

CHINA SCIENCE AND TECHNOLOGY NEWSLETTER

Department of International Cooperation

No.3

Ministry of Science and Technology(MOST), P.R.China February 10 2015

Special Issue: 2014 in Retrospect: Beijing Zhongguancun in the Spotlight

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An Innovation Centre with Global Clout to be Built

In late September 2014, 81 overseas academicians and 84 overseas professionals from 17 countries and regions including the U.S., Canada, Australia and Sweden paid a visit to Zhongguancun Science Park. They investigated Zhongguancun’s cutting-edge technologies and incubation environment, took part in a forum on overseas talents’ development, held discussions about

innovation and entrepreneurship with representatives from all local circles. Suggestions have been given to building Zhongguancun into an innovation centre with global clout.

At the forum, the Zhongguancun Administrative Committee, the U.S.-China Development and Cooperation Committee and the New England Council

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Higher Education Committee signed a cooperation agreement that seeks to “co-build a platform for talent development and collaborative innovation”. The parties will enhance cooperation in talent development and technological innovation, and together establish a platform for high-calibre talents to collaborate in their innovations. The Administrative Committee and the Tsinghua Alumni Association signed a framework agreement on talent development cooperation, which will attract Tsinghua University’s alumni from all over the world to return to Zhongguancun to make innovations and start businesses.

At a seminar of a hundred overseas academicians and experts on innovation and entrepreneurship, Wang Xiaolan, President of the Zhongguancun Federation of Social Organizations (the Federation), on behalf of the Federation and the Zhongguancun Committee of Industrial Alliance, announced *Zhongguancun’s Declaration on Accelerating the Building of a Scientific and Technological Innovation Centre with Global Influence*. She called on professionals from home and abroad to join hands in this initiative.

Zhongguancun is China’s first national hi-tech zone and the first national innovation demonstration zone. After 26 years’ development, Zhongguancun has become an innovation hub with nationwide influence. In 2013, its enterprises’ gross income achieved 3.05 trillion yuan, contributing up to 21.7 percent of Beijing’s GDP. The number of Zhongguancun's venture capital cases and

the investment respectively accounted for about a third of the country's total, which rivalled Silicon Valley’s percentage in the U.S.. Zhongguancun is also home to batches of high-tech and high-growth enterprises. In 2013, 2,362 enterprises, 465 more than last year, achieve annual incomes of no less than 100 million yuan. This means one enterprise of this size emerged there in less than one day.

“Zhongguancun is striding towards the aim of becoming an innovation centre with global clout”, said Guo Hong, Director of the Zhongguancun Administrative Committee. In recent years, the Zhongguancun Demonstration Zone (i.e. Zhongguancun Science Park), with building a global innovation centre as its focal task, has proactively carried out a series of explorations and practices. It has striven to pool high-calibre talents from the world, design new regulations to stimulate innovation vitality, introduce and transform foreign countries’ cutting-edge technologies, set up offshore innovation platform, draw the blueprint to deploy the world’s resources to boost innovation and development. “I sincerely hope that overseas academicians and experts can pay close attention to and support Zhongguancun’s development. We need your constructive suggestions.” Guo addressed, “and let’s build Zhongguancun into an innovation hub that can influence the world.”

(Source: *China High-tech Industry Herald*, October 13, 2014)

Zhongguancun “Inno Way” and Its Services for Start-ups

On June 12th, 2014, the first area featuring its services for start-ups, the Zhongguancun Innovation Street (the Inno Way) was officially named and brought into commercial operation.

By the end of October, 2014, 13 start-up service agencies had moved into the Inno Way. 339 start-up teams had begun their businesses, of which 48 returned from overseas and 123 had obtained funding, averaging 5 million yuan for each. The Inno Way had hosted nearly 200 activities with over 20,000 participants, among whom there were over 50 young global leaders from the U.S., UK, France and dozens of other countries and regions. Currently, the Zhongguancun Inno Way’s “Start-ups in Blocks” mode has taken shape.

In terms of start-up services in Zhongguancun, universities such as Peking University and Tsinghua University play a significant role in encouraging college students to start their own businesses through entrepreneurial education and incubation.

For example, the Entrepreneur’s Training Camp of Peking University provides entrepreneurial education, research, incubation and venture capital fund, an all-round support to help its trainees start a business. It has appointed more than 70 alumni as entrepreneurial mentors, set up an 80-million-yuan venture capital guidance fund, hosts more than 100 activities like entrepreneurship salons, forums and project roadshows each year, and has served over 5000 entrepreneurs.

