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Introduction

The story of the month covers Chinese tech firms need wider reach in 2017. China will publish standards to regulate its burgeoning robot industry. China to expand int'l cooperation on space sciences. China aims to improve fairness in education. More Chinese start-ups have begun to look beyond their home market. Johnson & Johnson teams up with Shenzhen accelerator HAX to support health care start-ups. Alipay steps up mobile payments expansion in Australian stores. China is on pace to become the world's largest market for virtual and augmented reality headsets by 2020. The biggest tech trends from China to watch out for In 2017.

Contents

Story of the Month .................................................................................................................................................. 2
1. New rules boost robot production .................................................................................................................. 3
2. China to expand int'l cooperation on space sciences .............................................................................. 4
3. China aims to improve fairness in education ............................................................................................. 4
4. Why Chinese tech start-ups are wooing users overseas ........................................................................... 5
5. Johnson & Johnson teams up with Shenzhen accelerator HAX to support health care start-ups .......... 6
6. Alipay steps up mobile payments expansion in Australian stores .............................................................. 7
7. China to lead global market for VR and AR headsets, IDC says ............................................................... 9
8. The biggest tech trends from China to watch out for In 2017 ..................................................................... 10

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Story of the Month

Chinese Tech Firms Need Wider Reach in 2017

(Wall Street Journal, 28-12-2016)

China's tech-industry titans can look back at 2016 with pride, having reached significant milestones. They might have to go far, including beyond their home market, to find growth in 2017.

In 2016, the market capitalizations of Tencent Holdings and Alibaba Group Holding swelled to the level of China's biggest state companies, Industrial and Commercial Bank of China and PetroChina. Tencent and Alibaba also rank as the fifth and sixth most valuable publicly listed technology companies in the world, respectively, after Apple, Alphabet, Microsoft and Facebook.

Another marker of ascendancy: Ride-hailing firm Didi Chuxing Technology bested U.S.-based Uber Technologies in the China market. After a bitter and expensive battle, Uber sold its China operations to Didi. Many in China hailed the outcome as evidence that the domestic tech industry has caught up with Silicon Valley.

These were no small feats for an industry that started less than 20 years ago, when a landline phone was a luxury for most Chinese families and the government and public viewed private enterprises with suspicion.

Sustaining its success, however, is leading the industry into unfamiliar territory. After years of breakneck expansion and ferociously tweaking Silicon Valley technologies and business models for the China market, the Chinese tech world is scrounging for new customers and doesn’t know what the next big thing is.

"There's no obvious forerunner to guide us, no road sign or direction to follow," Tencent's research department writes in a newly released internet-industry forecast report. Based on interviews with 63 tech leaders, including Didi Chief Executive Cheng Wei and venture investor Kai-Fu Lee, the report says the pathway ahead “is full of unknown possibilities as well as pitfalls.”

Huawei Technologies, the telecommunications company and smartphone maker with the largest global footprint among Chinese tech firms, is also feeling adrift. "Huawei is at a loss of its direction," company founder Ren Zhengfei said in a speech this summer. The fast growth the company experienced by following others is slowing down, he said, now that there isn’t anyone to catch up with.

Behind the uncertainty is the diminishing growth in the number of mobile internet users. With half of China's 1.4 billion people online and 92% of those accessing the internet on their smartphones, the market is looking saturated. Tech companies will have to look beyond China's bigger cities for growth: to overseas markets and rural China, as well as servicing enterprises.

Unlike Apple and Facebook, which have extensive global operations, Tencent and Alibaba have limited profiles outside China. International expansion is a priority for both. Tencent is pushing its social-messaging app, WeChat, and Alibaba its Tmall shopping platform.

Both have turned to India and Southeast Asia in the past few years, investing in the region’s e-commerce, social-messaging and mobile-payment startups. Industry observers say the companies will be more aggressive in trying to reap gains in those markets.

Smaller companies such as Cheetah Mobile acquired hundreds of millions of users in developing markets by offering mobile internet tools that are popular in China. But despite the growth in users, these markets generate limited revenues, and that's unlikely to change soon.

