


CHINA'S ANGEL INVESTMENT POLICY

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ARTICLE INFO	<u>ABSTRACT</u>
<p>Article history:</p> <p>Received 21 April 2023</p> <p>Accepted 18 July 2023</p>	<p>Purpose: This paper summarized and systematized the case of China's policies applied to attract angel investment which turned this country into a global highlight in angel investment.</p>
<p>Keywords:</p> <p>Angel Investment; China; Policy; Start-ups.</p> <div data-bbox="172 913 480 1160" style="text-align: center;">  </div>	<p>Theoretical framework: The authors conducted a literature review on start-up and angel investment to introduce angel investment in China, analyze the role of angel investments in developing start-ups, and factor determinants and policy of angel investment in China.</p> <p>Design/Methodology/Approach: This paper uses qualitative method to provide overviews on the case of China in attracting angel investment for their start-ups with an updated analysis on their relevant factor determinants and policies that contributed to the success of China.</p> <p>Findings: It is found that the Chinese Government has actively carried out packages, including tax incentives, built programs, investment cooperation funds, developed networks, and angel investment education systems to boost funding readiness for firms. They also focus on promoting the start-up ecosystem and providing financial support to implement an innovation-driven development strategy to raise the nation's competitiveness.</p> <p>Research, practical & social implications: This paper provides some suggestions for Chinese government in making policies to enhance the role of angel investments in developing start-ups.</p> <p>Originality/Value: This paper contributes to the evolvement of research about start-up and angel investment, particularly in China, in the context of high-tech production and breakthrough technologies, by providing a policy perspective to imply lessons for other countries.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i7.1857</p>

A POLÍTICA DE INVESTIMENTO ANJO DA CHINA

RESUMO

Propósito: Este artigo resumiu e sistematizou o caso das políticas da China aplicadas para atrair investimento anjo que transformou este país em um destaque global em investimento anjo.

Estrutura teórica: Os autores realizaram uma revisão de literatura sobre investimento inicial e de anjo para introduzir investimento de anjo na China, analisar o papel dos investimentos de anjo no desenvolvimento de start-ups, e fatores determinantes e política de investimento de anjo na China.

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Design/Methodologia/Abordagem: Este artigo usa o método qualitativo para fornecer visões gerais sobre o caso da China em atrair investimento anjo para suas start-ups com uma análise atualizada sobre seus fatores determinantes e políticas relevantes que contribuíram para o sucesso da China.

Constatações: Constatou-se que o governo chinês tem realizado ativamente pacotes, incluindo incentivos fiscais, programas construídos, fundos de cooperação de investimento, redes desenvolvidas e sistemas de educação de investimento anjo para aumentar a disponibilidade de financiamento para as empresas. Eles também se concentram em promover o ecossistema de start-up e fornecer apoio financeiro para implementar uma estratégia de desenvolvimento orientada para a inovação a fim de aumentar a competitividade da nação.

Pesquisa, implicações práticas e sociais: Este documento fornece algumas sugestões para o governo chinês em fazer políticas para melhorar o papel dos investimentos anjo no desenvolvimento de start-ups.

Originalidade/Valor: Este documento contribui para a evolução da pesquisa sobre start-up e investimento anjo, particularmente na China, no contexto da produção de alta tecnologia e tecnologias inovadoras, fornecendo uma perspectiva política para implicar lições para outros países.

Palavras-chave: Angel Investment, China, Política, Start-ups.

LA POLÍTICA DE INVERSIÓN ÁNGEL DE CHINA

RESUMEN

Propósito: Este artículo resume y sistematiza el caso de las políticas aplicadas por China para atraer la inversión angelical que convirtieron a este país en un referente mundial en inversión angelical.

Marco teórico: Los autores llevaron a cabo una revisión de la literatura sobre la puesta en marcha y la inversión de ángeles para introducir la inversión de ángeles en China, analizar el papel de las inversiones de ángeles en el desarrollo de nuevas empresas, y los factores determinantes y la política de inversión de ángeles en China.

Diseño/Methodología/Enfoque: Este artículo utiliza el método cualitativo para proporcionar una visión general del caso de China en la atracción de inversión ángel para sus empresas emergentes con un análisis actualizado sobre sus factores determinantes y políticas relevantes que contribuyeron al éxito de China.