Tsinghua University’s School of Economics and Management opens the public optional course “Start a Business” to all its graduates, along with an initial course incubator fund of 20 million yuan. Among the student teams who attended the course, half of them started their companies, 10 were directly or indirectly funded, with

a total funding surpassing 30 million yuan. In Tsinghua University’s China Entrepreneurs’ Training Camp, over 4000 students and alumni found financial, legal and human resources and received training courses in these aspects. More than 3,500 people with over 250 projects participated in the “President Cup” Innovation competition.

Not only universities but also innovative incubators that have been emerging recently are becoming a hotbed to foster “Post-90s Generation” entrepreneurs. Reportedly, incubator funds run by Zhongguancun’s 17 innovative incubators have amounted to 2.138 billion yuan, and the investment made in the first half of 2014 reached 138 million yuan.

Statistics shown that from January to September, Zhongguancun’s innovative incubators altogether hosted 2,244 activities to serve entrepreneurs. This means on average 9 activities were running in parallel every day. For example, Beijing Maker space organized 264 activities including the global Maker Carnival and C2D2 Meetings, involving 50,000 participants. The Garage Cafe hosted 274 project roadshows and brainstorming events, involving over 30,000 participants. 3W Coffee hosted 720 activities like the Venture Capital Open Day and the Industry Salon Platform, serving over 20,000 entrepreneurs. Innovative incubators set up iHeima Global Roadshow Centre and hosted over 300 activities, serving more than 6,000 start-up programmes. AAMA hosted 138 activities including the training course called the Cradle Initiative, with over 7,000 participants.

In Zhongguancun’s entrepreneur-friendly environment, youngsters especially the “Post-90s-Generation” entrepreneurs will continue to emerge and lead the nation’s waves of start-ups.

(Source: *China High-tech Industry Herald*, October 27, 2014)

Overseas Talent Attracted to Innovate and Start Businesses

In 2012, Haidian district government initiated the “Haidian Talent” project for the first time to encourage world-class scientists, technicians, engineers and start-up teams to make innovations and start businesses in Haidian and make this district more innovative and dynamic.

By the end of October 2014, this project had included 331 people: 155 leading entrepreneurs, 130 distinguished innovative personnel and 46 bright young minds. 68.6 percent were engaged in government-supported strategic emerging industries, such as mobile internet, bioengineering and new medicine development, new energy, new materials as well as energy conservation and environment protection. 87.9 percent were the holder

of master degrees or above and nearly half of them had studied or worked abroad before.

In recent years, Haidian district government has exerted every effort in forging an all-round working system covering investment, incubation, training, media and other areas. Meanwhile the government has helped to solve these people’s practical problems such as housing, children’s education and promotion of new technologies and products. Comprehensive services for innovation, entrepreneurship, and living conditions have been provided.

(Source: *China High-tech Industry Herald*, October 27, 2014)

Companies Encouraged to Value Intellectual Properties

The Zhongguancun National Innovation Demonstration Zone boasts the most dynamic innovation activities, the most abundant scientific, technological and intellectual resources and its relatively concentrated IP services. With strong support from the State Intellectual Property Office, Zhongguancun has launched a series of IP-related pilot projects, such as IP investment and financing services, patent insurance and IP review. Notable progress has been made in this regard.

In July 2013, the nation's first IP service alliance was set up in the Zhongguancun Demonstration Zone. Currently, the alliance has included 73 Zhongguancun IP agencies with services covering six aspects such as patent agent, IP-related information, legal service, commercialization, assessment, and training. It played an important role in promoting IP standardization and the

development of IP service industry in the zone.

In April 2014, the Zhongguancun Administrative Committee, together with the Beijing Intellectual Property Office, the Beijing Municipal Administration of Quality and Technology Supervision and Haidian district government, issued *Measures to Promote services for IP Development and IP Standardization in the Zhongguancun Demonstration Zone*. The document supports the all-out efforts to build China’s first IP and Standardization Street and attract more high-end IP service agencies to move into the zone.

Among the existing agencies in Zhongguancun, 19 have been awarded as “Zhongguancun Outstanding IP Service Agency”. They filed 7,802 patent applications for companies in Zhongguancun in 2013, 21 percent of the zone's total, acted in a representative capacity to

authorize 3,833 patents, and also provided 97 patent analyses and handled 42 IP lawsuits.

Apart from IP services, the Beijing Intellectual Property Office and the Zhongguancun Administrative Committee jointly formulated a plan to foster IP industrial leaders. Companies are encouraged to attach more importance to IP and improve their IP-based core competencies. According to this plan, by the end of 2015, Zhongguancun will be home to 10 companies with over 1,000 patent applications per year and 50 companies with over 100 applications per year. IP professionals with expertise in management, IP protection, and business operation will be trained.

In October 2014, 27 companies were firstly included on the list of local IP industrial leaders. Lenovo, BOE, Foton Motor and Qihoo360 Technology were identified as “Zhongguancun IP Industrial Leaders”. Each of them

filed over 1,000 patent applications annually. The other 23 companies were identified as “Zhongguancun IP Demonstration Company”.