China’s hinterlands present similar challenges. Disposable incomes in the countryside are about one-third of those in big cities. The companies look at the bright side: Less than one-third of the rural population uses the internet, compared with two-thirds in urban areas, according to China Internet Network Information Center. They hope that as more people get online, more will adopt their services.
The potential is there. Local smartphone brands Oppo and Vivo built extensive sales channels that include the small towns and villages where people are buying their first smartphones. In the third quarter of 2016, while smartphone sales of Xiaomi and Apple slowed, Oppo’s and Vivo’s shipments more than doubled, making the latter two companies China’s largest smartphone makers by shipments, according to research firm IDC.

Another less-tapped market in China is for software and information-technology services aimed at enterprises. Since 1995, over half of the value generated by venture-backed tech companies in Silicon Valley came from enterprise-facing startups, according to Sapphire Ventures in Palo Alto, Calif. In China, only 10% of venture investment went to enterprise startups this year, according to ITjuzi, a data company.

In the past, Chinese tech firms found easier pickings among consumers, rather than enterprises, which counted on an abundant supply of skilled workers. Investors say that will change in the next few years as labor costs rise further, driving up demand for tech-driven business solutions.

While waiting for these other opportunities to materialize, Tencent is courting a demographic that China’s tech world generally overlooks: senior citizens. At its WeChat annual conference on 22nd December, the messaging app’s product team highlighted the potential of users 55 years old and older, who currently comprise only 1% of WeChat’s 846 million monthly active users. A four-minute-long video presentation about senior WeChat users ends with a 50-something woman saying: “Right now it’s the information age. We seniors also need to move forward. Or else we’ll get left behind.”


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**News**

1. **New rules boost robot production**

   *(China Daily, 15-12-2016)*

China will publish standards to regulate its burgeoning robot industry while pushing for wider robotic applications in key industries, according to officials and experts.

The Ministry of Industry and Information Technology will work out standards for the industry that will cover such aspects as product quality, research and development capabilities, staff qualifications, sales practices and social responsibility, said Sun Feng, deputy director of the ministry’s Equipment Industry Department, at the 2016 China Robot Industry Conference on 14th December.

The move is intended to raise the core competitive strength of China's industrial robot manufacturing, he said.

Sun said that the ministry will also launch pilot projects for service robots and accelerate the setting of additional standards for the healthy and sustainable growth of the Chinese robot industry.

Xu Quanping, an expert from the State Standardization Administration, said about 30 national standards will be worked out by 2018, and twice that number will be available by 2020.

On 14th December, the nongovernmental China Robot Industry Alliance released three general technical standards on welding robots, robots made to fill containers, and cables used on robots.

Alliance executives said 14 additional standards will also be released soon. The group has some 300 members.

More than 64,000 industrial robots, including both Chinese and foreign brands, were produced in China in the first 11 months of 2016, compared with 32,996 for the entire year in 2015. The full year’s production for 2016 is expected to surpass 70,000 units, experts said.

However, Sun said China’s robot industry has been hamstrung by dependence on high-end imports, innovation that has yet to catch up, unorganized and inadequate technical development, and lack of production certifications.
Guo Xuan, deputy director of Beijing-based Yizhuang Smart Robotics Industry Research Institute, said automation thrives amid rising labor costs that are largely due to an aging society.

"But domestic robotics firms need to be wary of blind expansion. We have already noticed overcapacity in low-end robots," he said.

According to Guo, proper regulation and industrywide standards are the keys to ensuring the healthy development of robotics. "They will help excellent firms stand out from the competition and focus more on R&D in core technologies," Guo added.

Qu Daokui, president of the robot industry alliance and CEO of Shenyang-based Siasun Robot and Automation Co, said that despite the rapid growth of the sector, sales are still dominated by foreign brands.

According to the alliance, 68,000 industrial robots were sold in China in 2015, while Chinese brands saw total sales of only 22,257 units during that year.

In just the first six months of 2016, Chinese brands recorded sales of 19,257 industrial robots, the alliance said on 14th December.

Just over 60 percent of homemade industrial robots are used for transferring, loading and unloading materials. Sales of such robots in 2016 surged by 94.3 percent over the same period last year.

Some 43 percent of industrial robots made by Chinese companies were sold in East China, one of the country's most developed areas, according to the alliance.

(http://www.chinadaily.com.cn/china/2016-12/15/content_27672692.htm)

2. China to expand int'l cooperation on space sciences

(Global Times, 27-12-2016)

China on 27th December issued a white paper summarizing international cooperation on space sciences since 2011 and the key areas for further cooperation in the next five years.