Conclusiones: Se descubre que el Gobierno chino ha llevado a cabo activamente paquetes, incluidos incentivos fiscales, programas creados, fondos de cooperación para la inversión, redes desarrolladas y sistemas de educación para la inversión ángel para impulsar la preparación de las empresas para obtener financiación. También se centran en la promoción del ecosistema de las empresas emergentes y en la prestación de apoyo financiero para aplicar una estrategia de desarrollo impulsada por la innovación a fin de aumentar la competitividad de la nación.

Investigación, implicaciones prácticas y sociales: Este artículo proporciona algunas sugerencias para el gobierno chino en la elaboración de políticas para mejorar el papel de las inversiones ángel en el desarrollo de empresas emergentes.

Originalidad/Valor: Este artículo contribuye a la evolución de la investigación sobre start-ups e inversión ángel, particularmente en China, en el contexto de la producción de alta tecnología y tecnologías de vanguardia, al proporcionar una perspectiva de política que implique lecciones para otros países.

Palabras clave: Inversión Angélica, China, Política, Nuevas Empresas.

INTRODUCTION

The industrial revolution 4.0 has affected different levels in all economic, social, and political areas worldwide. Under those circumstances, to be successful, besides having a good idea, a strong team, and appropriate management methods and tools, entrepreneurs need to overcome limitations to access official capital sources from banks and non-bank capital wealthy individuals to shortage of initial investment capital. Angel investment is considered an essential source of private investment capital for start-ups and the start-up ecosystem, which increasingly asserts its role in developing start-ups in many countries. Despite the importance of "angel investment", only about 5% of start-ups have access to such valuable capital (Riding et al.,

1997). Countries have taken actions to attract angel investors, such as issuing supportive policies and investment incentive programs which made the start-up ecosystem of these countries strong and start-ups more dynamic than ever.

Recently starting a rapid transition to a new economic development phase based on high-tech production and national breakthrough technologies (Reshetnikov, 2018), China is one of the spotlights in attracting angel investment (StartupBlink, 2022). The start-up wave is taking place strongly in China thanks to the Chinese government's strategy to restructure the path of economic development based on the creation of ideas, technology, and self-reliance instead of relying on exports. China has seen a boom in start-ups as the government pledges to do more to implement an innovation-driven development strategy to make the country more competitive (Zhai & Carrick, 2019). Chinese individuals and organizations build investment funds, provide cash grants, and build start-up incubators with angel capital. Venture capitalists have conducted billions of dollars investments into various fields from artificial intelligence to blockchain, attracted by the prospect of creating China's next Alibaba, Tencent or Baidu, with founders becoming billionaires like Jack Ma and Ma Huateng. From the successful case of China, angel investment in this country has provided a best practice and lessons for Vietnam - a country in the exciting stage of start-up, research and study.

LITERATURE REVIEW

Start-up

Start-ups are companies in the process of starting a business in general, associated with the heights of science and technology, talking about things the world has never done. This term has sometimes been overused in the case of newly-established firms and usually in the e-business industry (Szarek & Piecuch, 2018).

The start-up ecosystem is a term that refers to a community consisting of symbiotic, sharing, and complementary entities, creating a favorable environment to promote the formation of innovative and fast growth.

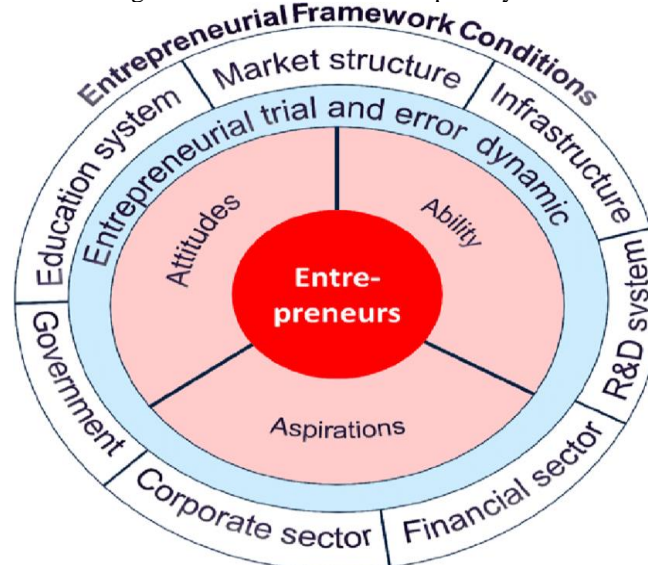
An innovative start-up is an organization designed to provide products and services under the most uncertain conditions and with the fastest growth opportunities, build a new market segment, and create differences not only in the country but with all companies in the world. A start-up ecosystem is a way a country or city is set up to promote local entrepreneurship. Meanwhile, the OECD defines the start-up ecosystem as "the aggregate of formal and informal linkages between start-up actors (potential or current), start-up