From January to August 2014, 9,001 patent applications were filed by these 27 companies and 3,427 were authorized, accounting for 35 percent and 23.1 percent respectively of the 19,000 companies’ total in the demonstration zone. 6,961 applications were filed by the IP industrial leaders and 1,563 were authorized, accounting for 46.4 percent and 31.1 percent respectively of the zone’s total.

Companies on the list will enjoy a special fund and a year of professional guidance and training to better design and implement their IP strategies, improve IP quality and improve their IP management systems.

(Source: *China High-tech Industry Herald*, October 27, 2014)

The Administrative Committee of Zhongguancun Science Park Cooperate with Banks to Support SMEs

In late October, the Administrative Committee of Zhongguancun Science Park and China Citic Bank held the signing ceremony of strategic cooperation. Sales Department of the Head Office of China Citic Bank signed contracts with four loan enterprises in Zhongguancun.

According to the contract, China Citic Bank will offer financing service to enterprises in Zhongguancun and to the demonstration zone for infrastructure construction. It will also offer financial services to the enterprises.

It is reported that China Citic Bank will offer an intentional credit line of 30 billion yuan to high-tech enterprises in the Zhongguancun Science Park for the first time. Besides comprehensive financial service, China

Citic Bank will also provide customized solutions for the building of a demonstration zone in Zhongguancun.

In recent years, the Administrative Committee of Zhongguancun Science Park has made great efforts in promoting financing for enterprises in light of their needs for development. For example, it has set up credit risk compensation funds for small and micro businesses and encouraged banks and guarantee institutions to provide such businesses financial services. In particular, a special pilot program has also been carried out, which provides guarantee and insurance for micro loans. Zhongguancun Science and Technology Guarantee Company, functioning as a platform, raised 7.72 billion yuan for SMEs in total. Accumulatively, all banks have offered an credit of 39.21 billion yuan and IPR pledge loan of 13.27 billion yuan

for enterprises. Zhongguancun Microcredit has offered an accumulative amount of approximately 7 billion loans. China Export & Credit Insurance Corporation has provided 13.2 billion dollars to support the export activities of Zhongguancun enterprises, accounting for 37.3 percent of that in Beijing.

The cooperation between the Administrative

Committee of Zhongguancun Science Park and China Citic Bank will offer great financial support for the innovative development of high-tech enterprises in Zhongguancun.

(Source: China High-tech Industry Herald, October 27, 2014)

Regional Industry Alliance to be Built

On October 22, 2014, 21 enterprises including JD.com, Baidu, Qihoo 360, Xiaomi, and universities and research institutions jointly form the first smart hardware industry alliance in China---Zhongguancun Smart Hardware Industry Alliance, which is aimed at building an emerging and influential smart hardware industry organization in China through resource integration over an industrial chain.

Insiders believe that Zhongguancun has displayed world class performance by pioneering smart hardware development in China. It is reported that Zhongguancun's internet enterprises such as Baidu, Xiaomi, letv.com, JD.com, Qihoo 360 have spared no effort in developing smart hardware and focusing on technological innovation and business integration. They have launched a series of smart hardware products, such as smart phone, TV, box, wristband and router, and cultivated a number of innovative enterprises, forming a smart hardware cluster.

According to Mr Wang Zhenhui, Vice President of JD.com of the alliance, the 21 members of the alliance do business in a wide spectrum of fields, including chip design, industrial design, software, internet, big data, hardware, E-commerce, testing and certification. Its main task is to help big enterprises play a leading role in core element and key link of the industry, to facilitate

the integration of research and production and to promote cooperation between upstream and downstream enterprises. It will also set up a smart hardware public service platform and investment fund, so as to create favourable conditions for developing new business models and enabling Zhongguancun to become a global smart hardware development centre.

Mr Guohong, Director of the Administrative Committee of Zhongguancun Science Park, said Zhongguancun will fully utilize its innovative resources to build five public technology and service platforms after the founding of the alliance, including testing and certification, R&D cooperation, IPR and standard, big data service, and E-commerce promotion platform. All these platforms are vital for collaborative innovation. In addition, it will focus on technology research, market development and standard setting by drawing on experience of the developed countries. China must end it by unifying standards of products. By doing this, we can transfer the market advantage of information consumption into the standard advantage for smart hardware innovation.