The white paper issued by the State Council Information Office, titled China's Space Activities in 2016, said that China always adheres to the principle that international exchanges and cooperation should be strengthened on the basis of equality and mutual benefit, peaceful utilization and inclusive development.

Since 2011 China has signed 43 space cooperation agreements or memoranda of understanding with 29 countries, space agencies and international organizations. It has taken part in relevant activities sponsored by the United Nations and other relevant international organizations, and supported international commercial cooperation in space. These measures have yielded fruitful results.

In the next five years China will conduct extensive international exchanges and cooperation concerning space in several key areas, such as construction of the BRICS remote-sensing satellite constellation, and construction of the Belt and Road Initiative Space Information Corridor.

Moreover, cooperative researches on space law, policy and standards and personnel exchanges will be further enhanced in the space field.

(http://www.globaltimes.cn/content/1025911.shtml)

3. China aims to improve fairness in education

(Global Times, 31-12-2016)

China aims to increase its compulsory education coverage to 95 percent by 2020 from 93 percent in 2015, said a senior education official at a press conference on 30th December.
Li Xiaohong, deputy chief of the Ministry of Education, said the country is determined to guarantee fairness and establish a comprehensive educational system.

More resources will be given to rural and remote areas to narrow regional disparities, and higher education will be expanded, said Li.

Li said that according to the plan, the gross enrollment rate for kindergartens should reach 85 percent by 2020, while the figure for senior high schools and universities should hit 90 percent and 50 percent respectively.

Li also urged more attention and assistance for children from poor or migrant worker families, while education for the disabled should also be improved.

China’s State Council passed a plan 29th December on educational development for the 13th Five-Year Plan period (2016-2020), calling for guaranteed equal access to schools by 2020.

(http://www.globaltimes.cn/content/1026559.shtml)

4. Why Chinese tech start-ups are wooing users overseas

(.SCMP, 21-12-2016)

As competition in China’s technology industry intensifies, more start-ups have begun to look beyond their home market, using their knowledge and expertise to woo users in the United States and beyond.

Musical.ly, for example, an app which lets users record 15-second videos of themselves lip-syncing to famous hits, was founded by Chinese entrepreneurs Alex Zhu and Louis Yang in 2014, and has since gone on to amass more than 130 million registered users, most of whom reside in the US.

Musical.ly started out as an app for creating videos, with users sharing their clips with friends through other social networks such as Instagram.

“When Musical.ly was built, [the founders] threw it out to different countries to see which one would stick. Interestingly enough, the people who responded were teenagers in the US,” said Hans Tung, managing partner of venture capital firm GGV Capital and a board member at Musical.ly. GGV Capital is an investor in Musical.ly.

“They have more time to create content, which they cannot make as easily on Snapchat or Instagram.

Musical.ly eventually grew into a social network,” he said.

Musical.ly currently ranks as the top Chinese social app outside China, according to Cheetah Mobile’s 2016 Chinese App Overseas Performance report.

Until Musical.ly, few Chinese social apps succeeded outside their home market.

Larger tech companies like Tencent, which has more than 700 million Chinese users on its social networking app WeChat, have tried and failed to target overseas users.

Despite taking on a series of high-profile personalities to promote the app, Tencent was forced to scale back its international expansion plans.

IDC China managing director Kitty Fok said: “It is more difficult for such apps to succeed overseas, mostly because of cultural differences. When an app is developed to target the overseas market first, then it has a higher chance of becoming successful.”

GGV’s Tung attributed much of Musical.ly’s success to the “cross-cultural DNA” of its founders. Zhu had spent several years in Silicon Valley, working for German software company SAP, before launching Musical.ly with co-founder Yang.
“The fact that he had lived in the US for years allowed him to understand the market in the US, understand how consumers behave and how they use apps,” Tung said.

Cheetah Mobile, which is known for its utility apps such as Clean Master, also has more than 80 per cent of its over 600 million users outside China.

Cheetah chief technology officer Charles Fan said chief executive Fu Sheng first made the “bold” decision to focus on the overseas market in 2012.

“It was a surprising decision, given how big the Chinese market is and how fast it had been growing. At the time, there were not many global genes in the company,” Fan said.

Fan said Cheetah knew it had to start pivoting towards another market – content – as the utility app scene became increasingly crowded with competitors.

