



# China Startup Ecosystem Report 2022



Baden-Württemberg

MINISTRY OF ECONOMIC AFFAIRS, LABOUR AND TOURISM

## Executive Summary

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- Between 2010 and July 2022, a total of more than 44 million new companies were founded in China's 100 largest cities
- The number of newly formed companies has been steadily increasing since 2010, although it should be noted that many companies from earlier years are no longer active
- A total of 35,350 startups were identified that have been founded since 2010 and have received at least one round of external financing
- In total, the 35,350 startups have received 60,321 investment rounds. 58% of all investment rounds, the investment amount is not published and thus cannot be included in the investment figures
- The startups have raised a total of at least RMB 3,139 billion via all 60,321 investment rounds. By far, the most capital was raised by companies founded between 2015-2017
- Most of these invested startups were founded in Beijing (7,975), Guangdong province (6,419), Shanghai (5,829), Zhejiang province (3,870), and Jiangsu province (3,795). These five cities alone account for 78.89% of all venture capital-financed startups
- The identified startups can be sorted into 84 different industry categories. The dominant categories are IT, software application, real estate, manufacturing, entertainment, pharmaceutical, healthcare, or automotive
- There is a big difference in the number of investment rounds received per startup. For example, 23,045 startups (65%) have received only one investment round, whereas there are also 81 startups that have received at least ten investment rounds
- It can be seen that 2021 was the year with the highest startup investment volume, with more than twice as many investment rounds compared to other years. In the first seven months of 2022, significant less capital was raised, indicating a worse macroeconomic situation for startups in China

## Methodology

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In CIMK's customized startup identification process, newly founded companies and invested startups are always collected based on the city level. For this purpose, based on the population figures of the last census, the 100 largest Chinese cities were selected, and in the following, all newly founded companies in those cities since 2010 were recorded.

The startups are mainly collected via the Chinese company registry (国家企业信用信息公示系统/ National Enterprise Credit Information Publicity System) and private company databases (Tianyancha.com or Qcc.com), which mirror the official company registry.

In the first step, the number of newly established companies since 2010 was recorded, including any kind of company, from small stores and restaurants to high-tech startups.

In the following step and for the report's in-depth analysis, only the startups from the 100 largest cities are identified that have received at least one external financing round (e.g., Angel Round, A Round, Strategical Investment). All funding round information and company master data were gathered for these companies based on the company registries. The subdivision of the startups into different industries is also based on the official industry classification made by the companies themselves.

A large part of the data is collected from the company databases, but further data is collected from other data sources, e.g., the business professional network MaiMai (comparable with LinkedIn) or the company websites.

The official company names are always used as the unique search term. The collected information includes Chinese Startup Name, English Startup Name, Foundation Date, Foundation Year, Industry, Number of Employees, Province, Chinese Address, City, District, Management, Amount of Funding, Date of Funding Round, Number of Founding Rounds, and Type of Last Funding Round. The underlying data was then used to perform all of the subsequent analyses.

### Information Translation

The data acquisition and data analysis were carried out entirely in Chinese. All information is being translated into English. For this purpose, a CIMK-specific translation module based on the Microsoft Azure Cloud Translation Model was used for the most part. Partially, own translation modules were built and applied. An example of this is the conversion of Chinese funding amounts to standardized numerical values. One example is the following transformation: 3亿人民币 to RMB 300,000,000.

### China Startup Ecosystem Output

A high-level overview of the Chinese startup ecosystem can be found in this report. More detailed insights about the identified startups and the funding rounds can be seen in the additional Excel document.

## All Companies

A total of more than 44 million newly formed companies were recorded in China's 100 largest cities between 2010 and July 2022.

Over time, it can be seen that the number of additional companies established since 2010 has increased sharply. For example, there are currently 1.25 million companies from 2010 that are still active, whereas there are still a total of 6.24 million newly established and active companies from 2021. One explanation for the differences in the number of active companies per founding year is that many new companies do not manage to survive over a longer period. Regarding this, the years 2010 and 2016 were examined, in which it was found that 71.66% of all companies founded in 2010 have been extinguished in 2022. Concerning companies founded in 2016, this rate is significantly lower at 54.50%. This is a clear indicator that more and more companies go bankrupt over time, but the companies that survive have the chance to become larger enterprises. There are also considerable geographical differences. Of the companies founded in Qiqihar in 2010, 91.70% are no longer active, while in Shanghai, for example, only 39.06% of the companies have not survived. However, it can be broadly said that overall, the number of startups has increased up to 2021, and the entrepreneurial mood in China has been increasing. An overview of how many active companies there are per year can be seen in chart 1.