organizations (companies, investors, etc.), venture capital, angel investors, banking system, ...) and related agencies (universities, state agencies, public investment funds, ...) and start-up process (billions of people). The rate of business establishment, the number of businesses with good growth rates, the number of start-ups, etc. directly impact the local start-up environment". Based on the above definitions, it is easy to see that the start-up ecosystem will include different factors depending on the economic, political, educational, etc. conditions of each locality. Isenberg (2014) also asserted that creating a copy of "Silicon Valley" would be a mistake because of the core differences between the US and other countries.

However, basically, we can generalize the elements constituting a start-up ecosystem as defined by World Economic Forum (2013): market, human capital, capital and financial resources, start-up support system, infrastructure, education and training, government, and R&D...

The Global Startup Index (GEI) is used to evaluate a start-up ecosystem (Figure 1). GEI provides a detailed look at each country's start-up ecosystem. The GEI model provides an analytical framework for entrepreneurship, focusing on three factors: Attitudes - Abilities - Business aspirations at the individual level. For policymakers, GEI is a supporting tool to help them accurately capture the strengths and weaknesses of investors and entrepreneurs. From there, make policies to promote business. Besides GEI measures start-ups in 132 countries worldwide, GEI provides an accurate view of the bottlenecks in the start-up ecosystem. Also, there are other analysis approaches to study the growth and development of start-ups (Shashikumara et al., 2018).

Figure 1: GEI model of start-up ecosystem



Source: Global Entrepreneurship

Angel Investment

Given the history of angel investing and venture capital in China, some business angels are affiliated with venture capitalists and benefit from their professional experience and business networks, which can greatly help entrepreneurial businesses (Liu et al., 2015). In China, many scholars have expanded the definition of angel investment. In addition to investing at the seed stage, they also invest in the middle and late stages of the start-up process. This definition is different from the generally accepted definition of BA investment worldwide. John May (2008), founder and former president of the Angels Association (ACA) believes that "angel investing is an individual and private equity investment. Angel investors invest their after-tax funds in the early stages of a stranger's start-up to obtain uncontrolled equity. Compared to venture capital, angel investing is decentralized, personal, and informal. Noticeably, government policies have played a crucial role in creating favorable conditions for start-ups on angel investment (Li et al., 2016).

DISCUSSION

Angel Investment in China

In China, angel investment began to flourish from the end of the 20th century, the development of angel investment accompanied the development of the internet and high-tech business lines. In recent years, more and more businesses and industry experts have entered this investment field. Along with the normalization and institutionalization in all fields, more and more VC firms are participating in the early stages of the start-up process or so-called angel investing. In addition to the traditional angel investment models, many other models such as general investment, institutional investment, business incubator have been widely studied and applied. To develop angel investment, Chinese ministries, departments, and branches have launched many policies to "encourage angel investment", "angel investment fund".

The report "Development environment of Angel Investment in Zhongguancun Technology Park" of the Beijing Association of Non-Governmental Science Entrepreneurs in 2007 pointed out that: "Angel investment in China originated in 1983 through the technology program. R&D (Project 863) and the "Chinese torch" program in 1988. The seed stage of these two programs received investment and angel support from the government. Thus, it can be understood that the Chinese government are the big guys who laid the first bricks, started up, and built a network of angel investment activities.