The company has also found a measure of success in its social and content apps, attracting millions of users from the US for Live.me and News Republic.

Fan believes the cultural differences when it comes to content are sometimes “exaggerated”.

Live.me, for example, has implemented the Chinese style of virtual gift-giving – users can purchase virtual gold coins with cash and use them to buy gifts such as virtual sports cars and cakes for their favourite live-streaming hosts. In just seven months, Live.me has already processed over US$1 million in virtual gift payments to its streamers, proving that users in the US are also receptive towards purchasing virtual items.

“I don’t deny the existence of cultural differences – they exist, they are very real and sometimes big. What’s bigger are the commonalities among people,” Fan said. “Strategically, [exporting Chinese models overseas] is doable, but tactically we must do it differently from how people do it in China.”

Live.me has overtaken the American app Periscope to become the top live-streaming app in the US, according to Cheetah’s data.

Cheetah established dual-headquarters, one in Silicon Valley and the other in Beijing as it sought to deepen its roots in the US and hire more global talent, according to Fan.

“We want to be an American company, to think and feel like an American so that we can build a product for the US,” said Fan.

David Ko, co-founder of Beijing-based hardware start-up Jide Technology, also believes Chinese start-ups who wish to expand outside China need a global mindset right from the start.

Jide produces devices based on the Android operating system - last year, it launched Remix Mini PC, and in October, it followed up with Remix IO - a PC, gaming console and set-top box all in one.

Ko, who used to work at Google together with his two other co-founders, said the company’s main focus was on emerging markets, although the start-up is headquartered in Beijing.

“Our advantage is that we [as co-founders] were educated in the US and worked for a long time there, so the cultural exposure and understanding we have has helped us to grow globally. At the end of the day, your company has to have that DNA - you cannot rely on a public relations firm to do your [overseas] marketing for you.”


5. **Johnson & Johnson teams up with Shenzhen accelerator HAX to support health care start-ups**

(Scmp, 08-12-2016)

Johnson & Johnson, the US health care products giant, is joining forces with Shenzhen-based HAX, a support and consultancy service for start-ups, to offer health-related mentoring and access to its business networks.
The partnership will see around 15 start-ups selected by the accelerator, or incubator, for a four-month programme in Shenzhen, giving them access to J&J’s suppliers and manufacturers. The programme will be run twice a year.

Famous for its baby products, J&J invests $8 billion annually on research and development, but John Bell, its vice president external innovation and new business models at Johnson & Johnson Consumer, said the company is now keen to look to outside sources to keep its technology fresh.

“What we are learning is that doing everything on your own is no longer possible. We have found out the hard way every now and then that if you try to do everything, it doesn’t work,” Bell said, announcing the programme in Hong Kong.

“We are really focused on working together with the external world to co-create new innovations.”

Bell said J&J is certainly open to working with start-ups that fall outside of its traditional core areas of focus, depending on consumer demand, highlighting areas such as anti-aging or improving the quality of sleep.

Global investment into digital health – products ranging from fitness trackers to brain sensors and infant monitoring – hit US$5.8 billion last year with the number of deals growing 21 per cent on 2014 to almost 900, according to CB Insights.

Duncan Turner, managing director of HAX, which is backed by venture capital firm SOSV, said the accelerator defines health-related hardware in a broad sense, to include products that monitor or assist with fitness, wellness and health, for instance.

Turner said the number of health-related companies applying to the four-year-old accelerator has been growing steadily. A total of 25 of the 118 start-ups that have passed through its doors fall into the health category.

“In the past two cohorts, particularly, we’ve had a huge spike in health care companies and have had some really fantastic applicants,” Turner said.

“But things are also getting a lot easier, such as prototyping... which means it’s incredibly efficient to get a medical device or a consumer health device onto the market.”

Its location in Shenzhen, he added, gives its start-ups ready access to prototyping and manufacturing experts.

Turner said many start-ups are now able to buy sensors with United States Food and Drug Administration approval that can be applied in their devices to measure heart rates or other factors, meaning they do not need to develop their own components.

J&J recently acquired a start-up which had developed an acne treatment using different wavelengths of light from LEDs to treat the skin condition, Bell said, which chimes with its ambitions to find and develop innovations outwith its core activities.