Looking at where these companies were established since 2010, it can be seen that most of these companies were founded in Shenzhen (3.0 million), Shanghai (2.7 million), Guangzhou (2.19 million), Beijing (2.12 million), and Chengdu (1.55 million). The geographical distribution of startups is relatively balanced, with the exception of these five cities. The ten largest cities account for a total of 37.71 % of all companies founded.

Looking at the trend of enterprise foundations in the five most relevant cities in 2018-2021 (July), it can be seen that after the very positive year of 2021, the number of new companies in the first seven months of the year has declined sharply. Now the startup amount in all five cities is almost identical. In the past, there were large differences between cities in this regard. For example, there were 369,000 new companies in Guangzhou in 2020, while there were only 182,000 in Beijing simultaneously. An overview of the number of newly founded companies in the most relevant cities in recent years can be seen in chart 2.

In summary, during the COVID period in 2020 and 2021, there was no significant drop in new business formation in China. However, it can be seen that slower Chinese economic growth and higher market uncertainties negatively impact company formation in China.

Chart 1: Companies Founded per Year

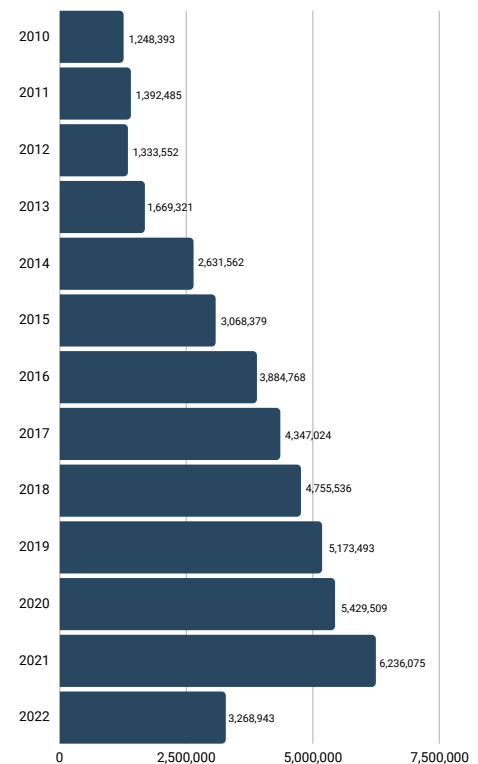
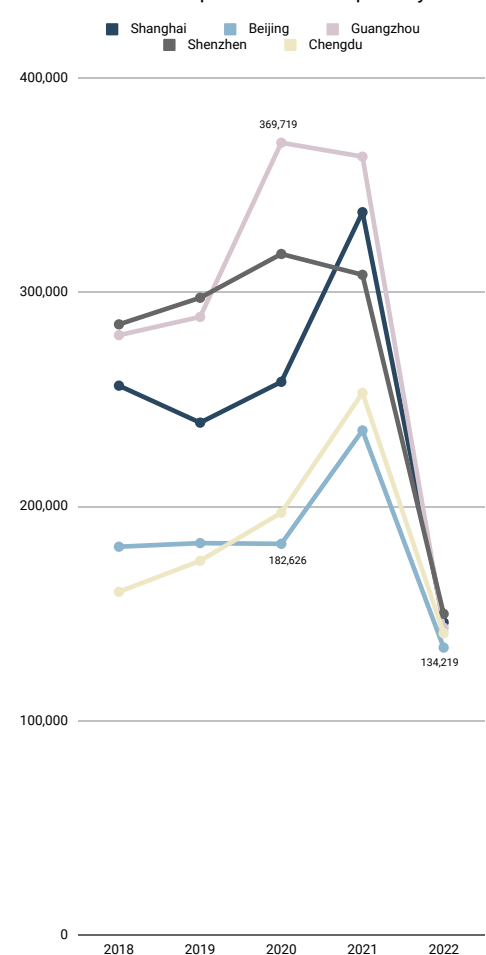


Chart 2: Companies Founded per City



## Financed Startups

Based on CIMK's unique startup identification process, a total of 35,350 startups were identified that have been founded since 2010 and have received at least one round of external financing. The external financing rounds are mainly traditional venture capital rounds but, in some cases, also strategic investments from a strategic investor. The 35,350 startups have received a total of more than 60,000 investment rounds, which are analyzed in a later chapter.

