2016¹¹. The growth is likely to continue - the number of incubators is expected to reach 5,000 by 2020¹¹.

So, the growth in the number of incubators in China has been mainly due to the Chinese government's preferential policies, abundant capital injections and support for start-up incubation spaces through offerings of free land, lower taxes,

subsidies for operational costs and funding. As a result, China has witnessed a significant overcapacity of incubation programs and spaces across China. While most of China's incubation spaces stay empty with an occupation rate of less than 40%, some start-ups have been able to enter an incubation program without a clear operation plan or a business model²⁷. That is, the lack of start-ups has made it easier to enrol in an incubation program, while it has become more difficult to guarantee quality start-ups. Interestingly, despite the current overcapacity of incubators in China, in numbers the future of Chinese incubators looks even brighter - it is expected that there will be over 5,000 incubators by 2020, of which over 1,000 will be "high-level" national incubators. Figure 11 shows the development of China's incubators since 2005.

Figure 11. The number of incubators in China is expected to reach 5,000 by 2020. Source: iiMedia Group¹¹, B&B Advisors Shanghai

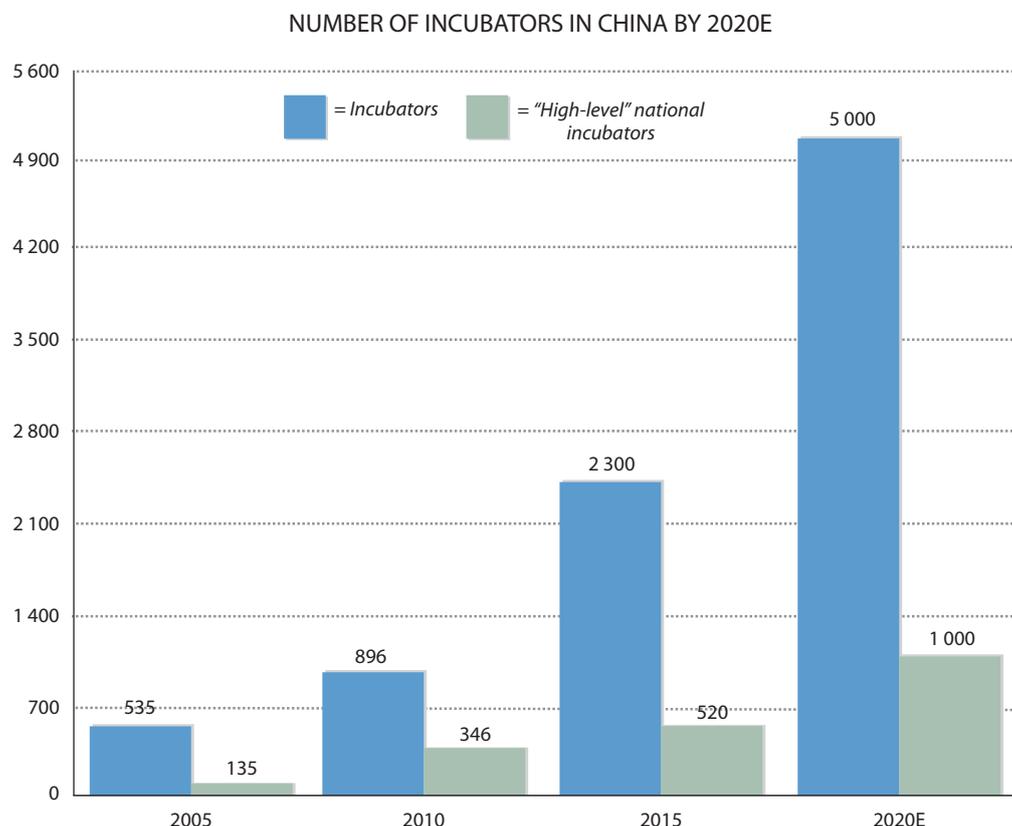
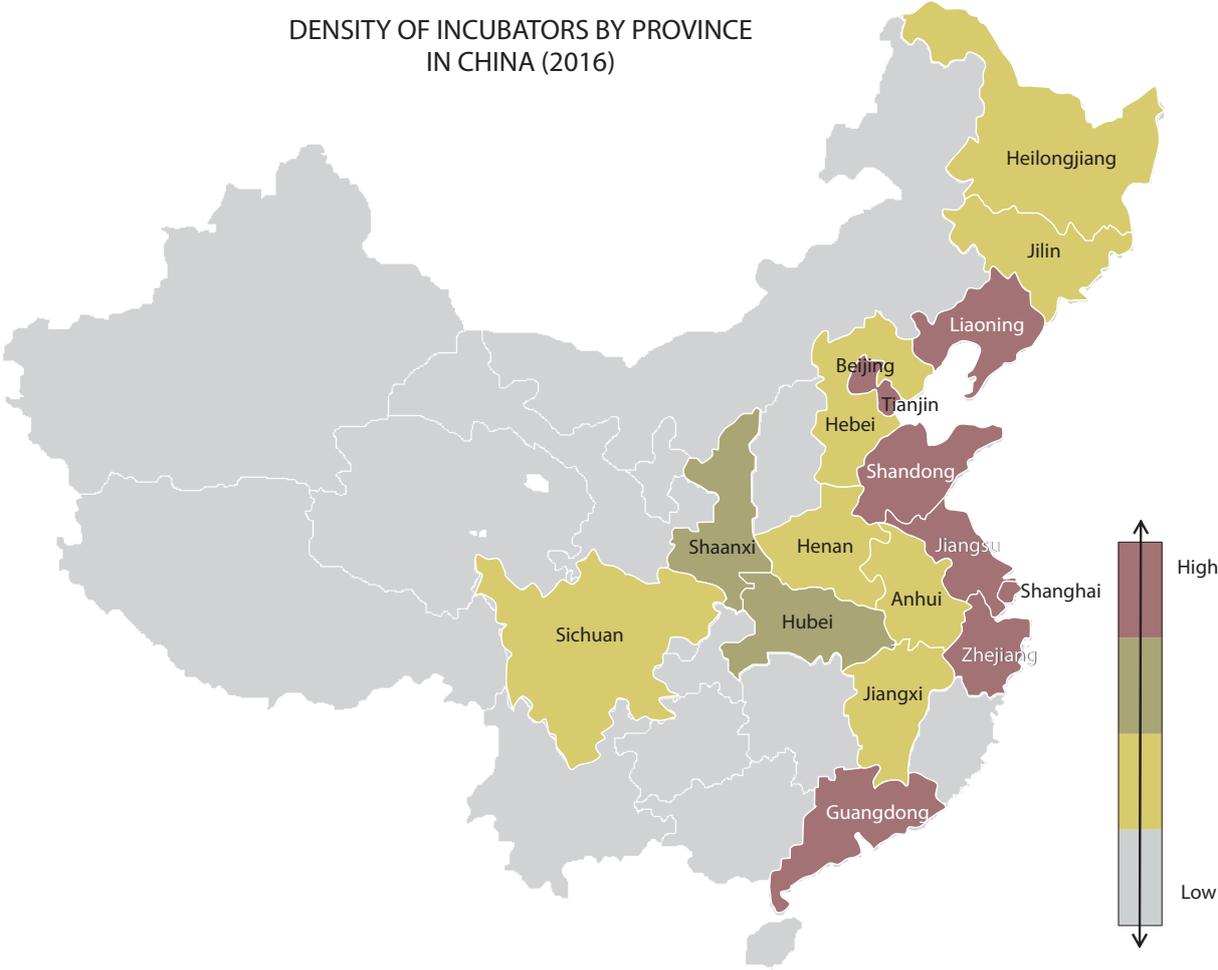


Figure 12. The majority of Chinese incubators are located in the coastal provinces and around the largest start-up clusters of Beijing, Shanghai and Shenzhen. Source: iiMedia Group¹¹, B&B Advisors Shanghai



In the context of overcapacity, Chinese government's hands-on approach has raised concerns that the state's active role may inflate China's start-up scene, as the capital for China's incubation spaces and programs come primarily from the government (28%), enterprise or private sector (23%) and universities (18%) the latter also mainly using public funds. The remaining capital sources make up a third (33%) consisting of smaller investments¹¹.

Geographically, Chinese incubators are mainly concentrated in coastal region and around Tier 1 megacities such as Shanghai, Beijing, Tianjin and Shenzhen (Guangdong province). New interesting growth clusters are also the major cities in Jiangsu province (Nanjing, Suzhou), Zhejiang province (Hangzhou, Ningbo), Shandong province (Qingdao, Jinan) and Liaoning province (Dalian, Shenyang). In inland China, the growth of incubation programs and spaces is gradually speeding up from Yangtze River Delta region to Hubei (Wuhan) and Shaanxi (Xi'an) provinces. Figure 12 shows the concentration of incubators to coastal regions of China.

3.2 Institutional context and incubation business types

In China, the division between incubators and accelerators is less clear than in the West as far as their primary functions and services are considered. Incubators focus on providing office space and shared services such as an online community and a digital platform for the members of the office space. Further, incubators help start-ups to develop their minimum viable product (MVP). Accelerators, in turn, focus on mentorship, training and helping start-ups and entrepreneurs to build connections to customers, partners and sources of capital. Accelerators also assist a start-up to scale up its prototype product.²⁸ Figure 13 clarifies the different service types and describes, what the offered services mean in the Chinese context.

When it comes to different types of incubation business, Chinese incubators can be divided into two categories - internal incubators and external incubators²⁹. Internal in-

Figure 13. Chinese incubators and accelerators provide a wide range of services, which content might vary depending on the service provider and its industry network and connections to investors. Source: The Art of Start 2.0²⁸, B&B Advisors Shanghai

SEED CAPITAL	This means that the accelerator or incubator may invest with money from an outside investor.
COMMUNITY	This refers to interaction with other entrepreneurs that are at a similar stage of development. A start-up can learn significantly from other similar start-ups and build a network with its peers.
MENTORSHIP AND EDUCATION	In many incubators, access to mentors is informal, while most accelerator programs have a formal mentorship network and a process giving a start-up new contacts.
BUSINESS DEVELOPMENT	This refers to an introduction to potential customers, partners and employees that can accelerate a start-up's credibility, product development and sales.
PATH TO FURTHER FUNDING	Many incubators and accelerators organize demo days enabling a start-up to get itself exposed to angel or venture capital investors. It cannot necessarily guarantee an investment, but it is a much more efficient way for a start-up to get visibility.
ADMINISTRATIVE TASKS	Book keeping, payroll, taxes, insurance and other necessary daily tasks take lots of time, which is one of the most valuable resources a start-up has. Hence, many incubators and accelerators offer assistance, staff and expertise to help start-ups with daily administration, which in China often takes lots of time.
OFFICE SPACE	For most Chinese incubators, shared office space, furniture and Internet access are the main value propositions. The real value of a co-working space is the flexibility it provides when a start-up is not yet ready for a long-term office lease.

Incubators refer to large companies that invest in start-ups in order to extend their existing product line, to acquire new talent and innovation and to support the existing R&D unit. Internal incubators usually focus on a very specific technology segment or a field of research. External incubators, in turn, are backed by venture capital firms, seed or angel

investors that aim at making profit and financial returns. Usually, external incubators do not have strict criteria for the segments they invest in as long as the market potential is large enough and the start-up team is capable of tapping the opportunity. Figure 14 summarizes the key differences between the two incubation business types.

Figure 14. Two main types of incubation business in China. Source: 如何定义孵化器 2016 (How To Define An Incubator)²⁹