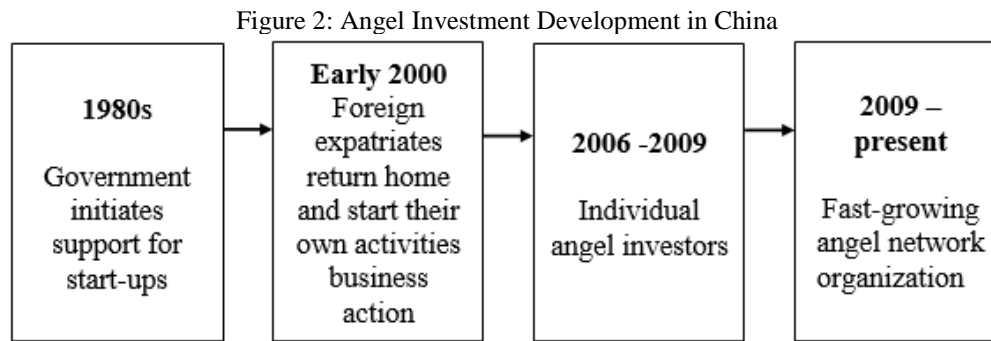


Figure 2 illustrates the angel investment development in China. Since the 2000s, the internet and information technology development has created a boom in the start-up movement around the world. Some expatriates returning from abroad use their remittances to do business and become angel investors. They have helped many start-ups succeed with their own capital, experience, and business network. From 2006 to 2009, the scale of angel investment in China was expanded, many domestic investors have known and made great efforts to participate in angel investment activities as well as establish funds. Angel investment. Since 2012, angel investment in China has developed strongly with a distinct trend of systematization and institutionalization. Some departments and localities have issued normative documents to guide and promote angel investment. Li et al. (2016) also claimed that positive outcomes of those guidelines on angel investments are much more tremendous in provinces with better financial increase than the ones in provinces with decrease financial increase.

Overcoming the US, China is considered the most ideal ecosystem in the world for start-ups, especially in the technology sector. Start-up Genome, a company consisting of economic researchers and start-up entrepreneurs, recently released an analysis and assessment of the most ideal ecosystems for global start-ups through interviews with about 10,000 people. founders, investors around the world. Accordingly, researchers believe that China is surpassing the US to become the place with the most favorable development environment for start-ups, especially companies in the technology field. Also, with the improvement of normalized and institutionalized investment, there are a few high-net-worth really well worth people that represent as an angel institution through joint investment (Liu et al., 2016).

Many companies developing new technology applications also tend to choose the start-up ecosystem in China to develop. In the list of the top 20 start-up ecosystems in the world that Startup Genome put out, China has 2 cities in the top, Beijing in 4th place and Shanghai in 8th place. Number of business registrations. In the past year, it also shows that the number of applications related to Artificial Intelligence (AI) in China has quadrupled, and business

registrations for cryptocurrencies and blockchain have also increased by four times. 3 times that of the US. With the development trend of the current technology environment, this is a remarkable number.

The role of Angel Investments in Developing Start-ups in China

Financial aspects for start-ups

For an innovative start-up, the development life cycle will go through stages from pre-incubation, incubation, early stages, subsequent development stages, and finally going through a M&A (Mergers and acquisitions). In all stages, capital and human resources are very important. At different stages, with different financial capacity, development potential, and strength, a start-up will need different amounts of capital and types of capital. The sources of finance start-ups can access include grants (mostly from the government), loans, guaranteed loans, investment capital from venture capital funds and angel investors, business revenue, and new financial forms such as peer-to-peer lending and crowdfunding.

Start-ups often face financial difficulties in the middle of 3Fs and VC funding stages (Wong, Bhatia and Freeman, 2009, p.222). While 3Fs can only provide a few thousand dollars in capital which is not enough for the start-up's needs, VCs often provide large amounts of capital. Start-ups can raise capital from three sources: capital from angel investors, bank loans and retained earnings (Aernoudt, 2005). Raising capital at the early stage is mainly based on the belief in the growth potential of the business.

Non-financial aspects for start-ups

In start-up investment, especially for angel investors, the concept "f smart money" has always been promoted. What does that mean? Investors not only invest money, but they are also useful advisors for start-ups. If the investor has experience, knowledge, and a personal connection to the field the start-up is doing, related to the product or service that the start-up is looking to provide to the market; or investors who have partners in foreign markets can bring useful knowledge and advice to start-ups, thereby creating benefits many times the amount of money that investors spend. So, one of the things that start-ups need to pay attention to is choosing the right investors, investors who really understand their products and markets, which is smart money.

Angel investors, besides providing capital, will also provide advice, guidance, and help businesses gain access to a network of investors (Avdeitchikova & Landström, 2016, p. 54).