A large part of the startups with financing rounds was founded between 2014-2017, with the highest number of 5,798 financed startups in 2015. In the recent past, the year 2021 stands out, in which a total of 2,885 newly established companies received a later founding round. Overall, it can be clearly deduced that there was a great dynamic in the Chinese startup ecosystem, which picked up speed after 2014. An overview of the number of startups per year can be found in chart 3.

If you look at how much capital these startups have raised, it can be seen that they raised a total of RMB 3,139 billion. It should be noted that in 58% of all investment rounds, the investment amount is not published and, therefore, cannot be included in the investment figures. Accordingly, these are only minimum values. By far, the most capital was raised by companies founded in 2015. Here again, it can be seen that the companies founded between 2015-2017 stand out with a high level of investment activities. In addition, it must be said that it is expected that companies from the years 2021 and 2022 have raised comparatively less capital as they are only in the age of early-stage investment rounds and have not yet had the time to achieve considerably larger late-stage investment rounds. An overview of the startup investment amount per founded year of the companies can be seen in chart 4.

If it is now looked at where these funded startups were founded, it can be seen that most were established in Beijing (7,975), Guangdong Province (6,419), Shanghai (5,829), Zhejiang Province (3,870), and Jiangsu Province (3,795). These provinces have a much higher number of relevant startups compared to other provinces. These five cities alone have 78.89% of all startups with funding rounds. This concentration is a significant difference in relation to the total number of all companies from the previous chapter, in which the top five cities had only 37.71% of the companies. The most relevant and best-funded companies continue to be established in the cities of Beijing (7,975), Shanghai (5,829), Shenzhen (4,173), Hangzhou (2,819), Guangzhou (1,512), Nanjing (1,477), Suzhou (1,313), and Chengdu (1,017). The reasons could be the combination of startup ecosystem factors such as human talent, infrastructure, investor amount, and government support. An overview of the distribution of externally funded startups across provinces can be seen in chart 5.

Chart 3: External Funded Startups per Year

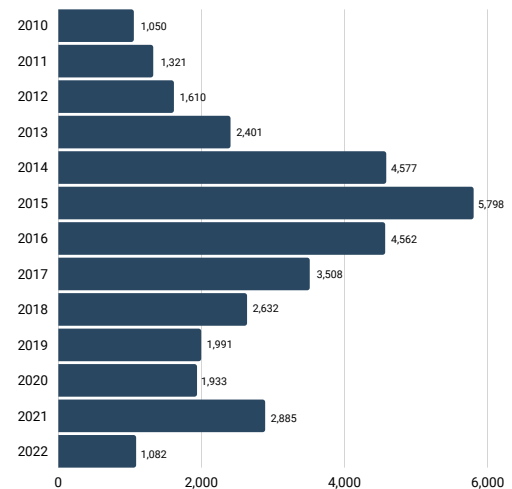


Chart 4: External Funding per Startup Foundation Year (in RMB Million)

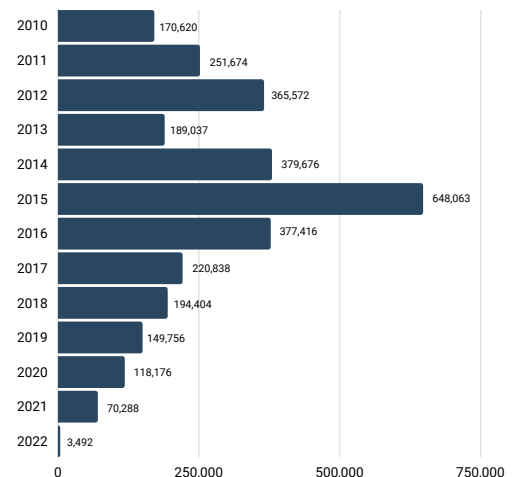
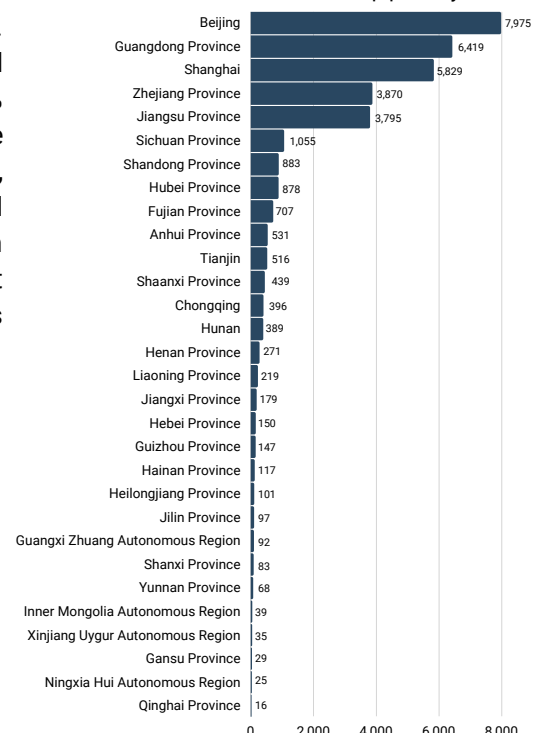