TWO TYPES OF INCUBATION BUSINESS IN CHINA

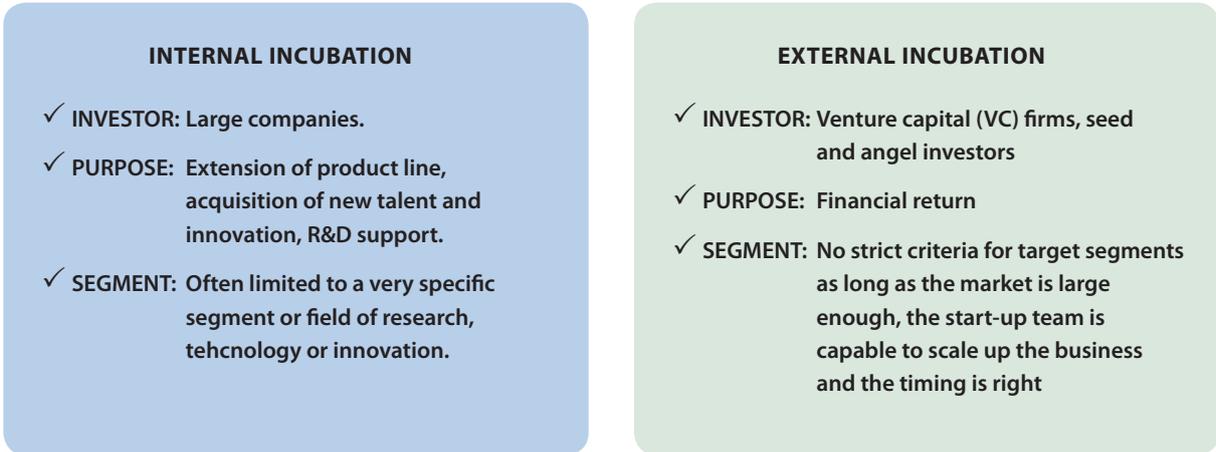
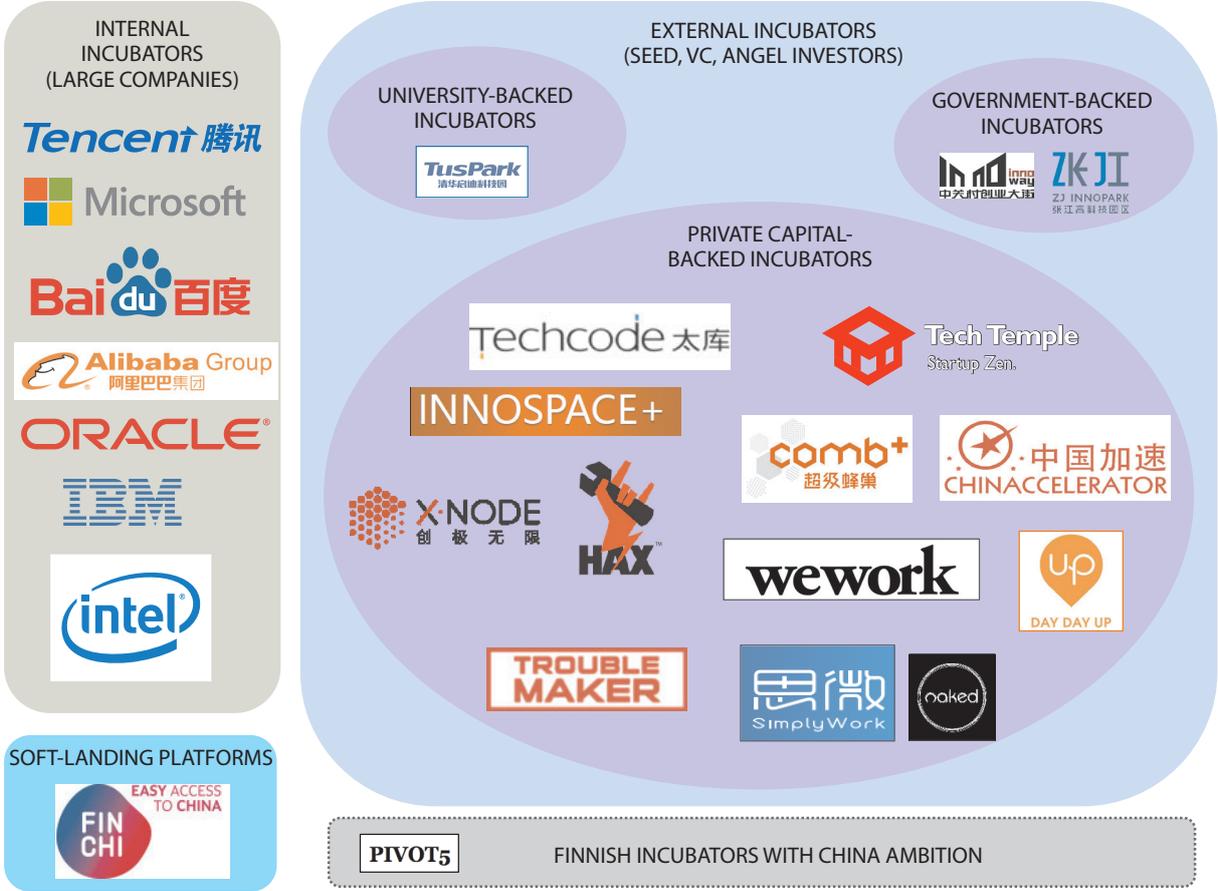


Figure 15. Chinese external incubators can be further divided into university-backed, government-backed and private capital-backed incubators. Source: 如何定义孵化器 2016 (How To Define An Incubator)²⁹, B&B Advisors Shanghai



The external incubators can be further divided into university-backed incubators, government-backed incubators and private capital-backed incubators²⁹. Private capital-backed incubators consist of a wide range of incubators, some of which are backed by real estate companies or venture capital firms. Some of the private capital-backed incubators might be vertical incubators, which means that they focus on some specific segment or a field of technology in their incubation service, while helping start-ups to go abroad instead of only growing in China. Further, private-capital incubators can also be co-working spaces that have a global contact network, membership ecosystem and

workspaces abroad enabling entrepreneurs to design their business for global markets. Figure 15 further summarizes the subcategories of external incubators as well as shows, how the incubators selected to this handbook are positioned in China’s incubator market.

The next chapter will now introduce the profiles of 15 Chinese incubators selected to this handbook. Also, a soft-landing platform and a Finnish accelerator with a China ambition are introduced. Chinese incubators’ website or their social media accounts can be accessed by scanning the QR code given in each section. To scan the QR code, one can use Tencent’s WeChat application, for instance.

4

Key incubators for Finnish start-ups in China

4.1 Government-backed incubators

4.1.1 Z-InnoWay

QUICK FACTS

Location: Beijing

Uniqueness: Gatekeeper to all major Chinese incubators.

Website: <http://www.z-innoway.com/en/>



One of the top and key state-backed platforms for start-ups is Z-InnoWay located in Beijing's major start-up hub Zhongguancun Science and Technology Park in Haidian district. Z-InnoWay is a large cluster platform with 48 Chinese incubators and accelerators. It is owned by Haidian Real Estate, which is the owner of 70% of state-owned properties in the district. Established in 2014, Z-InnoWay currently hosts about 700 start-ups, of which 100 originate from overseas. So far, it has provided funding of RMB 1.9 billion in total for 375 start-up teams with an average RMB 5 million per team. In addition to funding, Z-InnoWay provides registration, IPR and HR services as well as consulting in policy matters and legal affairs. In terms of soft-landing service, Z-InnoWay provides an 8-week trial program and assists with visa and residence permit procedures. It also organizes 19 large-scale start-up events every year such as Zhongguancun Innovation and Entrepreneurship Festival.

Z-InnoWay cooperates with the top universities in North China such as Peking and Tsinghua universities as well as several unicorn companies like Baidu, Jingdong (JD.com), Xiaomi, Meituan and Didi to name but a few. Among foreign MNCs, it has a partnership with Intel, which provides start-ups with lab facilities, technical consulting and training. It has also established international partner network to South Korea, US, New Zealand, Australia, India, Germany and France.

Z-InnoWay's business model relies on several revenue sources that are cheap rental fees from start-ups, government subsidies, advertising, market research conducted by their own research centre, event organizing and collaboration with local governments in other cities.

Offered services	Price (RMB/month)	Description
Workspace use per seat	RMB 700 for flexible and fixed seat.	One desk, one chair.
Office room	N/A	
Meeting room	Included in seat price.	Reserved via mobile app.
Opening hours		24/7 + 24h (Cheku Café)
Incubator/accelerator program	1. Standard: RMB 10,000 for 8 weeks 2. Tailor-made: RMB 1,000 per day	Standard program for at least 4 start-ups.
Membership	Not required	
Administrative / entry services	Free services for 3 months.	Only for co-operations partners (including Tekes) and their supported start-ups.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	7 (+1 Finnish speaking staff member)
Free workspace for foreign/Finnish teams	Yes. Free co-working space in InnoWay's own incubator InnoStyle for 3 months.
Mentor and investor network	100 mentors, 2500 investment funds in the network
Investment funds	Asia America Multi-Technology Association (AAMA), Dark Horse Club
International participation (% of foreign startups, references)	12,3% foreign start-ups (194 out of 1581). Lumin.ai (US), Fanship (Taiwan), Soundex (South Korea), Viva City (UK), TASI (CAN).
Industrial sector focus/expertise	AR/VR, Internet of Things, AI, Intelligent Hardware, Biotechnology etc.
Selection criteria to incubator program	Case-by-case

4.1.2 Zhang Jiang Group

QUICK FACTS

Location: Shanghai

Uniqueness: Invests in investors and incubates incubators

Website: <http://www.zjpark.com/rules>



Zhang Jiang Group (ZJ Innopark) is a government-owned platform for about 370 companies, of which 80% are small, 14% medium-sized and 5% large companies. Zhang Jiang Group offers incubator service for a fixed period of 1 year and accelerator service for a fixed period of 6 months. Its primary services for startups include funding, physical working space, application for government subsidies, company registration, training, road shows and other third party services. In terms of funding, Zhang Jiang Group either makes direct investments (RMB 150 million), or invests in other funds (RMB 350 million) and finances its own TMT/ICT and life science incubation programs. In regard to working space, Zhang Jiang Group has 7 spaces for startups and 1 specialized service platform. It also supports and organizes a wide range of

startup events such as Global CleanTech Summit, Zhang Jiang UC Berkeley Engineering Global Innovation Leaders Program, Startup Competition, Pitch Event, Slush Shanghai and so on.

Zhang Jiang Group focuses on ICT, VR/AR and intelligent hardware as well as life science and health segments. Currently, there are about 300 ICT, VR/AR and intelligent hardware related companies on its platform, while the rest 70 are related to health and life science.

One of the special characteristics of Zhang Jiang Group platform is that it is located in Shanghai's Pilot Free Trade Zone, which enables it to enter and test new business sectors and conduct piloting for companies and startups on its platform.

Offered services	Price (RMB/month)	Description
Workspace use per seat	RMB 1,200-1,800 per seat per month	7 spaces for start-ups, 1 specialized service platform.
Office room	N/A	
Meeting room	Included in the seat price.	
Opening hours		24/7
Incubator/accelerator program	ZJ Venture Studio Program Priced case-by-case.	1. ZJ Incubator program of 1 year. 2. ZJ Accelerator program of 6 months.
Membership	Not required	
Administrative / entry services	1. Application service for government subsidies. 2. HR/legal service. 3. Connection to financing platform. 4. Company registration, training, forum, road show, VC meet ups, pitch event provided by 3rd parties.	

Capabilities	Description
Ability to host foreign/Finnish teams	No.
Number of English speaking staff	10
Free workspace for foreign/Finnish teams	Yes, if selected to the program.
Mentor and investor network	Extensive partner and contact network .
Investment funds	1. Direct investment fund of RMB 150 million 2. Investment via other funds of RMB 350 million 3. Investment in a good match with ZJ's own resources like TMT/ICT or life science.
International participation (% of foreign startups, references)	Less foreign start-ups due to limited services in English.
Industrial sector focus/expertise	1. ICT, VR/AR, Intelligent hardware (300+ companies) 2. Life science, health (70+ companies)
Selection criteria to incubator program	1. Team 2. Industry, upper and lower stream connection 3. Timing 4. Structure of financing 5. Chinese partner (in foreign start-ups) for localization

4.2 University-backed incubators – TusPark (Tsinghua University Science Park)

QUICK FACTS

Location: Beijing

Uniqueness: University-based science and innovation incubation platform with access to large science park resources and other 35 TusPark science parks and cities across China.

Website: <http://en.tusholdings.com/index.php/52316cda0a?pid=36>

TusPark
清华启迪科技园



TusPark is the key platform of China's top university Tsinghua of Beijing to transfer and commercialize technological achievements and academic research. The actual operator of TusPark is Tus-Holding Co. Ltd, which is the controlling shareholder of over 200 listed and non-listed companies with total assets of RMB 100 billion. The operator, Tus-Holding has similar 35 science parks and science cities across China.

In practice, TusPark has a wide range of R&D-related sub-platforms or function groups, each of which is specialized in certain industry and innovations. Its incubator platform is called TusStar Business Incubator Co. Ltd. established in 1994 and which has since then incubated over 2,000 start-ups. Among these, 29 companies have been successfully listed in Chinese stock market. In addition to the incubator, it also provides physical workspace, access to TusPark resources such as its own research institute that archives local government data from different industry segments.

In regard to funding, TusStar Business Incubator provides investments ranging from seed stage to Pre-A series. The investment size is from hundreds of thousands to several millions in RMB. TusPark also has its own financial group or private equity fund that does investments and

provides financial leasing of several tens of millions RMB. The investment focus is on domestic market. TusPark's hottest segments are TMT, IT, ICT, intelligent hardware, AI, big data and healthcare. Famous companies that have their origins in TusPark include for instance Chineseall, a Chinese online reading and publishing platform, Hinacom marine black box technology and Tusound, a listed environmental protection company.

TusPark assisted Slush to enter China in 2014. The first Slush organized in Beijing was a small road show with only 40-50 people. In 2015, Slush was jointly organized in Beijing by TusPark, Zhongguancun Software Park (Zpark), Nordic Scientific Park Tianjin and Slush, of which Zpark has a small operation in Finland that bridges the gap between inbound and outbound needs in China and Finland. TusPark is now considering organizing an acceleration program of 1-3 months for Finnish companies to enable them to do a soft landing in China after receiving a better understanding of the market. In the past, TusPark has provided a similar, 3-month program for five Korean start-ups in China, of which one company received an investment and the other four registered their companies in China.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes. Includes lectures, demo day, networking, matchmaking, field visits.
Number of English speaking staff	2
Free workspace for foreign/Finnish teams	Yes, in Shanghai, Shenzhen, Nanjing and Hong Kong for 3 months, if selected to the program.
Mentor and investor network	3 mentors. Extensive partner network (including universities, science and technology parks, large companies, incubators and accelerators).
Investment funds	1. Angel Investment Fund of RMB 20 million. 2. VC Fund of RMB 100 million.
International participation (% of foreign startups, references)	<30%
Industrial sector focus/expertise	TMT, IT, ICT, AI, Intelligent hardware, Big Data, Healthcare, Cleantech, Fintech
Selection criteria to incubator program	1. Team experience 2. Study background 3. Industry 4. Technology 5. Product

Offered services	Price (RMB/month)	Description
Workspace use per seat	1. RMB 2,000 per month for flexible seat 2. RMB 5,000 per month for seat in single office	
Office room	USD 1.5 per day per square meter	
Meeting room	Included in the seat price.	
Opening hours		8 h per day.
Incubator/accelerator program	1. Program priced case-by case based on client's requirements. 2. Incubator investment sized RMB hundreds of thousands to several millions in start-up staged from seed to Pre A.	For Finnish teams tailor-made program of 1 month, preferably min 5 start-ups participating . Benchmark: 3 months program for 5 Korean start-ups (1 month training, networking, field trips, mentoring, 2 months self-developing in China).
Membership	Not required	
Administrative / entry services	1. Research institute: Provides local government reports of different industry segments. 2. Soft-landing service. 3. Science and technology service (new energy/solar power, waste/ water treatment)	

4.3 Private capital-backed incubators

4.3.1 Chinaccelerator

QUICK FACTS

Location: Shanghai

Uniqueness: Software accelerator.