Since then, businesses with the help of angel investors will have higher success potential, faster profitability, and higher technical improvements than businesses raising capital. In Australia, investors will implement many strategies to train, educate and provide knowledge to the investment community so that they understand the need to invest in the ecosystem, in people and in projects with a long-term vision because angel investors are also those who want to contribute benefits to society, access and develop new technologies, and participate in promoting the innovative economy. For start-up projects, angel investors play an active management role in activities. The activities that create the highest added value that angel investors contribute include developing a strategic plan, setting up a marketing plan, drafting a business plan, monitoring financial results, promoting products to customers, developing existing products and services, and help create and run the executive team.

Supporting the start-up ecosystem

According to Avdeitchikova & Landström (2016, pp. 53-54), BAs are already start-ups and they themselves have a wide network of relationships, angel investors will work very effectively in the role of connection. Connect businesses with the market. For start-ups, angel investors act as a source of investment capital for businesses and as advisors and business partners with long experience and bravery to support start-ups. Many researchers have confirmed the role of angel investors in developing the start-up ecosystem of the receiving country, they act as a bridge between businesses and other businesses, with the start-up community. industry, with potential investors for later stages. One of the great roles of angel investing is to help businesses become more attractive in the eyes of later stage venture capitalists. The participation of angel investors helps strengthen the business's operation, and the presence of quality angel investors in a business is also a plus point in the eyes of other investors. and the market in general. Businesses benefit, and the community with the effective participation of angel investing activities also reaps many benefits. An ecosystem with the active participation of angel investors will be extremely attractive to start-ups, thereby promoting the growth of the number of businesses and accompanying support organizations. other start-ups such as incubators, investment funds

Factor Determinants of Angel Investment in China

Investment in start-ups mainly comes from angel investors, investment funds, large corporations, and business promotion organizations. To successfully call and raise capital, start-

ups must have breakthrough business ideas and strategies. Countries that want to attract investment capital must demonstrate their credibility through the global start-up index. So, suppose we apply the GEI model (GEI Model of Entrepreneurial Ecosystems, GEID report 2016). In that case, there are two main categories of factors affecting the investment decisions of angels namely (1) Support policy from the government for angel investors in finance, system, network, infrastructure, and policies to support start-ups and (2) Intrinsic factors of start-ups to attract angel capital - Market, people, education. Additionally, angel investors' features also affect investment decisions.

While angel investors are likely to base their decisions on similar selection criteria, they are also embedded and influenced by the different institutional environments in which they invest and therefore weigh these criteria differently than other investors. In the case of China, angel investors embedded in relationship-based institutions are more likely to rely on strong ties such as family and friends on the management team (Ding et al, 2014).

Policy to Promote Angel Investment in China

Tax incentives for angel investors

Angel investors, companies investing in start-ups in the technology field will receive tax incentives from July 1, 2017, as follows:

If investors invest in the seed stage and early-stage start-up with an investment commitment of 2 years or more, 70% of their investment capital will be deducted from taxable income. This incentive reduces tax costs and increases net profit. Encourage angels to invest in tech start-ups. To enjoy tax incentives, angel investors need to meet the following requirements:

- Not being a founder or employee of self-invested technology start-ups and not providing staff for such start-ups.
- Individuals and family members should hold no more than 50% equity in such tech start-ups within 2 years of the company's founding.
- Invest in designated tech start-ups.

In the event of start-up failure, deregistration or liquidation, any portion of the funds not yet included in the deductible investment is allowed to be offset against the taxable income obtained from the transfer of the companies. Other technology start-ups invested by BAs within 36 months from the date that the business cancels its registration.

China has its own tax incentives for venture capital firms and angel investors investing in tech start-ups. The incentives are detailed in a joint circular detailing the pilot tax policy released by China's Ministry of Finance and the State Tax Administration. The government piloted tax policies in the Beijing Tianjin - Hebei area, Shanghai, Suzhou Industrial Park, Wuhan, Shenyang, Guangdong province, Anhui province and Sichuan province. Angel investors investing in tech start-ups in these regions can take advantage of tax incentives.

From January 1, 2019, China also allows venture capital enterprise partners to pay income tax at the rate of 20% from capital transfers and dividends or at a progressive rate. From 5% to 35% in case their income exceeds a specific level.

Programs and funds for joint investment

The benefit of the angel investment guide fund lies in making full use of the leverage of innovation funds thereby attracting more social capital to support the growth of start-ups. Thus many "seed funds, innovation funds, angel funds" were established by the public finance sectors in Chongqing, Ningbo, Chengdu, Beijing, and Wuhan. Investment funds, investment guidelines, investment directions for different projects are different, it is suitable for the size and development stage of the business.