Chart 5: External Funded Startup per City



In the next step, it was investigated which industry the 35,350 startups included in the survey belonged to. For this purpose, the official industry designation was used, which was selected by the startups themselves. This leads to a total of 84 different industry categories for the startups. The category with the largest share was "Science and Technology Promotion and Application Services" (11,071), which is a very vague designation for various activities. There are also different industry types with certain similar characteristics, such as "Software and Information Technology Services" (6,065), "Internet and Related Services" (513), and "Computer, Communications, and Other Electronic Equipment Manufacturing" (503). Other dominant industries, which appear in several subcategories, are Real Estate, Manufacturing, Entertainment, Pharmaceutical & Healthcare, and Automobiles. The government strongly supports these industries, which is why the number of financed startups in this area is very credible.

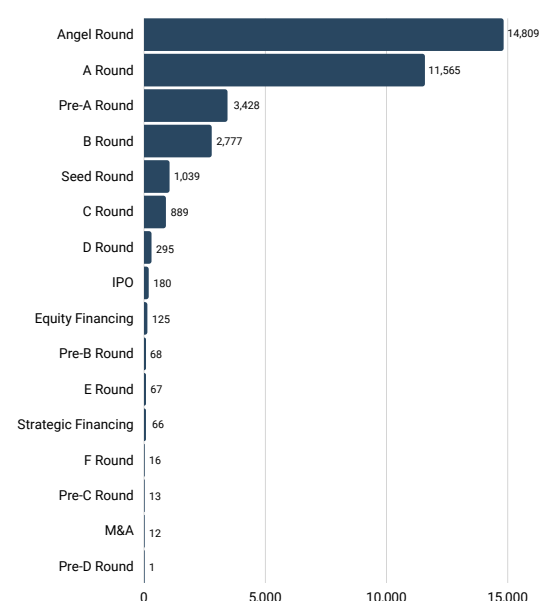
However, there are also surprising elements in terms of industry affiliation. For example, there are 719 startups active in the "Culture and Art" sector and 112 startups categorized in the "Sports" sector. A detailed overview of the largest industry categories can be seen in chart 6.

In addition, it was determined what type of the last funding round of the startups was. In general, it can be stated that a large portion of the startups has received only one early-stage funding round. By a clear margin, most startups have received an Angel Round (14,809) or A Round (11,565). According to this, it can be seen that fewer and fewer companies make it to the next round of funding. Therefore, the number of companies decreases strongly from the B Round (2,777) to the C Round (889) and D Round (295). Here, 180 IPOs have been recorded by Chinese startups since 2010. The number of investment rounds per round type is not correlated with the actual investment amount per round type, which will be shown in the following chapter. An overview of the last investment round of the startups can be seen in chart 7.