Website: <http://chinaccelerator.com/>



Chinaccelerator is one of the four businesses of its parent SOSV, which is a global capital fund of USD 250 million with about 500 companies in its portfolio. SOSV has its own staff of 60 people and a mentor network of 620 professionals.

Chinaccelerator has currently 54 start-ups in eight programs with target segments in software related to luxury fashion, education, food and beverage, import platforms and mobile e-commerce. In practice, Chinaccelerator chooses a few start-ups with high potential twice a year and invites them to join their acceleration program in return for equity. Then, Chinaccelerator invests USD 30,000-55,000 through an optional convertible note, after which the start-up team moves to Shanghai for three months (or 90 days) to build their company, find product market fit and figure out specific growth strategies. Every week five Chinaccelerator's experts tour in the working space to support start-ups in growth, sales pitch,

financing model, PR and consumer identification. During the program, 240 mentors located in China and Asia Pacific region participate in giving 2-20 hours' support for start-ups.

The program also includes a two-week trip called Geeks On A Train (GOAT) that introduces the start-up to successful companies like Baidu, Alibaba, Taobao and IBM to get benchmark experience and feedback from third parties. The program results in a Demo Day, where the start-up presents their innovation to a carefully defined, invite-only audience of investors, mentors and media. After the Demo Day, the start-up can stay working in Chinaccelerator offices rent-free until the start of the next program.

Chinaccelerator also provides value added services to software start-ups including product localization, distribution optimization, and scalability for fund raising and craft stories for success.

Offered services	Price (RMB/month)	Description
Workspace use per seat	Included in the program.	
Office room	Included in the program.	
Meeting room	Included in the program.	
Opening hours		24/7 during the program.
Incubator/accelerator program	1. Seed capital of USD 25,000 for 6% of equity. 2. Seed capital of USD 100,000 for 9% of equity. 3. Up to USD 200,000 follow-up capital from other VCs.	2 accelerator programs per year each lasting for 3 months (so far 8 programs organized in total).
Membership	Not required.	
Administrative / entry services	Included in the program.	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	Many
Free workspace for foreign/Finnish teams	Yes, if selected to the program.
Mentor and investor network	5 in-house experts giving weekly support, 240 mentors from China and APAC giving 2-20h support during the program.
Investment funds	Parent SOSV having an investment fund of USD 300 million assets under management.
International participation (% of foreign startups, references)	In English speaking programs, 70% foreign start-ups, 30% Chinese start-ups.
Industrial sector focus/expertise	Software-related: Mobile commerce, luxury fashion, education, food & beverage import platforms
Selection criteria to incubator program	1. Problem to solve: How big? Saturated or not? 2. Team: Competitive advantages of members 3. MVP: Ready 4. Program in English: 30% Chinese, 70% foreign start-ups (quota).

4.3.2 COMB+

QUICK FACTS
Location: Beijing
Uniqueness:
 Launch of Nordic-China Innovation and Startup Acceleration program in 2016 together with a Finnish Pivot5.
Website: <http://www.combplus.com/>



COMB+ is a Beijing-based business incubation platform established in May 2015 by its parent SkyOcean International Holdings, which is a large real estate developer in China and listed in Hong Kong Stock Exchange. COMB+ has also office spaces in Shenzhen, Shanghai and Hong Kong with head-quarter in Beijing, located close to Communication University of China rich in talent for broadcasting, animation, digital entertainment and new media. Currently, COMB+ has about 100 companies as clients and 50 investment alliance partners from China, US and Japan on its platform. It has a unique “platform + investment” business model, in which several VCs and investors actively participate in the start-up’s mentoring and incubation program. VC partners of COMB+ include Fuho Capital, Jingbei Finance, Evervc, Suhehui and Hejun Capital.

COMB+ focuses on mobile Internet, mass data, cloud computing, software and hardware innovation. Projects on COMB+ platform include for instance Neighbors, an O2O automotive maintenance service, Xiaoming Animation, Saiko+ providing Japanese and American animation and Firefly Games, which is a US-based start-up seeking entry to China.

COMB+ was the first Chinese company to hold an investment forum in Slush Helsinki. Currently, COMB+ and a Finnish accelerator Pivot5 are officially launching their Nordic-China Innovation and Start-up Acceleration program. The first joint event and pitching competition was organized at Clarion Hotel in Helsinki on November 29th 2016. The winner of the competition is granted a free ticket to participate in the acceleration program at COMB+ campus in Beijing.

Offered services	Price (RMB/month)	Description
Workspace use per seat	1. RMB 600 per month for flexible seat in basement floor. 2. RMB 800 per month for flexible seat in upper floor.	Includes WiFi, electricity charging facility, heating, property service.
Office room	RMB 4-4.5/m ² /day.	
Meeting room	1. RMB 1,500 for half day and RMB 2,000 for full day use (15 people’s room). 2. RMB 2,000 for half day and RMB 2,500 for full day use (30 people’s room). 3. RMB 3,000 for half day and RMB 3,500 for full day use (50 people’s room). 4. RMB 15,000 per day (300 people’s room).	Includes LCD projector and screen, microphone, WiFi, mineral water.
Opening hours		9am-6pm on working days.
Incubator/accelerator program	Start-ups pay part of the program cost + provide 10% of equity, if they set up China operations with local partners.	6 terms of accelerator programs with 10-14 companies planned for 2017. If start-ups won’t set up China operations, they need to pay back the rest of the accelerator program cost to Comb+.
Membership	Not required.	
Administrative / entry services	Service charge starting from RMB 15,000 depending on the service type.	Company registration, finance and tax advisory, legal/policy consultation, HR, marketing promotion, IPR registration, investment, activities/events, product R&D.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes. Comb+ campus having about 4,000 individual studios each sized about 35m2. Also, accommodation available.
Number of English speaking staff	15+
Free workspace for foreign/Finnish teams	Included in the accelerator program.
Mentor and investor network	100+ mentors globally, 50+ international investment partners.
Investment funds	5 investment funds sized RMB 600 million in total.
International participation (% of foreign startups, references)	8 overseas startups. References: Firefly Games (US). Comb+ aims at investing in foreign companies' registered legal entities in China and later sell them to large companies in China.
Industrial sector focus/expertise	Games, AR/VR, Intelligent Hardware, New Media, AI, Environment/New Energy
Selection criteria to incubator program	<ol style="list-style-type: none"> 1. Financial investment 2. Complete team 3. Complete product or service 4. Good market prospects 5. Clear business model and huge development potential

4.3.3 DayDayUp

QUICK FACTS

Location: Beijing + San Francisco

Uniqueness: Air purifying system installed in work spaces. Strong media connection to Global Mobile Internet Conference (GMIC).

Website: <https://www.dduwork.com/en/>





DayDayUp, a Beijing-based shared office space provider established in 2015, has three workspaces in Beijing and one workspace in San Francisco. Its business was launched in 2015, when DayDayUp raised USD 2 million in angel funding from a group of private and institutional Chinese investors, including founders and executives from UCWeb Alibaba, Baidu and Tencent. The founders have background as organizers of Global Mobile Internet Conference (GMIC), which is hosted annually in Beijing and in Silicon Valley. Utilizing GMIC's massive international network, DayDayUp does not only provide workspace, but also community gatherings, start-up events, an on-line platform and even social activities for entrepreneurs such as English classes and yoga classes. DayDayUp has a community manager, who helps start-ups to connect with

local resources like Series A investors, marketing and PR, business development. It acts as an industry bond creator with target in Internet and mobile businesses, of which the hottest segments are AR, digital health and black technology.

Currently, DayDayUp has over 100 start-ups on its platform, of which some have roots in France, Israel, the US, Italy and Columbia. However, 70% of DayDayUp's key clients are Chinese companies with an outbound need, while the rest 30% are foreign companies coming to China. This is in line with DayDayUp's vision that is to go, where Chinese go worldwide. Its key cities in China are thus Beijing, Shanghai and Shenzhen. Other cities with some vertical segment interests and that are relevant for DayDayUp community include Hangzhou, Wuhan and Chengdu.

Offered services	Price (RMB/month)	Description
Workspace use per seat	RMB 688 per flexible seat RMB 2,500 per fixed seat	Includes printers, WiFi, online platform, coffee/tea, events.
Office room	RMB 3,500-4,000 per seat	
Meeting room	Fixed seat price includes 6h free use of meeting room per person per month and office room price includes 12h per office per month.	After exceeding free hours: I. Meeting room for 12 people: RMB 200 per hour II. Meeting room for 8 people: RMB 200 per hour III. Meeting room for 3 people for RMB 100 per hour
Opening hours		24/7
Incubator/accelerator program	No.	
Membership	Comes with the payment for seat.	Includes events, activities (e.g. yoga and English class), industry connections. Other member benefits like discounts for 3rd party services.
Administrative / entry services	1. HR service: Price case-by-case 2. Financial advisory: Price case-by-case 3. Event space and organization support: Price case-by-case	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes. Suitable for international companies, not seed start-ups.
Number of English speaking staff	26, everyone speaks English.
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	No in-house mentors. Connection to a wide range of investors and industry stakeholders that are invited to DayDayUp events.
Investment funds	No.
International participation (% of foreign startups, references)	30% foreign companies coming to China, of which majority of founders have roots in China. References: Techsilu (Italy), CheilOpenTide (South Korea), 3is (France), Docker (US), Comet (US), Matomy (Israel), Spotad (Israel), Taptica (Israel), InnerActive (Israel), PLYmedia (Israel), Waygo (US), 500 (US), GWC (US), Studio (UK).
Industrial sector focus/expertise	AR/VR, digital health, black technology.
Selection criteria to incubator program	N/A

4.3.4 HAX

<p>QUICK FACTS</p> <p>Location: Shenzhen</p> <p>Uniqueness: World's largest hardware accelerator.</p> <p>Website: https://hax.co/</p>	
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HAX Accelerator, another accelerator platform of its parent SOSV capital fund, is based in Shenzhen with another office in San Francisco and it specializes in hardware, IoT and connected devices. HAX organizes two programs every year and it currently has 38 companies on its platform. In 2017, the number of start-ups will increase to 45. HAX provides start-ups with office space, workshops and staff resources in addition to funding, which is given in exchange to equity. Usually, HAX invests USD 25,000 for 6% equity and USD 100,000 for 9% equity. Investments up to USD 200,000 are made together with other VCs. HAX Shenzhen is focused on start-ups' strategy, prototyping, sourcing and supply chain management, where as HAX San Francisco is specialized in crowd funding, fund raising, demo days with media and investors.

Each program recruits about 15 teams of 2-5 entrepreneurs and lasts for 111 days, during which the start-ups final-

ize prototypes and learn to scale their businesses together with HAX's 50 mentors. The last two weeks of the program are spent refining the sales pitch that will be introduced on the demo day and the launch event in San Francisco. When the program comes to an end, crowd funding on Kickstarter and Indiegogo will be used as financing method.

The selection criteria to attend HAX program requires the start-up to have a proven technology, but which is flexible in terms of engineering, design and business model adjustments during the program. Under the hardware, IoT and connected devices segments, HAX is primarily interested in consumer devices (e.g. health, fitness, travel), consumer electronics with a software ecosystem, B2B devices, media and entertainment, robotics and bionics, gadgets and disruptive toys, appliances and bio hacking. In the past, HAX worked with two Swedish start-ups called Intelligent implant and Point.

Offered services	Price (RMB/month)	Description
Workspace use per seat	Included in the program.	
Office room	Included in the program.	
Meeting room	Included in the program.	
Opening hours		24/7 during the program.
Incubator/accelerator program	1. Seed capital of USD 25,000 for 6% of equity. 2. Seed capital of USD 100,000 for 9% of equity. 3. Up to USD 200,000 follow-up capital from other VCs.	2 accelerator programs per year each lasting for 3 months (so far 9 organized in total).
Membership	Not required.	
Administrative / entry services	Included in the program.	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	Many
Free workspace for foreign/Finnish teams	Yes, if selected to the program.
Mentor and investor network	12 full time experts
Investment funds	Parent SOSV having an investment fund of USD 300 million assets under management.
International participation (% of foreign startups, references)	38 foreign start-ups in 2016, 45 foreign start-ups planned for 2017.
Industrial sector focus/expertise	Hardware-related: Intelligent hardware, consumer devices, gadgets, B2B devices, media/entertainment, robotics, appliances, environmental impact, biohacking.
Selection criteria to incubator program	1. Founders of grand ideas 2. Team 3. Market opportunity 4. Product/solution/innovation/prototype 5. Passion

4.3.5 InnoSpace

QUICK FACTS

INNOSPACE+

Location: Shanghai

Uniqueness: An innovation community integrating IPO Club, InnoSpace, InnoWork, InnoMaker and InnoLife as a home for entrepreneurs.