Since the 1990s, China has introduced policies to support SMEs, giving priority to innovative and start-up enterprises. These policies have created a healthy investment environment, towards attracting angel investment.

In recent years, angel investment priority policies have been issued in large numbers such "s Angel investment encouragement and guidance - support for SMES development (20'2)" and "temporary measures of Jiangsu province for the management of Angel Investment Fund (2013", "City Capital Angel Investment Guided Fund 2'12" with funding scale of 500 million RMB was established in Ningbo. The Chinese government has created a healthy external environment for angel investment development through a series of policies to support innovation, entrepreneurship, and incubation of SMES. For a long time, the Ministry of Science and Technology of China has attached great importance to the innovation and business development of SMES, especially technology-based SMEs. The Innovation Fund for SMEs, established in 1999 in China, was the first fund built to respond to this evolving need.

In 2007, the Ministry of Science and Technology and the Ministry of Finance issued "Temporary measures to guide people to manage innovation and start-up funds for technology-based SMEs". Under this policy, start-ups receive two free support methods: risk allowance

and investment guarantee. In addition, central financial funds have participated in “equity investment” to overcome market failures, guide and promote social capital to support SMEs in the process. Entrepreneurship and innovation. The I’TF’s annual report shows that by the end of 2013, the total accumulated amount of the innovation fund has surpassed 26 billion RMB, supporting over 40,000 SMEs to start up effectively, access and develop the market flexibly. More active. Since 2013, many governments and localities in China have aimed to promote the development of angel investment directly through clarifying the criteria for becoming an angel investor, setting up funds that direct guidance, hedging, information networks.

In addition to establishing angel investment funds, the Chinese government also sets out standards for hedging for angel investments. Hedging provides backup capital for invested businesses to borrow for the purpose of supporting businesses in the start-up process. Hedging in different regions is different. In the Chengdu high-tech park, China has applied the angel investment risk premium as follows: If investors invest more than 500,000 yuan in start-ups in the high-tech park, the business will be the investor will be subsidized by 20% of the investment amount in the reserve fund. In Jiangsu, China, the investee can receive a risk reserve of up to 30% of the initial investment based on the capital poured in by the angel investors. During the process of angels investing, if any damage or loss is incurred within 3 years, angel investors can get a refund up to 50% of the actual loss from the investment. Cashback support is deducted from provisions. In addition, Z-Park (Zhongguancun Science Park), which is known as China’s Stanford Science Park, has launched a new policy to encourage university lecturers to become angel investors and investors. Into student start-ups. If a teacher supports an investment in his student's start-up, the investor can apply for a grant up to 50% of the invested capital.

Angel investment network settings

In the angel investment environment, the problem of lack of information, rules and standards occurs widely and often, so the government has launched a program to support the establishment of an angel investment network, forming self- disciplined organizations in the angel investing industry.

Since 2014, most provinces in China have established angel investment networks in the form of angel clubs, associations, and alliances such as Ningbo Angel Investment Club, Wuhan angel investment ministry, Tianjin angel investment association, China angel investment association, Jiangsu angel investment alliance. All organizations, associations, angel alliances are established under the support of the government or non-governmental organizations (Angel

investing in China, p. 279). These organizations were established with the purpose of sharing information, supporting investment, promoting angel investment activities. Most notably, the China Angel Association is the organization representing China to register its name in the world business angel association. Participating in the formation of investment groups brings more great benefits to angel investors than conducting investments individually, not only helping investors to concentrate larger capital for transactions. But also help them share costs, save time and resources, for example, when it is necessary to verify and audit a certain business, many people work together quickly, objectively, than one person. However, the greatest benefit of collaborating between members of an angel investment team is in the synthesis of the rich wisdom, experience, and expertise of the individuals, especially the source of information about investment that they share, recommend to each other. For investors, the most valuable source of information about start-ups does not come from consultants, incubators, or websites, but from exchanges and conversations between investors together.