Chart 6: Industry Classification of Startups



Chart 7: Type of Last Funding Round



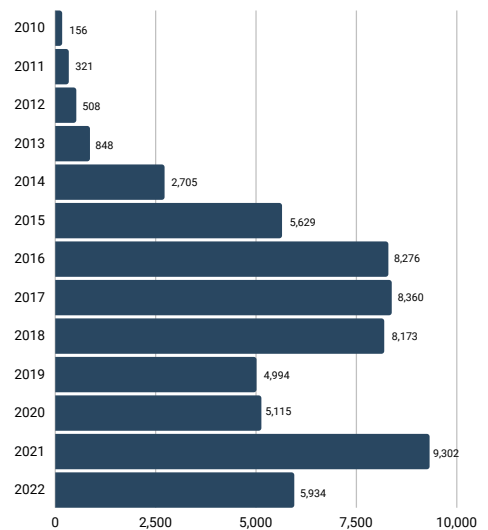
## Investment Rounds

This subchapter analyzes the characteristics of all investment rounds in detail. In total, the 35,350 startups completed 60,321 investment rounds. It should be noted again that in 58% of all investment rounds, the investment amount is not published and, therefore, cannot be included in the investment figures. On average, each startup received 1.71 investments. Thus, 23,045 startups, more than 65% of all startups, have received only one investment round. At the same time, there are also 81 startups that have received at least ten investment rounds. Thus, there is a big difference in the number of investment rounds received.

Looking at the 60,321 investment rounds, it can be seen that most investment rounds took place in 2021. In addition, there was also a significantly high number of investment rounds in the years 2016 to 2018, with more than 8,000 investment rounds each year. However, in the first seven months of 2022, there was still a comparatively high number of investment rounds, with almost 6,000.

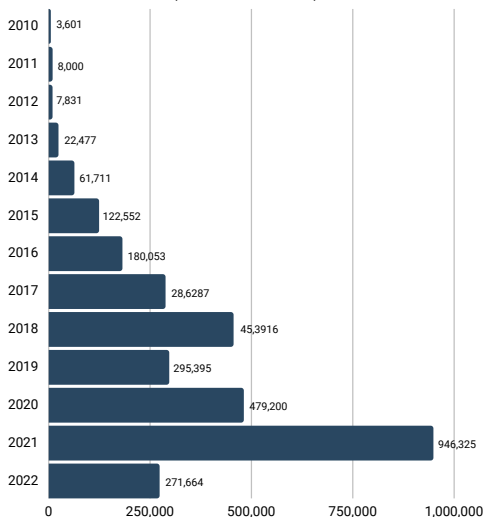
Considering the number of investment rounds over time, it can be seen that the venture capital investment industry has grown strongly since 2010 and that the trend is for more and more investments to be made. An overview of the investment rounds per year can be seen in chart 8.

Chart 8: Number of Investment Rounds per Year



If the invested amount of the startups per year is analyzed, it can be seen that 2021 was clearly a peak investment year, with more than twice as many investments compared to other years. Over time, it can also be seen that the invested funds have grown almost constantly since 2010 up to their peak in 2021. It is clear to see that startups and their financing have experienced a real boom in China since 2014, which is now flattening out. In relation to last year, there was significantly less investment activity in the first seven months of 2022, which indicates a worse macroeconomic situation for startups in China. The total startup investment amount per year can be seen in chart 9.

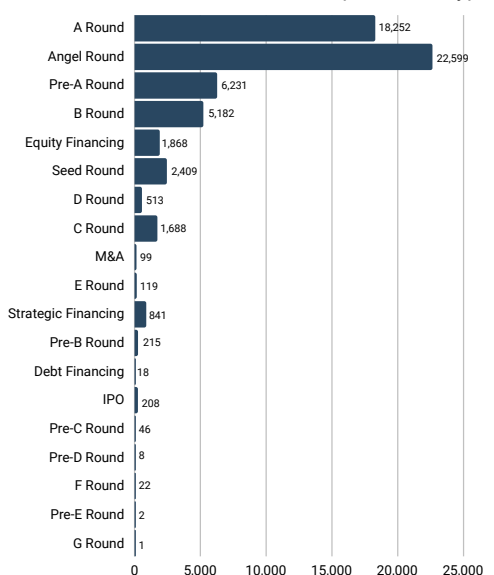
Chart 9: Investment Amount per Year (in RMB Million)



In the last step, it is evaluated in which investment types these investment amounts are invested. Overall, it can be said that a large proportion of the financing rounds recorded are A Rounds and Angel Rounds, which is logical as a large proportion of all startups start with these rounds before they take up late-stage financing rounds. In total, there are also 841 Strategic Financing rounds, which refer to the process by which a company receives investors who do not have the sole objective of financial gain but rather industrial synergies or other objectives to raise capital. The IPO category also includes listing and pre-IPO rounds. Some startups received many investment rounds, one startup has even completed a G Round. A detailed list of the number of financing rounds per type can be seen in chart 10.