Website: <http://www.innospace.com.cn/>



InnoSpace is a Shanghai-based incubation platform established in 2012 by a real estate developer Shui On Land, which has developed three Knowledge and Innovation Community (KIC) areas together with Shanghai government. InnoSpace focuses on “incubation + investment” model to accelerate early-stage start-ups in mobile Internet industry and 4.0 industry-related fields. It provides start-ups with workspace, apartments for living and a gym. In addition it provides mentoring, market and business development, HR solutions, training and so on for capital raising.

Currently, InnoSpace has 55 start-ups with over 200 developers on its platform, of which about 30% have overseas background including the US, UK, Canada, Australia, Singapore and Japan. InnoSpace has over 30 mentors that are either successful serial entrepreneurs, VCs or CTOs in large

corporations. Start-ups in the accelerator program meet their mentors every week for two hours and are followed up on weekly or monthly basis.

InnoSpace endeavoured to build up its ecosystem with access to government resources and large corporations, supplier cooperation alliance, connection to investors, promotion and marketing support and collaboration with other incubators such as TEP, LA Cleantech incubator, Bayarea Council, Innovation Works, Cyberport and InnoSpring. Its key VC partners are EFG, Northlight VC, Capital Nuts, ZDVC, Cloud Angel Fund and K2VC. In regard to partnerships with large companies, InnoSpace works together for instance with Siemens, Baidu, Huawei, Alibaba, Tencent, JD.com, IBM, Intel, AutoDesk, Oracle and SAP.

Offered services	Price (RMB)	Description
Workspace use per seat (1. flexible, 2. fixed)	1. RMB 1,200 per month for open space workstation 2. RMB 1,400 per month for 6 pax room and 12 pax room	
Office room	N/A	
Meeting room	10h included in seat price per start-up team. Per hour usage RMB 160.	Start-ups can earn InnoCurrency and use it to pay for usage of facilities and services.
Opening hours		Mon-Fri: 8am-8pm Sat: 8am-2pm
Incubator/accelerator program	Tailor-made program: RMB 8 million for 8 start-ups.	Duration 3 months (March to June, Sep to Dec). Deadlines: End of Feb 2017 and end of Aug 2017.
Membership	Not required	
Administrative / entry services	1. Fund raising and business development. Fee of 4% on fund raised or signed business contract. 2. Government support application, recruitment, company incorporation. Token fee of up to RMB 5,000.	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	6
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	30 mentors (serial entrepreneurs, VCs, CTOs from large corporation)
Investment funds	RMB 40 million (Angels Fund). Setting up another fund of RMB 200 million (on progress).
International participation (% of foreign startups, references)	30% of start-ups having overseas background. Chase Future (US), BackWire (Poland), AceBanker (Singapore), Wokamon (Australia).
Industrial sector focus/expertise	Industrial 4.0, consumer upgrade (AR/VR, AI, IOT, Internet of Cars), new science/technologies/materials.
Selection criteria to incubator program	1. Strong technology/IP/barriers to entry. 2. Complete team setup - with strong Chinese team members especially in business and market development.

4.3.6 NakedHUB

QUICK FACTS

Location: Shanghai

Uniqueness: Co-life concept about healthy living and working.

Website: <http://www.nakedhub.cn/en/>





NakedHUB is a Shanghai-based co-working space with currently eight locations established in 2015. Naked brand started with hotel and resort business, but has now expanded to co-working space and grown rapidly in its new segment. Currently, NakedHUB has over 400 companies as clients with about 2,000 members, of which 70% are local Chinese people and 30% foreigners.

NakedHUB's emphasis is on diversity referring to that they have a very good and diverse industry mix in regard to start-ups on their platform, as technology companies account for 21%, after which comes media, professional services, advertising, marketing and designing. Another emphasis relates to scale meaning that NakedHUB aims at increasing its locations aggressively to cover its focus areas that are Mainland China, Hong Kong and Asia Pacific. Accordingly, it will open seven new locations in Shanghai and

seven new locations in Beijing in 2017. The new workspaces will accentuate the values of Naked Community's vision that is a healthy lifestyle consisting of travelling, working, learning and eating well. For example, the new Gubei's location will have 1,400 seats in six floors of workspace, while one floor is left for food and one floor is left for fitness and health related activities.

NakedHUB's members are active in organizing events. In 2016, they organized over 90 events in Shanghai with an average of about 15 events per space. To solve basic needs of its members and to get group discounts, NakedHUB works together with a courier company Shunfeng, a food company for members' need and an insurance and travel company such as Ctrip. Further, NakedHUB also cooperates with real estate developers such as CITIC and Shuion in Shanghai.

Offered services	Price (RMB/month)	Description
Workspace use per seat (1. flexible, 2. fixed)	1. RMB 1,800 for flexible seat 2. RMB 2,800 for fixed seat	Includes access to nakedHUB app, events, online community, access to any nakedHUB location, WiFi, printers, reception, coffee/beer, nap beds, event space.
Office room	≥ RMB 3,000	Independent private offices for teams, locked access.
Meeting room	1. 2h per month usage included in the seat price (flexible and fixed). 2. 20h per month for teams with 10 people.	
Opening hours		24/7
Incubator/accelerator program	No.	
Membership	RMB 300	Monthly membership including unlimited access to nakedHUB app, 1-day Hot Desk usage in any location, invitation to offline events, access to partner benefits and services.
Administrative / entry services	Partner benefits and services at discounted prices for members. Some free services such as 5h of consulting/legal advice by 3rd party partner.	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	Many
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	Connection to 3rd party service providers.
Investment funds	No.
International participation (% of foreign startups, references)	30%
Industrial sector focus/expertise	Media, advertising, marketing, design, professional services.
Selection criteria to incubator program	N/A

4.3.7 SimplyWork

QUICK FACTS

Location: Shenzhen

Uniqueness: High service level to members with cheap price.

Website: <http://www.simplywork.cn/>



SimplyWork, established in January 2015, is a platform offering physical office space for start-ups in six different locations in Shenzhen. Each of the six office spaces is targeting different industry segments. One space located in a traditional office building is optimal for financial service companies, one is targeting Internet, mobile, e-commerce and SaaS related companies, one design-related firms, one HR-related businesses and one is specialized in hosting intelligent hardware, new energy and environment-related start-ups and it is located in Long Gang, Bantian area, which enjoys preferential government policies. Finally, there is one newly opened space still defining its target segment.

Since its establishment, SimplyWork has hosted over 300 start-ups and 500 events, while it has been able to build an extensive partner network consisting of about 200 investment institutions and 30 financial advisors in China and overseas. In June 2016, it received RMB 30 million A Series venture funding from IDG Capital Partners, Huazhu Group and Vanke Group.

So, in regard to services, SimplyWork works closely with investors and financial advisors, real estate developers as well as third party service providers such as accounting, tax and legal (IPR) advisory, subsidy policy advisory firms. For entrepreneurs, SimplyWork provides personal services like apartment rental, meals, gym, repair and haircut to name but a few.

Offered services	Price (RMB)	Description
Workspace use per seat (1. flexible, 2. fixed)	1. RMB 635 per flexible seat 2. RMB 1,000 per fixed seat	
Office room	RMB 1,500 per seat	
Meeting room	1. Peak time 10:00-16:00 rent per 30min: RMB 25-110 2. Non peak time rent per 30 min: RMB 15-55	
Opening hours		24/7
Incubator/accelerator program	No.	
Membership	Required, included in the seat price.	Benefits: Use of workspace, activity centre, kitchen and cafeteria, smoking room, hardware lab, game room, meditation room, showers+sauna, gym, garden, Wifi, printers, tea/filtered water, EXCLUSIVE APP
Administrative / entry services	1. Free local entrepreneur consultants. 2. Free access to investment institutions. 3. Special priced services of 3rd parties for company registration, IPR, brand design, language schools, apartment rental.	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	80%
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	Free local entrepreneur consultants as mentors, connection to 200 investors and 30 financial advisors.
Investment funds	No.
International participation (% of foreign startups, references)	< 30%
Industrial sector focus/expertise	IoT, ICT, cross-border commerce
Selection criteria to incubator program	N/A

4.3.8 TechCode

QUICK FACTS



Location: Beijing (HQ), Shanghai, Shenzhen + Helsinki

Uniqueness: Strong background as technology real estate developer for industrial parks.

Website: <http://www.techcode.com/html/english/index.html>



TechCode, owned by CFLD, a developer and an operator of New Industrial Cities in Hebei province, is a Beijing-headquartered platform for 15 incubators with offices in Shanghai, Shenzhen, Gu'an, Silicon Valley, Seoul, Tel Aviv, Berlin and Helsinki (Ruoholahti). It provides start-ups with working space, technology, mentoring, team recruitment service and a partner network. In regard to funding, TechCode is planning to open its own fund of RMB 50 million in 2017.

TechCode has expanded its operations to Europe only recently with Berlin's office opening in 2015 and Helsinki office in November 2016. Berlin's office is sized 1,000m² and the one in Helsinki about 1500m². During the next few years, TechCode is planning to establish a global start-up ecosystem covering 15 countries and 40 sectors, of which the key focus areas are smart lifestyle, healthcare, new materials, green architecture, aerospace, clean energy and intelligent manufacturing.

Offered services	Price (EUR)/month	Description
Workspace use per seat	1. EUR 170 per month for open space seat. 2. EUR 250 per month for office space seat.	Includes WiFi, meeting rooms, conference rooms, video conference systems, printers, events, seminars, training, investment pitching.
Office room	EUR 250 per seat per month.	
Meeting room	Included in the seat price.	
Opening hours		9am-5pm (Helsinki location).
Incubator/accelerator program	Case-by-case.	Two global accelerator programs in 2016: 1) AI and 2) medical tech.
Membership	Not required.	
Administrative / entry services	Case-by-case.	Soft-landing service to China.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes. One location in Ruoholahti and access to all other TechCode spaces globally.
Number of English speaking staff	Everyone speaks English.
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	Yes. Designed case-by-case.
Investment funds	RMB fund established, other fund under preparation.
International participation (% of foreign startups, references)	Two global accelerator programs in 2016.
Industrial sector focus/expertise	AI, medical tech, new materials.
Selection criteria to incubator program	1. Global, leading technology. 2. Good potential to grow in China.

4.3.9 TechTemple

QUICK FACTS

Location: Beijing (HQ), Shanghai, San Francisco, Tokyo

Uniqueness: Strong fund raising capability. Experience in working with overseas teams.

Website: <http://techtemple.cn/>





TechTemple, established in 2013, is a Beijing-based technology incubator with about 160 start-ups and 800 entrepreneurs on its platform. It has workspaces in China located in Beijing, Shanghai, Shenzhen and overseas offices in Tokyo and San Francisco opened in 2016. Along with Chinese investors such as IDG and Silicon Valley Bank, it is backed by a Japanese VC firm called Infinity Ventures Partners. TechTemple is dedicated to build the largest O2O start-up ecosystem in Asia by providing workspaces, incubation services, organizing events and providing investment. In practice, TechTemple's incubation services include start-up ecosystem collaboration, online community, information centre, digital marketing, recruiting

service, legal and financial advisory, mentoring and training. In terms of technical services, TechTemple offers AWS Amazon cloud service and Comtech supply chain service.

TechTemple currently focuses on Internet-related start-ups that have received funding in the past. It is already working with several overseas teams such as SnapLingo founded in San Francisco in 2014, which connects kids in the US and China online and guides them to Peer2Peer (P2P) language learning and cultural sharing. Another example is Kleering, a free and instant payment platform enabling users to make payments using multiple currencies instantly for free and exchange currencies at great rates.

Offered services	Price (RMB/month)	Description
Workspace use per seat	1. RMB 1,500 for flexible seat in open space. 2. RMB 1,700-1,900 for fixed seat in semi open space.	Prices are subject to changes depending on the workspace location and city. Includes use of meeting rooms and printers, online community, events, WiFi, cloud service, Comtech supply chain service.
Office room	RMB 2,500-3,000 per seat in private office.	
Meeting room	Included in the seat price.	
Opening hours	24/7	
Incubator/accelerator program	1. Direct investment case-by-case in exchange to equity. 2. Financial advisors' match making services with 3-5% commission.	Incubator program for early and mid stage start-ups. First investment round of USD 50 million closed in 2015 to 20 companies (mainly TMT industry).
Membership	Not required.	
Administrative / entry services	Included in the incubator program pricing.	Includes legal/admin service, recruiting, accounting, PR, government funding application, events, training, online community, digital marketing.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	Majority speaks English.
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	Partnership with 8 large VCs.
Investment funds	Direct investment fund of RMB 300 million targeting B-D series.
International participation (% of foreign startups, references)	<30% . References: SnapLingo (US)
Industrial sector focus/expertise	Internet
Selection criteria to incubator program	1. Team, partners 2. CEO 3. Financing model

4.3.10 Trouble Maker

QUICK FACTS

Location: Shenzhen

Uniqueness: Strong engineering consulting capability.