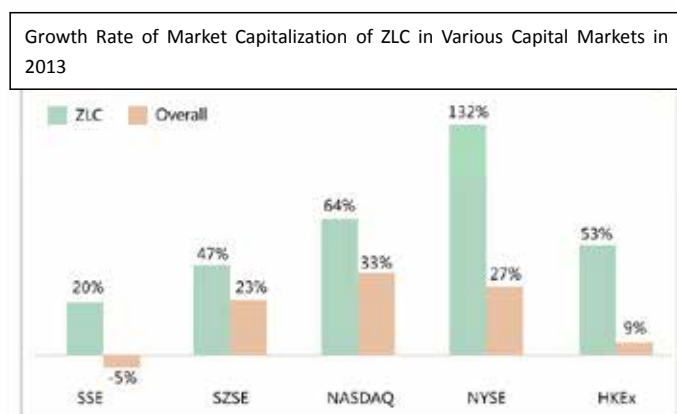
(Source: China High-tech Industry Herald, October 27, 2014)

Zhongguancun's Listed Companies

On September 9, 2014, Zhongguancun Listed Companies Association held a press briefing in Beijing to release its report on the competitiveness of its listed companies in 2013, which examined the current status of Zhongguancun listed companies and drew some conclusions.

By the end of 2013, 230 Zhongguancun companies had gone public. The report analysed 200 listed companies who disclosed their 2013 annual report before July 1, 2014. These companies are listed in major capital markets worldwide, out of which 131 in domestic market and 69 in overseas capital market.

At the end of 2013, the market capitalization of Zhongguancun's listed companies (hereinafter referred to as ZLC) was 2,052.3 billion yuan, an increase of 696.9 billion yuan over 2012, up 51 percent year on year. Overseas listed companies contributed 58 percent of the approximate 700 billion yuan increase in market capitalization. The growth rate of market capitalization of ZLC in each capital market exceeds the overall growth rate of that of their respective capital markets. (See following chart)



Note: SSE; Shanghai Stock Exchange; SZSE; Shenzhen SE

In 2013, the market capitalization of the top 20 ZLC reached 1047.6 billion yuan, accounting for 51 percent

of the total. The benchmark of the top 20 ZLC was about 22 billion yuan, a 7 billion yuan increase compared with the previous year. Baidu, Lenovo remained the top two in terms of mark capitalization.

At the end of 2013, the gross profit of ZLC was 255 billion yuan, up 15 percent year on year. The total net profit was 62.1 billion yuan, up 4 percent year on year.

At the end of 2013, the ratio between market capitalization (1091.8 billion yuan) and net profit (35.4 billion yuan) for domestic listed companies was 30.8. For U.S. listed companies, the ratio between market capitalization (717 billion yuan) and net profit (16.6 billion yuan) was 43.2. For HK listed and other companies, the ratio between market capitalization (243.5 billion yuan) and net profit (10.1 billion yuan) was 24.1. Statistics show that ZLC are favoured in major capital markets worldwide, while investors in U.S. are most optimistic about the prospects of ZLC whose market capitalization as a ratio of net profit was 43.2.

Through various financing channels, ZLC raised 76.3 billion yuan in 2013, up 43 percent year on year. And the total investment of ZLC was 119.5 billion yuan, up 18 percent year on year.

At the end of 2013, the total cash and cash equivalents of ZLC was 324.7 billion yuan, up 8 percent year on year. 5 ZLC held cash and cash equivalents of more than 8 billion yuan. They were: Baidu, Lenovo, BOE, China CAMC Engineering and China Railway. 10 ZLC held cash and cash equivalents of more than 5 billion yuan; 34 companies more than 2 billion yuan; and 68 companies more than 1 billion yuan.

Through overall analysis, the report concluded that ZLC displayed strong growth momentum in overseas capital markets in 2013. ZLC have following features:

First, ZLC are the most dynamic enterprises. Despite the slowdown of Chinese economic growth and world

economic downturn, ZLC performed very well and gained strong growth with its capitalization increasing by 700 billion yuan in 2013. This indicates that investors both home and abroad pay attention to not only the impact of China's economic growth on global economic recovery, but also the role of high-tech enterprises in China's economic growth. ZLC are the most dynamic enterprise cluster in China's future economic development.

Second, ZLC are the driving force for emerging industries. In 2013, the strategic emerging industries in Zhongguancun grew rapidly and an increasing number of enterprises performed very well. The benchmark for the top 20 ZLC increased from 15 billion in 2012 to 22 billion in 2013 and 6 enterprises were listed for the

first time. ZLC have become the most dynamic part of regional emerging industries, and have played a very significant role in promoting regional innovation and economic restructuring.

Third, ZLC have strong financing competence. In 2013, ZLC raised a total of 76.3 billion yuan and a total amount of 324.7 billion yuan of cash and cash equivalents. This indicates that ZLC have strong capability of financing and investment. Meanwhile, ZLC have explored a way to turn financial capital into industrial capital that will further enhance the development of emerging industries.

(Source: Science and Technology Daily, September 12, 2014)