It can also be seen that despite the low number of late-stage investment rounds, their investment volume has a significant impact. The D Rounds have an investment volume of more than RMB 237 billion, and the C Rounds have an investment volume of more than RMB 379 billion, while the high number of Angel Rounds only amounts to RMB 101 billion.

Chart 10: Number of Investment per Round Types



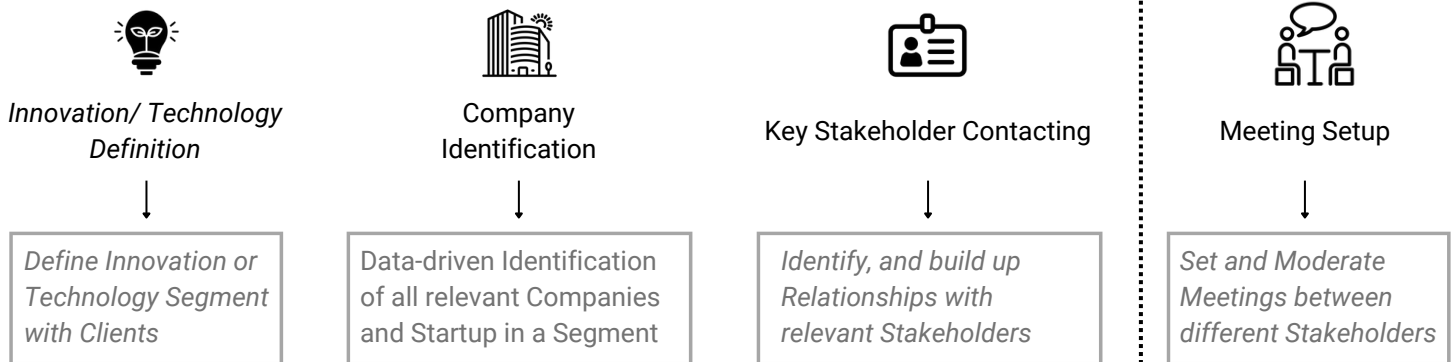
# CIMK is an Innovation Intelligence and Data Analytics Company based in China

## CIMK's Mission

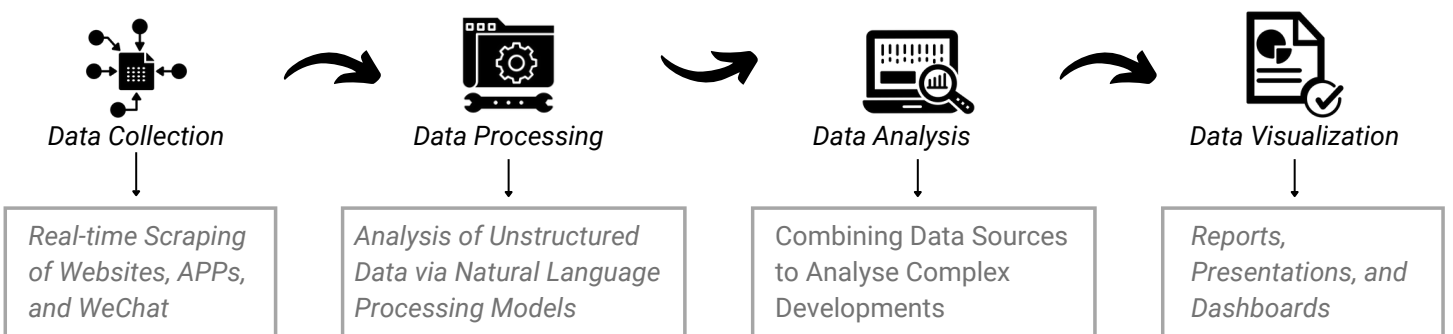
CIMK uses technology to increase transparency around innovation, technological developments, and startups in the Chinese market. We offer our international clients an exclusive opportunity to identify innovations and technological developments in their industry while also offering to put them in direct contact with startups and industrial companies to facilitate mutual exchanges, interesting partnerships, and investments.



## CIMK's Innovation Partnership Approach



## CIMK's Data-Driven Approach



## Management Team

Our Nanjing-based team combines technical skills, industry-specific knowledge, and an intercultural mentality in a way that enables us to help our client to stay up-to-date with all innovations and technological developments in their industry in China.



Lukas Tatge  
CEO



Eliyahu Kainyah Yalley  
CTO



Shirley Xue  
COO



Mandi Yang  
Quantitative Research Director



# START-UP



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