Website: <https://troublemaker.site/>



Trouble Maker is a Shenzhen-based maker space, with one location at Hua Qiang Bei and another offering space inside an electronics factory with various machines to manufacture as well as dormitories for foreign entrepreneurs. Established in 2016, Trouble Maker aims at helping people who just want to develop their hardware product prototypes.

Trouble Maker's founders include two Dutch, one French, one Norwegian, one Italian and one Chinese. They're entrepreneurs with different industry backgrounds ranging from mechanical engineering to software and design. The Italian partner owns a large electronics facto-

ry in Shenzhen that has operated already for 20 years in Guangdong province. The Chinese founder with origins in Hong Kong has background in marketing on crowd funding platforms like Kickstarter and Indigogo. In addition to maker space, Trouble Maker provides engineering, design and software services.

Thanks to Trouble Maker's multinational background with one Norwegian founder and one former Finnish intern, it has advantage in understanding Finnish start-ups concerns about IPR related matters and product needs and it is well connected to help Finnish companies to find their way to set up business either in China or in the West.

Offered services	Price (RMB/month)	Description
Workspace use per seat (1. flexible, 2. fixed)	1. RMB 450 for flexible seat (workspace only) 2. RMB 1,200 for fixed seat (workspace + maker space) 3. RMB 2,400 for all facilities (work/maker spaces, production machinery)	1. Workspace of 150m2 2. Maker space factory with machinery for electronics products of 6,000m2. 3. Production machinery including CNC, 3D printers, soldering stations, oscilloscopes, assembly line.
Office room	N/A	
Meeting room	Included in the seat price.	
Opening hours		24/7
Incubator/accelerator program	No.	
Membership	Required, comes with the payment for seat.	Use of work/maker/event spaces, WiFi, tea and coffee, lectures/workshops, access to partners.
Administrative / entry services	1. Robot kit / full set RMB 880 2. Robot making training / full course RMB 7,350	

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	6
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	In-house engineering consultants, connection to investors.
Investment funds	No.
International participation (% of foreign startups, references)	100%
Industrial sector focus/expertise	Robotics, Intelligent hardware
Selection criteria to incubator program	Primary aim to do prototyping

4.3.11 WeWork

QUICK FACTS

Location: Shanghai (soon Beijing)

Uniqueness: Access to all other WeWork workspaces and community globally. Pioneer of international start-up culture.

Website: <https://www.wework.com/>

wework

wework

WeWork is a New York-headquartered global incubator established in 2010. Since then, it has grown and become a unicorn company worth USD 17 billion with currently 111 locations in 34 cities in 12 countries. After studying the Chinese market for two years, it established its first two workspaces in Shanghai in 2016. In the beginning of 2017, WeWork will open two new spaces, of which one in Shanghai and one in Beijing. In China, WeWork closely cooperates with Hony Capital of Legend Group, which is also an investor of WeWork. In order to get government support, WeWork has a partnership with SinoOceanland, a real estate developer.

WeWork's global strategy is to provide workspace in central locations of the city to maximize convenience of transportation for its members. Currently, it has over 80,000 members globally, of which 3,000 are in China. In its workspaces in Shanghai and Beijing, 70% of members are Chinese and 30% are foreigners aged approximately 30-45. WeWork's member community in China is very international with majority of entrepreneurs having work experience in

foreign companies and abroad. WeWork's flexible seats can be used from 9am to 6pm, while events including training, seminars, yoga, sports and social activities are held after office hours. Part of WeWork concept is also to offer high quality, but free coffee, beer as well as on Mondays a free lunch. Members can also use WeWork mobile application to announce their needs and to do match making within WeWork's global community. The mobile application also enables a member to book a flexible seat in another WeWork workspace in any city and country.

WeWork stands out from its local competitors in that it is truly international and has its own unique service concept, which not only includes high-end hardware and premises, but also fabulous design, international atmosphere, user-friendliness and access to WeWork's community and connections worldwide. Hence, WeWork is likely to attract China's younger generation born after 1985 that has international background and that values aesthetic environment and international spirit.

Offered services	Price (RMB/month)	Description
Workspace use per seat (1. flexible, 2. fixed)	1. RMB 2,280 per flexible seat 2. RMB 3,200 per fixed seat	Prices are subject to minor changes depending on the workspace location.
Office room	1. 1 person office: RMB 3,790 2. 2 persons: RMB 7,400-8,880 3. 3 persons: RMB 10,830-16,850 4. 4-9 persons: RMB 14,050-30,100	
Meeting room	Included in the seat price.	
Opening hours		24/7. Onsite staff available Mon-Fri 9am-6pm
Incubator/accelerator program	No.	
Membership	Global membership of USD 45 per month required.	Includes weekly member events, workshops, coffee, WiFi, printers, conference rooms, phones, onsite staff. Access to all WeWork locations worldwide.
Administrative / entry services	No.	Connection to 3 rd party service providers.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	All speak English.
Free workspace for foreign/Finnish teams	No.
Mentor and investor network	Connection to investors, in-house workshops and lectures for members.
Investment funds	No.
International participation (% of foreign startups, references)	30%
Industrial sector focus/expertise	All
Selection criteria to incubator program	N/A

4.3.12 XNode

QUICK FACTS

Location: Shanghai

Uniqueness: Alliances with foreign government start-up programs like Australia, Japan etc.

Website: <http://www.thexnode.com/>




XNode is a Shanghai-based technology oriented co-working space with currently 40 start-ups and 100 alumni on its platform. XNode builds workspace in strategic locations in Shanghai combining both local and foreign entrepreneurs operating in a wide range of industries such as financial technology (fintech) and retail technology, automobile and Internet-related services. XNode particularly focuses on fintech and retail tech companies, which have massive potential in China in its view.

In addition to workspace, XNode organizes a pitching day once every two months, where six promising start-ups from XNode and the outside ecosystem are introduced to VCs. In terms of events, XNode organizes several events

and workshops (e.g. Little Orange Lantern, ChinaTech Day). Other value added services include tailor-made one-to-one coaching through 50 mentors on its platform. XNode also advises start-ups with tax, registration, HR and finance related issues via 3rd party service provider.

XNode has several partners, of which the most active ones are Shanghai Real Estate Group and Zhang Jiang Group. Other partners include Jiekebang Tech, which has a technical community and media with CTO organizations as well as close connection to Baidu. Deloitte Japan, in turn, provides XNode's start-ups an opportunity to do a morning pitch once a week for large companies such as SONY and Panasonic.

Offered services	Price (RMB/month)	Description
Workspace use per seat	1. RMB 1,880-2,180 per fixed seat	Prices are subject to changes depending on the workspace location.
Office room	1. 4 persons office: RMB 11,000 2. 7 persons office: RMB 16,500	
Meeting room	1h per seat per month for free.	
Opening hours		9am-5pm
Incubator/accelerator program	Each tailor-made accelerator program priced case-by-case.	Prices of customized programs vary significantly depending on the objectives of each program. Benchmark program: http://www.australiaunlimited.com/Landing-Pads
Membership	Comes with the payment for seat.	Includes WiFi, printers, lounge and café, reception, lockers, kitchen, showers, events.
Administrative / entry services	No.	Connection to 3 rd party service providers.

Capabilities	Description
Ability to host foreign/Finnish teams	Yes.
Number of English speaking staff	13 (+2 full time expats)
Free workspace for foreign/Finnish teams	Included in the accelerator program price.
Mentor and investor network	30 mentors, demo days for investment firms.
Investment funds	No.
International participation (% of foreign startups, references)	70%
Industrial sector focus/expertise	Fintech, retail tech, health tech, IoT
Selection criteria to incubator program	Case-by-case

4.4 Soft-landing platform – FinChi Innovation Centre

QUICK FACTS

Location: Shanghai

Uniqueness: Soft-landing platform provided by Finnish government.

Website: <http://www.finchi.cn/>



FinChi is a Shanghai-based soft-landing platform designed specifically for Finnish companies. FinChi was established in 2005 by the Finnish Ministry of Trade and Industry and it is a member of Team Finland operations in China. FinChi cooperates with local Chinese authorities and it aims at being an extension of Finnish innovation environment to China. Currently, FinChi has four Finnish start-ups and 15 Finnish SMEs on its platform, while it has served over 100 companies since its establishment. Due to the government background, FinChi does not have any particular selection criteria in regard to industry sectors of the companies using its service. However,

most of the Finnish companies on its platform focus on clean technology, automation, software and applications.

FinChi offers a wide range of services that are crucial when entering China. Soft-landing service of FinChi refers to that the company can verify its market potential and go through a market testing period up to 2 years without its own legal entity registration. With soft-landing service considered as the most crucial one by the companies on FinChi's platform, its other services include virtual office, short-term cash management and later registration service.

Offered services	Price (RMB/month)	Description
Virtual office	RMB 1,980 (+ VAT 6.42%)	Includes mailing address in China, local direct telephone/fax number, telephone greeting by reception.
Office room	1. Open workstation for 1 person: RMB 3,740 2. Internal office suite (9m2) for 1-2 people: RMB 5,940 3. Window-view office suite (14.5 m2) for 2-4 people: RMB 11,880	Includes reception service, office equipment, 3h free usage of meeting room per month, 24h CCTV monitoring, security alarm, mail, coffee/tea, telephone number, WiFi, printers.
Meeting room	1. Meeting room for up to 8 people: RMB 90 per 30 min, RMB 600 per 4h, RMB 1,200 per full day. 2. Conference room for up to 14 people: RMB 130 per 30 min, RMB 920 per 4h, RMB 1,700 per full day. 3. LCD Screen RMB 90 per 1h	Includes keeping brochures and company information in FinChi premises, secretary service, access to FinChi open space.
Legal Entity Registration	Case-by-case, average RMB 25,800 (+VAT 6.42%) for WFOE and trading company registration.	Application, consultation, tax registration, account opening.
Cash management	RMB 3,280 (+ VAT 6.42%)	Includes complete local payments on behalf of the client to suppliers, employees and partners, monthly activity report, internal auditing, one visit to bank per week.
FinChi Staff Finder	1. Admin & supporting position search: RMB 16,000 / person (+VAT 6.42) 2. Professional position search: RMB 25,000/person (+VAT 6.42)	Includes preparation (1 week), candidate recruitment (2 weeks), 1 st round face-to-face interviews (2 weeks), 2 nd round face-to-face interviews (2 weeks).
FinChi HR Service for Local Employee	1. Local employee search: RMB 1,900/ person 2. Foreign employee search: RMB 3,000/ person	Employment contracts, salary payroll, social benefit payments, tax.

4.5 Finnish incubators with China ambition – Pivot5

PIVOT5

Pivot5, formerly known as KoppiCatch, is a Finnish accelerator platform established by five founders in 2016. Aside Pivot5, founders also have their own activities in a wide range of start-ups, corporations and other institutions. Currently, Pivot5 has 12 start-ups and growth companies on its platform, while during its history it has helped up to 40 Finnish companies to grow. Pivot5 has two business models; accelerating start-ups and consulting large corporations. In terms of start-ups, Pivot5 focuses on cloud analytics, e-commerce, data business and media news. For instance, Indoor Atlas and Proximi.io, another Finnish positioning technology pioneer, are currently on Pivot5's platform. In regard to large corporate clients, Pivot5 provides strategy consulting, coaching and advisory for top management.

In practice, Pivot5 makes an agreement with start-ups to help them in strategy and financing for a period of two years. In exchange, Pivot5 receives ownership of a start-up's shares in the form of sweat equity. For new innovations, Pivot5 has its own Pivot5 STRATEGY LAB, where the acceleration aims at defining the purpose for new business, mapping the target markets, launching and executing new ventures and building new products and services.

In 2016, Pivot5 teamed up with a Chinese venture capital-backed incubator, COMB+. The cooperation started with

a joint induction camp in August 2016 in Finland organized by Pivot5 and COMB+. The piloting camp was participated by eight start-ups, of which one start-up, focusing on digital football training, directly continued cooperation with COMB+ that has now done a go-to-market plan for the start-up and has arranged a test marketing for its football training application in China.

Before launching cooperation with COMB+, Pivot5 made a China-related survey for Finnish start-ups to understand their needs better in regard to China. According to the survey, Finnish start-ups are the most concerned about copying and IPR transfer. Secondly, they are afraid of China's regulative environment that they see to limit their opportunities in the market. Thirdly, Finnish companies see the fast speed of the market a real challenge. Finally, a major concern of Finnish start-ups is also a totally different procedure and dynamics of making contracts with Chinese counterparties.

To deal with these challenges, Pivot5 has accentuated for start-ups that when they enter China, they have to have their product fully ready and the sales channels need to enable a direct market entry. Moneywise, in Pivot5's experience, the budget needed to set up operations in China is actually lower than what is often estimated and assumed in Finland.

Pivot5's tips for Finnish start-ups planning an entry to China:

- ✓ Change your attitude completely and bear in mind that China is another planet in regard to how things are done.
- ✓ Those things that are not extremely forbidden are extremely accepted and provide massive opportunities.
- ✓ Take your local partner as a coach, mentor or a co-entrepreneur - create together.
- ✓ Allocate enough full-time management resources to China if you enter. China is not for part-time entrepreneurs.
- ✓ Make a profound market research to understand your market segments and regulation in them.

