

The China Startup Dream

An evolving story of opportunities and perils in a fast developing
nation

This is where my story starts



Stanford | ENGINEERING
Electrical Engineering

Beijing, Year 1999



Year 1999: Obstacles to Entrepreneurship

- ⊗ China just joined the WTO, many industries are closed to foreign as well as private capital.
- ⊗ Angel Investing, Venture capital and Private Equity non-existent, most companies raise capital by borrowing from bank or individuals
- ⊗ Very difficult to attract quality employees, most want to work for Fortune 500 companies or SOE's
- ⊗ Lack of infrastructure for IT development
- ⊗ Information asymmetry across the Pacific

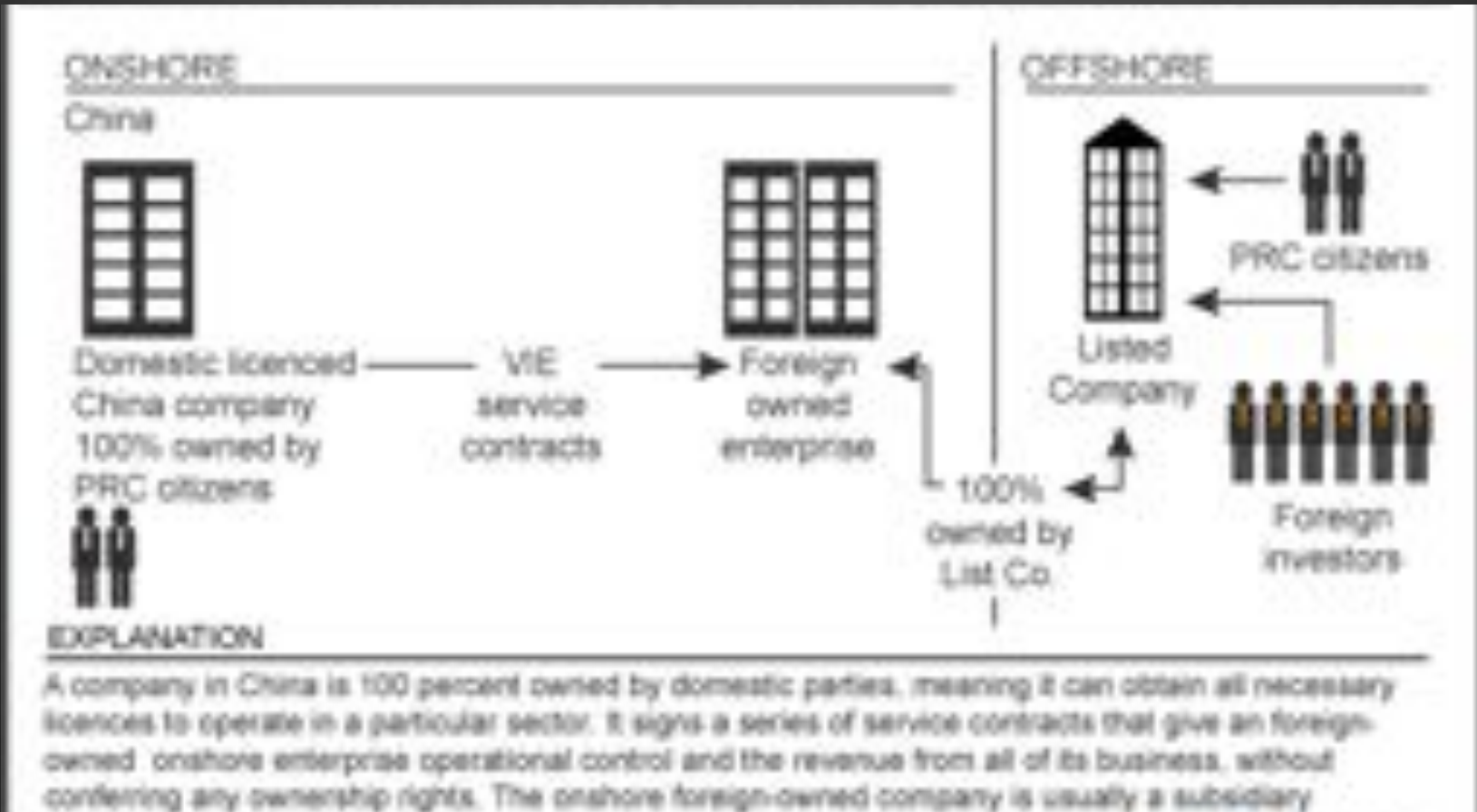
Foreign Capital not allowed in China Internet Space



The Way We Cope with the Obstacles

- ⊗ Raise foreign capital out of necessity
- ⊗ Find talented hires directly from top universities
- ⊗ Use information asymmetry as an advantage
- ⊗ Not much we can do about infrastructure development, except to wait for the wave to come.

The solution: VIE Structure



The Goal: IPO on Nasdaq or be Acquired



How Things Changed: Year 2015

- ⊗ Plenty of funding sources: International VC and PE firms all setup shops in China, many domestic shops have grown to dominate the investment scene
- ⊗ Information chasm filled, returnees have no information advantage
- ⊗ Government is very pro entrepreneurship, using resources to promote entrepreneurship and innovation in an unprecedented way
- ⊗ Everyone is or becoming an entrepreneur

Mass Entrepreneurship and Innovation



Entrepreneurship in Unexpected Places



How Things Changed: Year 2015

- ⊗ Equity investment is red hot both in private and secondary markets. The stock boom recently have ignited the country. The effects are spilling over to foreign markets
- ⊗ Company valuations have sky rocketed. Many companies have got rid of the VIE structure and list on Chinese stock exchanges
- ⊗ Introduction of the the 3rd Board have got many companies get to the public market very quickly instead of getting a big PE round
- ⊗ Growing interest in equity crowd funding have the government thinking of a 4th Board.

The Harsh Reality

- ⊗ Competition is so fierce that every niche market is filled with companies
- ⊗ Free-mium model is not enough, you have to pay for users to use your product (red-packets)
- ⊗ Everyone is working long and gruesome hours
- ⊗ Require constant fund raising
- ⊗ Need to know how to market and promote really well since it's very difficult to be heard