Angel education and development program

Since the 1980s, many researchers in China have given up their work and started their own businesses. University students are encouraged to train to become entrepreneurs (Angel investing in China, p. 302). In recent years, China has always raised the issue of quality education for the young generation. Before the British start-up education trend, universities in China have raised the issue of educating entrepreneurship consciousness and entrepreneurial qualities. They set the goal for entrepreneurship education to foster career enthusiasm, self-study ability, entrepreneurial spirit, etc., for students. Remarkable contents include:

- a. China orients higher education reform towards entrepreneurship education:
- b. Building an accurate and progressive start-up education goal system: Step by step, as follows:
- c. Building a systematized start-up program
- d. Building a team of entrepreneurship education instructors

CONCLUSION

In the most populous country in the world, many individuals and organizations provide angel investment-related services, but not all have a thorough understanding or close connection with angel investors. A lot of angel investors are just successful entrepreneurs, investors, bankers, etc. They invest in start-ups because they expect a high profit and help start-ups. These

investment professionals value the human element in their projects. Angel investment is institutionalized in China (Zhou et al., 2021). Different from investment professionals, angel investors have different characteristics.

First, the number of angel investors in China is small. According to statistics, in unlisted enterprises in the US, 36.7% of projects are invested in early stage and seed stage by angels, while this figure in China accounts for only 4.6 %. Let's consider the US investment model as a vertical pyramid. Angel investment will be the foot of the pyramid, far exceeding other types of investment in quantity, actively supporting in the incubation of technology businesses. However, this pyramid in China appears with an opposite shape. Not all authorized individuals and organizations in this country become angel investors, so the pyramid will be turned upside down. Most of the investment funds are for businesses at a later stage, so it is difficult for start-ups to develop due to a lack of capital.

Second, the Chinese “golden spoon” generation became angel investors. Angel investors in China are not only successful entrepreneurs at home, but also overseas Vietnamese and the golden spoon generation. Some investors studied and worked abroad before succeeding in business, returning to China to become angels. Some other investors are kids with golden spoons full of ambition, dreams, ambitions. With a solid economic foundation, they become angel investors, supporting start-ups. This makes the angel investment system in China more diversified; start-ups will have more angels to pursue.

Third, angel investment develops in a systematized and institutionalized manner. In addition to the angel investment organizations established in recent years, a number of venture capital organizations have also begun to pay attention to projects at the seed stage. Governments and private organizations raise funds to guide angel investing and provide angel investment support services. The process of systematization and institutionalization in investment has only just begun. Organizations face two challenges: how to make the system operate stably and develop the system sustainably.

Fourth, the start-up ecosystem and investment environment for individual entrepreneurs and angels need to be improved. Most Chinese investors lack understanding of angel investing, so investment funds tend to be directed at the stock and real estate markets. Government guidance funds for early-stage projects, public policies for angel investments, and tax incentives for investors are not strong and effective enough. The start-up ecosystem in general and the start-up education system need to be improved. In general, angel investment in China is still in its infancy, and needs more support from entrepreneurs, organizations, and the government.

Two reasons led to the beginnings of angel investing. Firstly, the wealthy Chinese are mostly entrepreneurs who rarely invest in angel investments and lack a deep understanding of angel investing.

Fifth, in the Chinese financial market, angel investing is not the choice of the crowd due to its high risk. Professionals and individuals such as lawyers, doctors, and business managers do not have much excess money, so they will choose less risky investment forms than angel investments. Years ago, tax policy in China was not favorable for angel investors. Angels when choosing an investment must accept the risk of failure up to 90%. Even if they fall into the successful 10%, they pay an exorbitant tax on the profits. Besides, the rate of return and liquidity of start-up projects are often not high, investors cannot withdraw money as quickly as the stock market or stock market.

This paper provided a brief overview on the case of China in attracting angel investment for their start-ups with an updated analysis on their relevant factor determinants and policies that contributed to the success of China. Besides financial and non-financial aspects for start-ups and supporting the start-up ecosystem, two main factor groups affecting the investment decisions of angels in China are support policy intrinsic factors of start-ups to attract angel capital. Noticeably, policies play crucial role in the success of angel investment for start-up in China, including tax incentives for angel investors, programs and funds for joint investment, angel investment network settings, angel education and development program. Adding to existing studies, this paper has contributed to the evolvement of research about start-up and angel investment, particularly in the case of China, by providing a policy perspective to imply lessons for other countries. However, this paper is qualitative and desk-based research, so it is suggested that further study - especially using quantitative methods - should be conducted for better insights into this case.

FINANCING

"This research is funded by Vietnam National University, Hanoi (VNU) under project number QG.18.23".

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