5

Success stories

As there are still relatively few Finnish start-ups that have entered in China and gained success, the success stories are rare in quantity, too. However, those start-ups or growth companies that have entered China and succeeded in recent years have truly fascinating success stories to be told. To encourage Finnish start-ups, we have selected some of the most inspiring cases to this handbook. The selected case companies differ in size, segment and their growth stage and hence provide a reader with a more diverse understanding about the potential forms of entry to China. The case stories introduced in this chapter are of Indoor Atlas (ICT), Air0 (clean technology), OptoFidelity (intelligent hardware) and Rightware (ICT).

5.1 Indoor Atlas



Established in 2012 in Oulu, a Finnish start-up company called Indoor Atlas was set up as a result of an incubation program. After over a decade of academic research on computer science, signal processing, pattern recognition and robotics, a team of PhD professors and PhD students in Oulu University decided to create an indoor positioning platform that would enable developers and researchers to build ubiquitous indoor location-based services for a limitless number of environments and use cases. The innovation to realize the team's vision was the underlying geomagnetic positioning.

After two years of continuous development, Indoor Atlas first went to Silicon Valley to look for investment. In Silicon Valley, Indoor Atlas met Baidu's US team, which eventually led to decision to invest USD 10 million in Indoor Atlas' Series A as a lead investor. In addition, Baidu and Indoor Atlas signed a two-year exclusivity agreement in China starting from September 2014 to September 2016. During the past two years of cooperation with Baidu in China and Yahoo in Japan, Indoor Atlas has realised that instead of the US its largest market potential is actually in East Asia thanks to the massive population and density of buildings in the region. Naturally, the timing has been very important for Indoor Atlas success, as GPS positioning was already rather

mature when the demand for indoor location-based service increased in large parking lots to find the right car or in large shopping malls to find the right place.

Now, Indoor Atlas employs 50 people worldwide, most of which sit in offices in Finland, Oulu, Helsinki and Tampere. A dedicated team is responsible for Indoor Atlas' China operations, both commercial and technical support. In regard to funding, Indoor Atlas is under fund raising of Series B, which will be used for R&D and expand its channels to market.

After the expiry of the exclusivity agreement with Baidu in September 2016, Indoor Atlas can now collaborate with other large Internet players in China. In regard to the business model, Indoor Atlas plans to expand its revenue model from patent licensing fee combined with monthly active user (MAU) fee from Internet companies to the advertisement fee received from precision marketing of the restaurants, shops and parking lots inside the building.

To protect its intellectual property, Indoor Atlas has registered approximately 30 patents. However, a clear advantage from cooperating with a large company like Baidu is that a large corporation respects the technology of the start-up and is willing to pay for the patent instead of copying it. Further, a large company favours innovations that have synergy with its existing technology and offering, as implementing and introducing the new innovation to the market can be done quickly, while it increases the valuation of the large company itself.

Indoor Atlas' tips for Finnish start-ups planning an entry to China:

- ✓ Don't be afraid of China.
- ✓ Make a market study to learn more about Chinese market, investment trends and development of your industry and policy framework before you enter.
- ✓ Come to China often and keep updating your product to the market.

5.2 Air0

Air0

Air0 is a Finnish start-up company established in 2013 producing high-end indoor air purification solutions for the Chinese market. Air0 has its roots in another Finnish air purification technology pioneer called Pegasor Oy, which produces fine- and nanoparticle sensor technologies. In 2013, a team of nine founders, of which one originally from China, decided to set up a company that would primarily target Chinese consumers with a new type of air purifier using superior technology and Finnish design and wood in production. Accelerated by few angel investors, Air0 was already from the beginning designed to head directly to China instead of first gaining ground in the Western markets. This was a natural choice, as China is the world's largest market for air purification systems.

Since one of the founders was native Chinese and several of the founders had previous experience from China, Air0 did not feel the need to use an accelerator platform or attend to an incubation program in China before its entry. Instead, it started searching actively for a suitable Chinese partner, while expanding its connections and network further. After meeting and negotiating with over 100 Chinese stakeholders and potential partner candidates, Air0 signed its first distribution agreement with a new Chinese partner in end of 2016. The local partner was selected due to its ambition and existing sales channels enabling Air0's products to get to the market quickly. At first, the Chinese partner will focus on Beijing and Tianjin and sell Air0's air purifiers to hotels, offices, developers of upscale residential areas, cinemas and other B2B customers. Air0's team members monitor and take care of effective and transparent communication with the distributor and guarantee continuous flow of feedback and market information between China and Finland. Air0's R&D, design and manufacturing will continue to take place in Finland, as the company's competitive advantages are its best-in-class technology, product quality and Nordic design differentiating it from the other 300 air purifier brands in China.

So, in the context of extreme competition, Air0 has carefully analysed and defined its target customer niches, protected its IPR both in Finland and in China and it is now building a strong brand to tackle the competition and to manage the risk of copying by Chinese players. Namely, Air0 sees that the best way to protect its IPR is to create trust with customers through a strong brand so that buying a fake product would not be an option for their end customers. In addition to the brand, another key thing to survive in the fierce competition is to provide after sales service. Currently, the Chinese partner is taking care of after sales service needs. Moreover, to stay ahead of the competition and to expand to new customer groups, Air0 is launching range of cheaper products in 2017.

During Air0's entry process to China, its major challenge has been the selection of the right partner. The partner search process has taken lots of time, since there have been many candidates that have exaggerated their capabilities and resources. Hence, it has been very difficult and slow to filter out the ones of distrust and to find the ones that have real connections, experience and channels to market. On the other hand, after the right partner was found, things have progressed extremely quickly and efficiently.

Air0's tips for Finnish start-ups planning an entry to China:

- ✓ Find a Chinese partner by going through a careful partner search process.
- ✓ Have a Chinese team member to whom you can trust to understand your market.
- ✓ Be patient, do not rush and listen to your local team members and partners.
- ✓ Do not choose the first partner candidate passing by, since there are plenty of players that only try to gain from you.
- ✓ Do not enter China with part-time effort. Putting all in is a must!

5.3 OptoFidelity



OptoFidelity is a Tampere-based pioneer of testing automation for smart device, chipsets, sensors, display modules and touch panels. Since its establishment in 2005, OptoFidelity has become the global industry leader in providing robot assisted test solutions ranging from plug-and-play test instruments to fully customized, complex test systems. For instance, OptoFidelity tests and measures elements of user interactions such as touch, force touch, active stylus, VR, display quality and user interface performance.

Granted with funding from Tekes, OptoFidelity was founded by three individuals in 2005. In 2009, the company saw that they needed to find new customers outside of Finland. With help of their customer Nokia, OptoFidelity had already some business to China. Accordingly, OptoFidelity decided to try to find a distributor in the region and used services of Finpro. Soon, a distributor from Taiwan with operations in China was found.

After a successful cooperation with the distributor in Taiwan, OptoFidelity started the process of filing its own company in January 2016. At that time, OptoFidelity al-

ready had annual business of about one million euros to China. At first, the company made a market study about an optimal location and a suitable company form. The actual filing was done in June 2016. Simultaneously, OptoFidelity participated in Tekes' Market Access Program (MAP) in Fudan University, which helped the company to make an investment decision. The MAP study was good and further concretized key players and accounts in the market, even though OptoFidelity already had previous sales and sales partners in China. In practice, OptoFidelity established first a company in Hong Kong, where it had existing contacts who could help OptoFidelity with the company setup. The local contacts in Hong Kong also recommended OptoFidelity a local lawyer in Shenzhen in Mainland China. Moreover, FinChi Shanghai was helpful in pointing out some potential service providers in Mainland China like potential accounting service provider and B&B Advisors for a market entry study. Other potential service providers were found through OptoFidelity's own network. As OptoFidelity decided to register another company in Shenzhen, it also decided to use local service providers. The network and help of Finnish business councils in Hong Kong and Shanghai as well as FBC Guangdong were good.

So, OptoFidelity made a direct investment and hired its own senior sales manager and a team of five people in 2016. Currently, its China operations consist of six employees, one distributor, three manufacturing partners and two locations that are mainly responsible for customer support. Namely, after sales service is very important and plays a big role in China.

In its China entry, OptoFidelity sees that the key factors for its success have been its customer service attitude and technical competence. Major challenges have been Chinese bureaucracy and language. However, coping with these challenges has become a little bit easier after learning, how things are done locally. To build a local network, OptoFidelity has spent lots of time and had many discussions with its customers in China. In addition, Finnish business councils in China as well as the European business council in Shenzhen have been good at providing a general network. In regard to HR and local talent, OptoFidelity was able to find good candidates thanks to its own network in the industry. Though, the management culture is somewhat different, as there are much more supervisory tasks in China than in Finland. For example, one need to follow up, ask and require reports more. IPR issues OptoFidelity has taken care of by starting an application process.

When it comes to observations about its market in China, OptoFidelity has realized that local competitors are now capable of marketing like US firms and capable of manufacturing like German firms. The market looks very different today compared to 2010.

OptoFidelity's tips for Finnish start-ups planning an entry to China:

- ✓ Go, do not hesitate – for APP companies, China is the biggest market in the world and way bigger than the US as well as more advanced in many ways.
- ✓ Go, observe and meet extremely lots of people.
- ✓ Prepare for making flexible plans and learning by doing.
- ✓ Develop a company culture of going global.

5.4 Rightware



Rightware is a Helsinki-headquartered software development company that provides user interface software for automotive and other embedded industries. Rightware has its roots in another Finnish software development company Futuremark Oy, which specializes in computer benchmark applications for home users and businesses. In 2009, the founder of Rightware was still working for Futuremark and found out that Audi was in need of a demo related to graphical user interfaces. After receiving an investment of three million euros from Finnish capital investors, the founder was able to acquire the mobile business unit from Futuremark in December 2009.

In 2011, focusing on two different market segments, smartphones and automotive, Rightware made a major deal with a Chinese smartphone company. Placing the deal as its strategic priority, Rightware decided to set up two offices in China, one in Beijing and one in Shanghai, to maximize its support for the Chinese customer as well as to guarantee a successful implementation of the deal. Consequently, the founder moved to Shanghai and hired a team of 15 people. However, at that time, the market Rightware was targeting in China was very different than it is today. Namely, in 2011, Rightware's market segment in China was still technologically far behind of the West and the segment practically consisted of three big Chinese telephone operators, few big Chinese device manufacturers like Lenovo, Huawei, ZTE and chip firms. Despite the one major deal in China, Rightware soon realized that the market was not mature enough for IP licencing business. Chinese customers simply did not want to pay for an IP licence, as they felt they did not need it. As a result, Rightware decided to quit its smartphone-related business and to focus on its automotive segment in western markets. Soon, the choice proved to be the right one and Rightware's global success took off after Audi gave its permission to introduce Rightware's software within the in-

roduction of Audi TT. After that, Rightware's sales jumped globally in 2013.

In China, Rightware started to gain success rapidly thanks to the development in the market during the time Rightware had focused on other markets. Suddenly, the Chinese market had matured and Chinese customers were willing to pay for Rightware's IP licence. Also, Rightware realized that even though the market cycles in automotive business are long consisting of two years of product development and then seven years of cars being manufactured with Rightware's product, it did not face real local competition. Still today, Rightware's major competitors in China are few foreign companies. In regard to IPR, Rightware has protected its technology with patents and trademarks, while it never gives its source code to its customers.

As a result of several years of global success as well as an established customer base in China, Rightware announced in December 2016 that Thundersoft, a leading Chinese provider of operating systems and smart device platform technology, had acquired it through a deal worth 64 million euros. The acquisition is expected to be closed in early 2017.

Rightware's tips for Finnish start-ups planning an entry to China:

- ✓ An innovation made in Finland will not swim to the customers on its own – hit the road/the air to bring it for them. In Finnish, ryynnää nyrkkit savessa!
- ✓ Be all the time in the front line of your market – speak one word and listen to two words to understand, what the customer needs. Then take it to the R&D.
- ✓ Find the best talents to your sales and R&D – make them synchronize.
- ✓ A start-up cannot focus on many markets at the same time – prioritize and collect information and experience from your target market by recruiting new board members or via third party service providers.
- ✓ Chinese business culture is characterized by exotic business dinners where Chinese language skills become handy – try to study Mandarin to connect with local people including your local team.

Summary – Q&A sessions

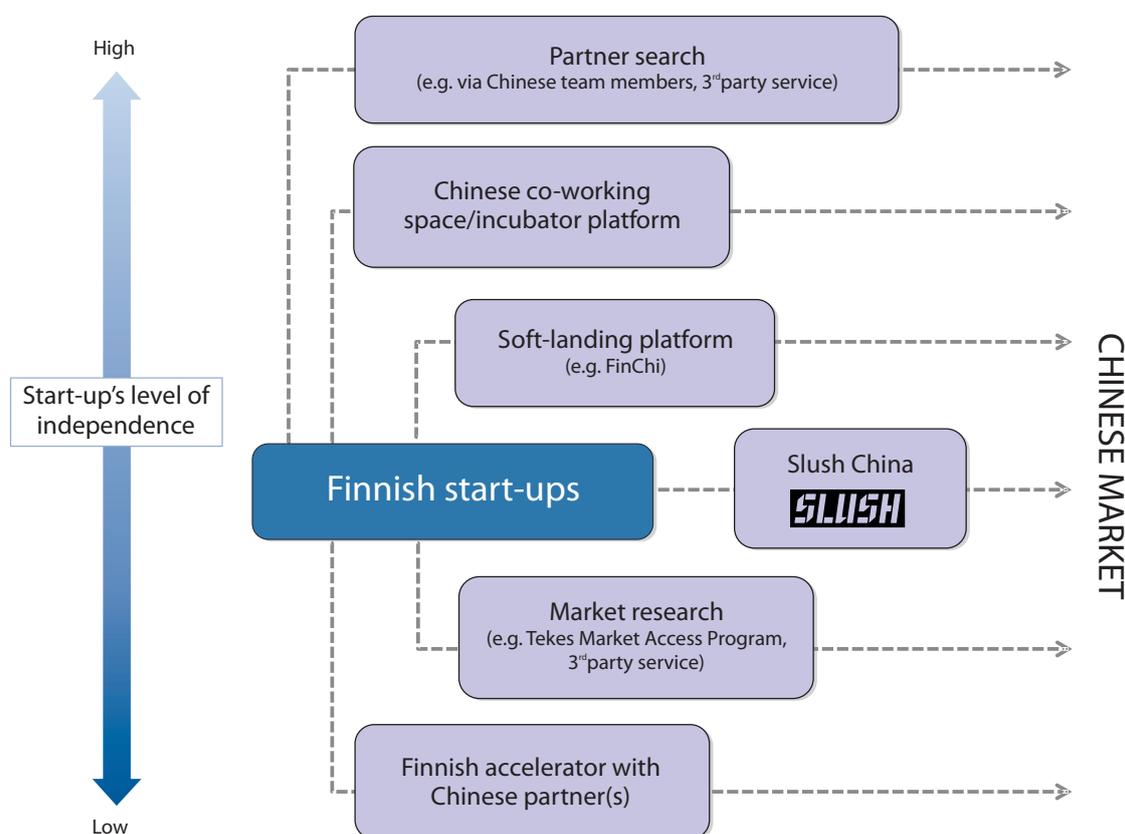
6.1 Entry options and incubator selection

When it comes to evaluating the actual entry options of Finnish start-ups when entering the Chinese market, there are a range of alternatives depending on the growth stage, business type and risk aversion of the start-up. For instance, a start-up that is still in an early stage of growth might find it easier and safer to prepare for a market entry by first conducting a market research to learn more about its own business segment, trends, customers, needs and practices. Other relatively easy and less risky options are attending Slush China or joining a Finnish accelerator program that co-operates closely with Chinese partners.

Alternatively, if a start-up is already familiar with its own market segment in China and aims at building local contact network independently, it can consider joining a Chinese

co-working space or incubator platform. Or, a start-up can directly allocate resources to a partner search in China like one of the success story companies Air0 did. However, as the partner search is one of the most crucial steps during the market entry to China, it is important that the start-up has enough resources and patience allocated to the partner search process. If the start-up does not have Chinese team members to assist in the process, it is recommended to consult a professional third party service provider. Finally, a start-up can decide to use a soft-landing platform, which enables a start-up to conduct pilot sales and test its product or solution in the Chinese market via a virtual office for few years without yet having its own legal entity registered in China. Figure 16 sums up the entry options recommended for Finnish start-ups.

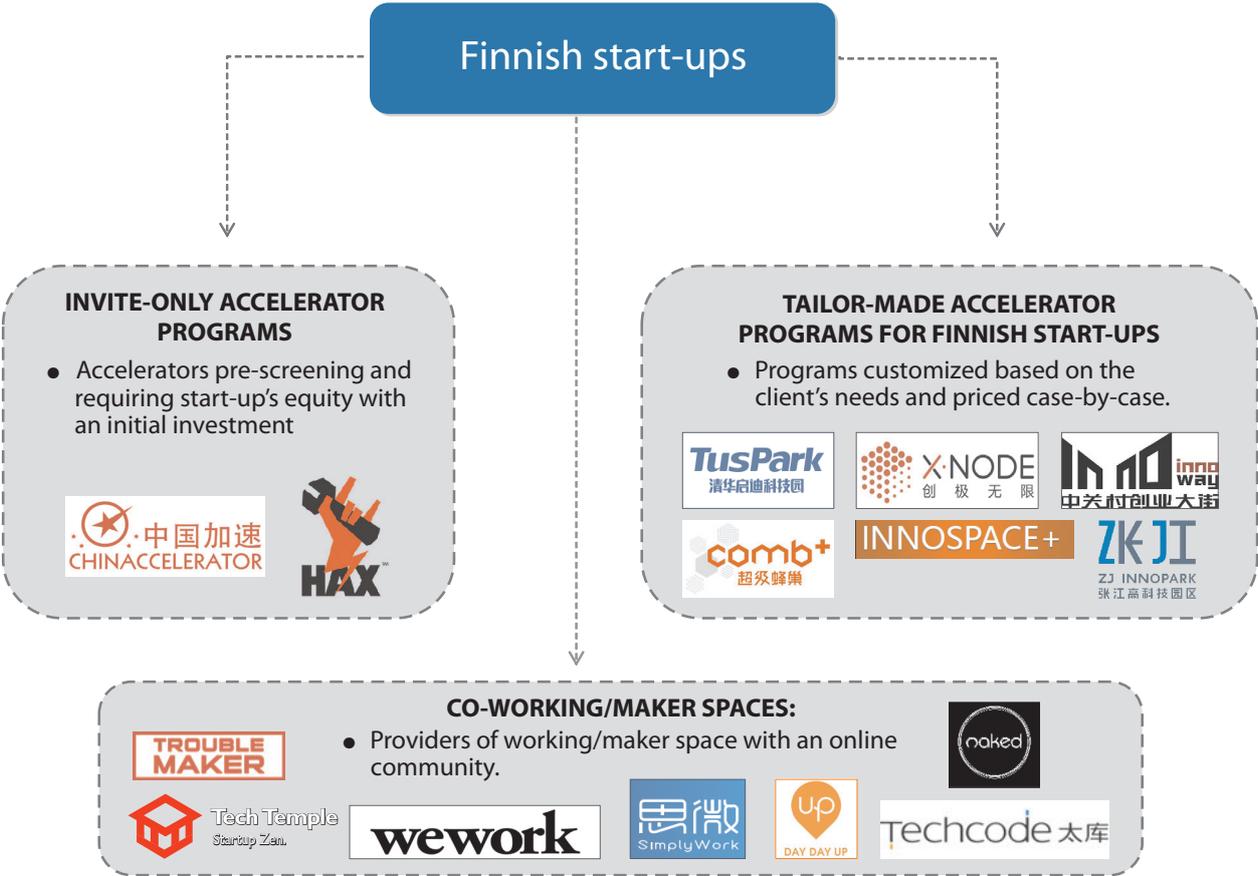
Figure 16. Entry options for Finnish start-ups when entering the Chinese market. Different entry options correlate with the level of independence of a start-up during the entry process. Source: B&B Advisors Shanghai



After deciding the suitable form of entry and the level of independence the start-up is willing to have during the entry process, it should consider carefully, what entry services it needs and how much it can or is willing to pay for the services. In case the start-up decides to use entry

services by Chinese incubators, it should understand the differences between the incubators' service content and their pricing methods. Figure 17 clarifies the differences in regard to service content and prices among the selected 15 Chinese incubators.

Figure 17. In terms of service content and pricing, the key Chinese incubators for Finnish start-ups can be divided into three categories; invite-only accelerators, tailor-made accelerators for Finnish start-ups and co-working/maker spaces. Source: B&B Advisors Shanghai



6.2 Q&A



Q&A – Why should I choose China and how can I prepare for my market entry?

For majority of industries, China is often not only the biggest, but also an increasingly advanced market in many ways. For example, for APP companies China is already the biggest market in the world and much bigger than the US. Further, with over 720 million Internet users, China is also the largest digital consumer market in the world. Therefore, a start-up planning to go global should ask itself, what size my risk is, if I ignore China as my target market.

When it comes to preparing for the market entry to China, a start-up should start with a profound market study about its own market segment and target customers in China. For instance, the Tekes Market Access Programs (MAP) with Tsinghua University in Beijing and Fudan University in Shanghai are a cost-efficient way to do a professional market study and get familiar with your own customer base in China as well as market needs. Alternatively, there are other professional third party service providers that can help you with a profound market research. Other practical options are learning about the Chinese market through Slush China, Finnish accelerators cooperating with Chinese incubators or joining a co-working space community to get local contacts. In addition to a market study, another crucial act of preparation is to visit China many times before the actual entry.



Q&A – What are the crucial factors for my success in China? What are the main challenges?

The crucial factors are:

- Finding the right partner and/or team.
- Customer service attitude and resources allocated to understand their needs.
- Market fit of your product or solution.
- Contact network.
- Being present and spending enough time in China.

The main challenges are:

1. Language
2. Culture
3. Localization
4. IPR
5. Creation of relationship network, *guanxi*



Q&A - How shall I recognize, which incubator program is the most suitable for me and for my business?

Before selecting an incubator partner in China, a start-up should already be aware of Chinese policy environment and government influence on the business it is planning to do in China. A start-up has to know exactly, what pain points and a problem it is going to solve in China and how its solution, innovation or technology will make money in a significantly different operational, regulatory, cultural and technical environment. As Chinese incubation programs are relatively less segment-specific and open for technology innovations from various sectors, the start-up should be capable of identifying its target segments already before choosing the program.

Checklist **before** choosing an incubator program in China:

- Study your target segments in China and the policy environment related to them.
- Choose several incubator candidates, visit their premises and meet the incubator teams in person in China.
- If possible, interview other start-ups on candidate incubators' platforms.
- Favour English-speaking incubators, if you don't speak Chinese or if you don't have a Chinese team member to guarantee efficient communication.

After you have taken into notice all these aspects, you should evaluate an incubator program based on its focus industrial sector as well as its experience in working with other foreign startups. The following list describes the focus areas of each selected incubator and accelerator:

Incubator / accelerator name	Focus industrial sector	International participation (% of foreign startups)
Z-InnoWay	AR/VR, AI, IoT, intelligent hardware, biotechnology	12,3%
Zhang Jiang Group	ICT, VR/AR, intelligent hardware, life science, health	N/A
TusPark	TMT, IT, ICT, AI, Intelligent hardware, Big Data, Healthcare, Cleantech, Fintech	<30%
Chinaccelerator	Software for mobile commerce, luxury fashion, education, F&B import platforms	70%
COMB+	Games, AR/VR, Intelligent Hardware, New Media, AI, Environment/New Energy	10%
DayDayUp	AR/VR, digital health, black technology	30%
HAX	Intelligent hardware, consumer devices, gadgets, B2B devices, media/entertainment, robotics	100%
InnoSpace	Industrial 4.0, consumer upgrade (AR/VR, IoT, Internet of Cars), new science/materials	30%
NakedHUB	Media, advertising, marketing, design, professional services	30%
SimplyWork	IoT, ICT, cross-border commerce	<30%
TechCode	AI, medical tech, new materials	N/A
TechTemple	Internet	<30%
Trouble Maker	Robotics, intelligent hardware	100%
WeWork	All	30%
XNode	Fintech, retail tech, health tech, IoT	70%



Q&A – What are the benefits of using a soft-landing platform in my case?

An entry via a soft-landing platform (e.g. FinChi) is recommended for start-ups or growth companies, which already know relatively clearly, who and where their target customers are and what operational efforts are needed to get closer to them. A soft-landing platform is normally used for few years to conduct pilot sales and to get market feedback for the product or solution without setting up yet any physical presence in China. So called “virtual office service” enables a start-up to maximize its presence in China with minimum fixed costs.

FinChi provides Finnish companies office space that can be used for Representative Office or WOFE registration. It can also assist a start-up with cash management. That is, FINCHI helps to complete local payments to a start-up’s suppliers, employees and partners, when the start-up does not have yet its own legal entity and bank account in China.



Q&A – How can I find a Chinese partner? How shall I know which is the right one for me?

As the partner selection is one of the most critical phases of your market entry to China, we highly recommend you to conduct a professional and profound partner search process together with a third-party service provider or with assistance of your Chinese team members.

Checklist when looking for a Chinese partner:

- Allocate enough resources, time and patience to the partner search process.
- Use qualified third-party service provider to help you in the process.
- Do not choose the first partner candidate, who passes by.
- Verify the background of each partner candidate in detail.



Q&A – I can't speak Chinese. Can I survive with English?

Yes and no.

Even though China's urban, young generation in Tier 1 cities like Beijing and Shanghai speaks English increasingly well and has international experience after studying or working abroad, business is still mainly done in Chinese language in China. As Chinese business culture strongly relies on interpersonal connections and relationships, *guanxi*, the language is the number one challenge for foreign start-ups entering China not only in terms of running the daily operations, but also Chinese is needed in building up local network and getting into the local start-up ecosystem.

Moreover, learning Chinese greatly improves a foreign start-up's chances to understand the Chinese culture, business dynamics and Chinese consumers. Naturally, it is very difficult to reach the fluency level of the Chinese native speakers, but it is possible to learn conversational level of Chinese in 1-2 years depending on the intensity of language studies. With conversational Chinese, a foreign start-up founder can already start building network in Chinese start-up ecosystem and get positive attention among Chinese entrepreneurs, investors and stakeholders.

Hence, we recommend that a foreign start-up entrepreneur entering China starts learning Chinese language to also learn about Chinese culture and to get closer to the local start-up community, while the start-up simultaneously hires a local team member or uses third-party services to set up itself in China.



Q&A – Do cultural differences really affect my business that much? How?

Yes, they will greatly affect your business in China.

The best way to face the cultural differences is to change your attitude and assumptions completely that things would be somewhat similar in China as they are in Finland, because they simply are not. Changing the attitude also means accepting that the different way of doing things in China can be equally good in the Chinese context as the way things are done in Finland in the Finnish context. Appreciating the Chinese way to do things requires humbleness that is necessary, when dealing with China. Having an open attitude means taking things less seriously and with a hint of sense of humour - observing the environment with great curiosity.

The conception of time is another dramatic difference between the Chinese and the Finnish culture. In China, things happen quickly, preferably immediately. For start-ups, this means that the time span to evaluate the success is much shorter than in the Western countries. Usually, results and signs of traction are expected from a start-up after 2-3 years, sometimes even after one year. The different time conception also means things are done spontaneously, meeting times and people to be met in the meetings might change several times a day and still it does not mean that the Chinese counterparty would be unwilling to meet you or that things would be going to a wrong direction. In fact, things might be going even better, when plans and schedules suddenly change.

In terms of work culture in Chinese start-ups, work-life balance is a less familiar concept and working hours are very intense. In Chinese start-up ecosystem, there is a concept called "9/9/6" referring to that regular work hours for most employees are from 9 am to 9 pm six days a week. Such hard-working mind-set, spirit and dedication stems from the fact that Chinese entrepreneurs are very pragmatic - they simply want to find the fastest way to win.

Finally, in Chinese culture interpersonal connections are the key when doing *any* business in China. For example, a relevant business network can consist of friends, relatives, former classmates, former colleagues or business partners. Or, it can further include friends and relatives of a friend, classmates and colleagues of a relative as well as any other combination as long as there is interpersonal trust. So, get connected.



Q&A – Do I have to adjust my product, solution or business model when entering China? Why?

Yes. In order to succeed in China, a foreign start-up needs to localize itself and its offering. Localization must start from evaluating the initial business model in the light of a completely different context in regard to regulation, institutions, trends and needs, competition and practices. A business model that makes money in the West, might not be profitable in China and a problem that exists in Finland might not be a problem in China.

Localization means understanding, accepting and following what the local needs and preferences are instead of consuming time and money to change them. The best way to localize your business is to find a Chinese partner that knows the market, target customers and their needs, regulations, key stakeholders, competitors and the actual channels to market.



Q&A – How can I protect my IPR? Or, can it be protected at all?

Your IPR could be protected to some extent. Hence, it is highly recommended that you consult a law firm and a trademark agency in China about how to register your IPR properly.

However, we have some general tips, which might be useful. Hardware-related companies can protect their IPR by disassembling the product to components, which are outsourced from local manufacturers. Assembly work could be arranged separately. Or, the product itself could be produced at low price with high quality, which means that the Chinese copycat will not catch up with half of the cost and thus loses its motivation to copy. For a software-related company, the best defensive act against copying is to iterate fast enough. Further, if your clients are large companies like the BAT, they might integrate your products into their platforms by paying you a licensing fee or sharing revenue with you based on monthly active users (MAUs). Your innovation could help these large companies to add value with their improved service to customers and thus they would get more benefit out of cooperation with your product. However, for self-protection, it is important to record all the communication during the co-developing process.

Final words

We hope you have enjoyed the start-up journey to China with us and gained new insights, ideas and courage to consider China as one of the destinations, where to expand your global stand. Also, we hope that our handbook would inspire students, entrepreneurs and the whole Finnish start-up community to think globally, to increase curiosity and to strengthen a go and see mind-set. Let us start today-a culture of going global!

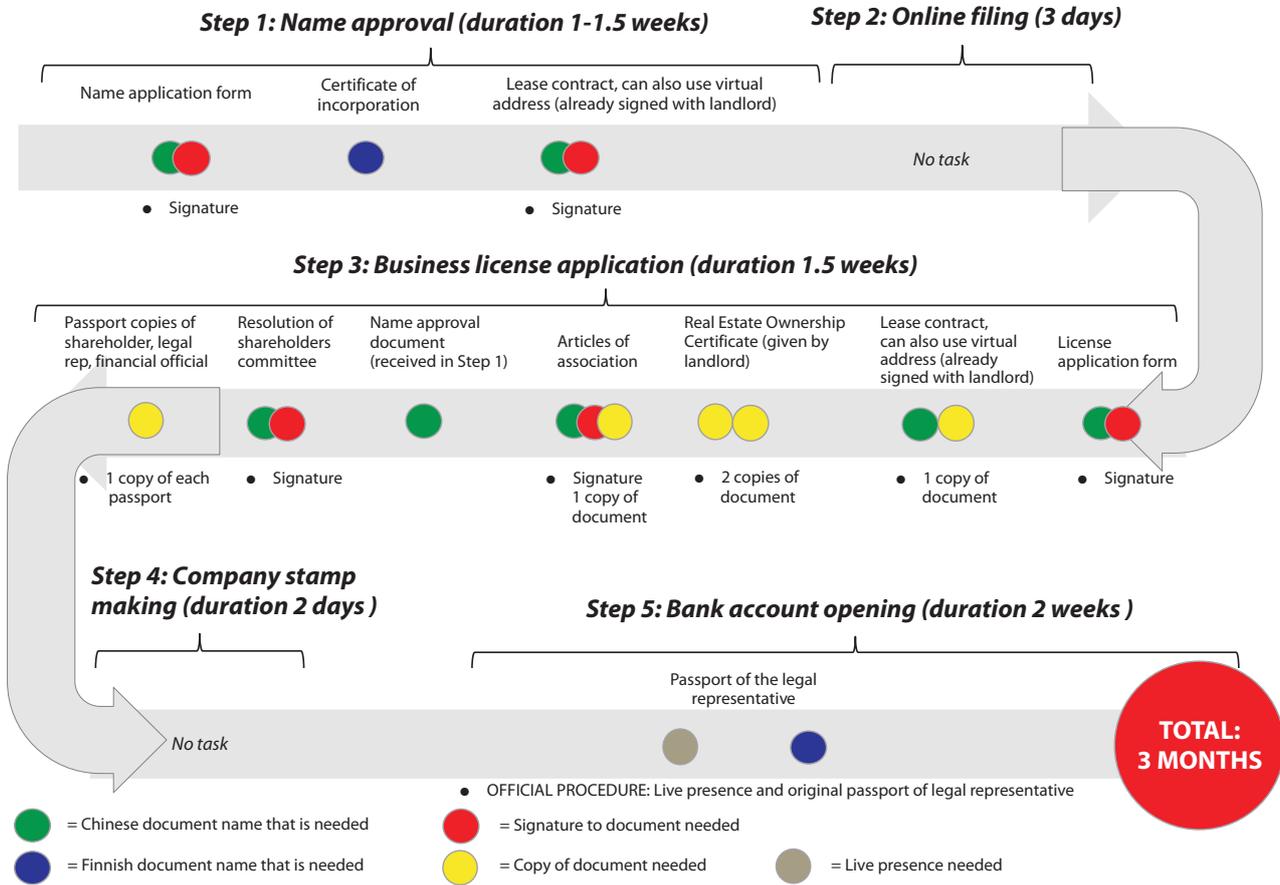
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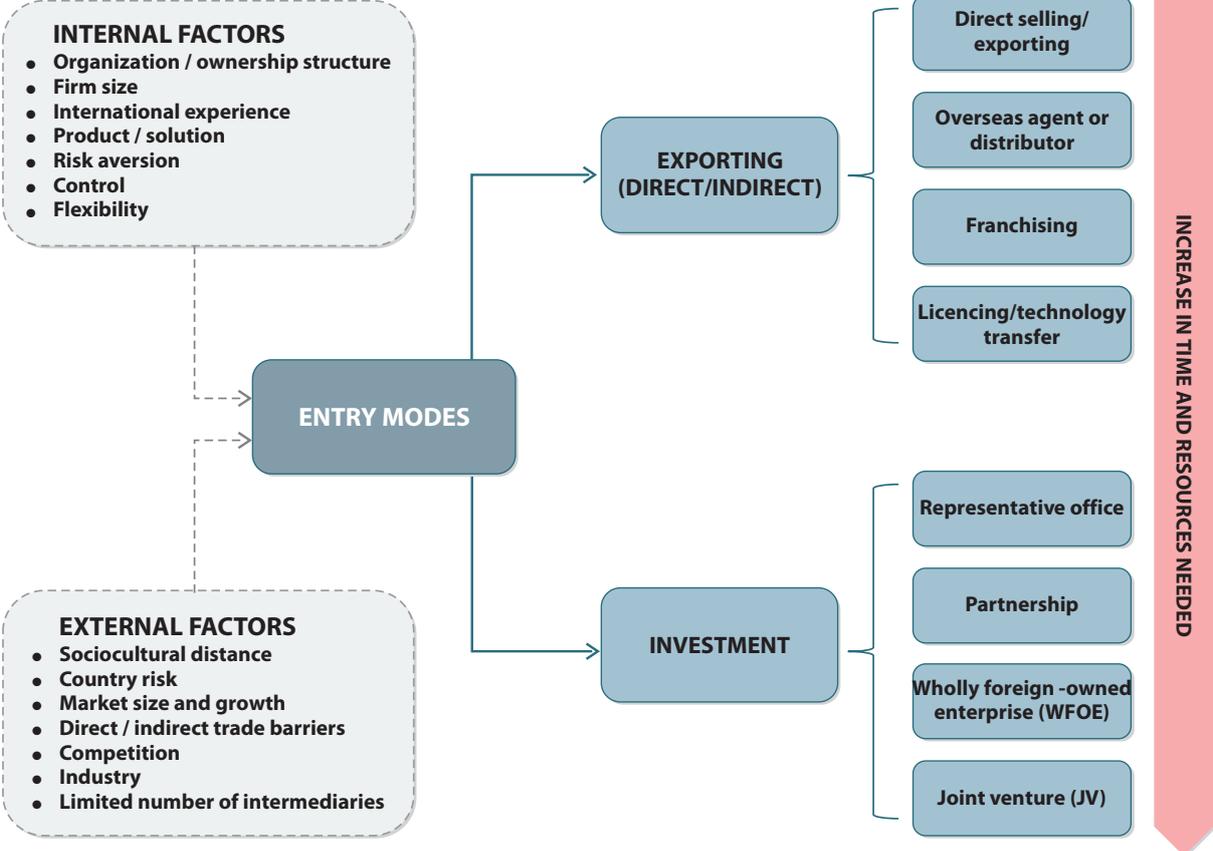
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Appendix 1. Company Registration Process

COMPANY SETUP PROCESS AND TIMELINE IN CHINA



Appendix 2. Entry Modes for Small- and Medium-Sized Enterprises (SME) Entering China



Tekes' Reviews in English

- 338/2017 Handbook for Finnish Start-ups for Entering Chinese Market. Riikka Koponen, Maggie Li and Tero Kosonen, B&B Advisors Shanghai. 58 p.
- 335/2017 Attractive innovation environment. Johan Wallin, Jan Fagerberg, Takahiro Fujimoto and Peter Laxell. 114 p.
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- 320/2015 Evaluation of Tekes Activities – Main Methods and Impacts. Jari Hyvärinen. 39 p.
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- 316/2015 In Vitro Diagnostics – a Finnish Success Story. Dr Paul Mundill. 42 p
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- 308/2014 The impact of Tekes Activities on Wellbeing and Environment. A study by Technopolis B.V., VTT and Statistics Finland. Ville Valovirta, Janne Lehenkari, Olavi Lehtoranta, Torsti Loikkanen, and Arho Suominen (VTT); Hanneke Bodewes, Bastian Mostert, Stijn Zegel and Geert van der Veen (Technopolis). 83 p.
- 307/2014 Verso – Vertical Software Solutions 2006–2010 – Katsaus ohjelman toimintaan. Marit Tuominen, Sari Vähämäki, Kari Ryytänen ja Risto Setälä. 74 s.
- 306/2014 Innovation policy options for sustainability transitions in Finnish transport. Armi Temmes, Venla Virkamäki, Paula Kivimaa, Paul Upham, Mikael Hildén and Raimo Lovio. 55 p.
- 301/2013 Fuel cells and hydrogen in Finland – Finnish Fuel Cell Programme 2007–2013. 20 p.
- 296/2012 Innovation Activity, Global Production Sharing and Productivity. Jari Hyvärinen. 26 p.
- 295/2012 New opportunities for China-Finland r&d&i cooperation. Jani Kaarlejärvi and Matti Hämäläinen.
- 291/2012 Capabilities for innovation activities – Impact study. Johan Wallin (ed.), Philip Cooke, Arne Eriksson, Tomi Laamanen and Patrik Laxell. 134 p.
- 290/2011 Business Opportunities at the United Nations for the Finnish Safety and Security Industry. Annamari Paimela-Wheler and Laura Hämynen. 41 p.
- 289/2011 Funder, activator, networker, investor... Exploring Roles of Tekes in Fuelling Finnish Innovation. Kirsi Hyytinen, Sirkku Kivisaari, Olavi Lehtoranta, Maria Lima Toivanen, Torsti Loikkanen, Tatu Lyytinen, Juha Oksanen, Nina Rilla and Robert van der Have. 136 p.
- 288/2011 Better results, more value – A framework for analysing the societal impact of Research and Innovation. Päivi Luoma, Tuomas Raivio, Paula Tommila, Johan Lunabba, Kimmo Halme, Kimmo Viljamaa and Henri Lahtinen. 120 p.

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