The company has established a dedicated team to work as an intermediary between it and the start-ups it supports, to prevent entrepreneurs from being bogged down in red tape, and to still allow access to J&J’s resources and expertise, Bell explained.


6. Alipay steps up mobile payments expansion in Australian stores

(SCMP, 07-12-2016)

Alipay, the Chinese online payments powerhouse, is gearing up to further expand into Australia’s retail sector through its collaboration with Quest Payment Systems, as mainland visitors account for record spending in the country.
Melbourne-based Quest said on 7th December it had become the first payments technology provider to implement a large-scale, in-store roll-out of the Alipay mobile payments system to retailers in Australia, the sixth largest trading partner of mainland China.

The announcement followed Alipay’s reported expansion into Europe. Parent Ant Financial Services Group has said it will work with BNP Paribas in France, Britain’s Barclays, UniCredit of Italy and Switzerland’s Six Group to help establish Alipay, China’s largest payments platform, across the continent’s vast retail market.

In October, the Commonwealth Bank of Australia and Alipay forged an agreement to broaden adoption of the payments system for domestic consumers shopping on Alibaba Group’s online retail platforms, and for in-store purchases at Australian stores.

Ant Financial is an affiliate of New York-listed Alibaba, which owns the South China Morning Post.

Hangzhou-based Alipay, which first opened an office in Sydney two years ago, has had its mobile payments system enabled by Quest at select stores within Australia’s My Chemist pharmacy group, which runs the Chemist Warehouse chain.

Quest has designed software that allows the Alipay mobile payment system to fully integrate with existing point-of-sale terminals at stores, which makes it convenient for Chinese nationals, students and tourists to pay for purchases using their smartphones, and in their own currency.

“Alipay customers can now simply scan a code displayed on the screen of our QT720 payment terminal in order to pay from their mobile phone,” Luke Fuller, Quest’s innovation manager, said on 7th December.

“It’s simple, intuitive and ensures that the customer can see exactly what their purchase will cost in both Australian dollars and their local currency.”

According to the government agency Tourism Australia, Chinese tourists in the country spend about A$8,000 (HK$46,248) on average during each visit.

It estimated that Chinese visitors spent a record total of A$8.9 billion in Australia during the 12 months to March 31.

Mark Finocchiario, managing partner of the My Chemist retail chain, said Quest has added the Alipay payments solution without the need to change its own point-of-sale software or buy additional hardware.

“We’ve been able to maintain our existing payment and reconciliation processes, minimising change for our operators and enabling us to offer this convenient feature to our Chinese shoppers,” Finocchiario said.

Kiki Wu, Alipay’s country manager for Australia and New Zealand, said the accelerated in-store roll-out in Australia will allow companies such as Chemist Warehouse, to participate in the company’s upcoming “12.12” event.

Alipay’s 12.12 shopping festival on December 12 is a global promotion that will offer in-store deals to Alipay users for shopping in selected stores.

In a separate development on the mainland, e-commerce giant Alibaba and China Mobile Communications Corp, the parent of Hong Kong-listed China Mobile, signed a new memorandum of understanding on 7th December to deepen their cooperation in internet-related services.

Alibaba executive chairman Jack Ma Yun and China Mobile chairman Shang Bing led the two sides in setting the course of their alliance under the central government’s “Internet Plus” policy.

7. China to lead global market for VR and AR headsets, IDC says

(SCMP, 21-12-2016)

China is on pace to become the world’s largest market for virtual and augmented reality headsets by 2020, as major domestic suppliers emerge and the application of these devices expands to various industries, according to technology research firm IDC.

“The United States may lead in [developing] the technologies, but China is going to lead in terms of usage scenarios,” IDC China research manager Neo Zheng told the South China Morning Post on 20th December.

“Apart from the video games sector, VR and AR headset vendors in China attach great importance to education, as well as the real estate, manufacturing, design and healthcare sectors,” he said.

Data from IDC showed that shipments of virtual reality (VR) headsets in China are forecast to reach 15.5 million units in 2020, up from an estimated 609,000 this year.

VR immerses a user in an imagined world, like in a video game or movie, with the aid of an opaque headset, such as Google’s Daydream platform and Gear from Samsung Electronics.

Shipments of augmented reality (AR) headsets, meanwhile, are expected to grow to 2.8 million units in 2020 from around 3,000 this year on the mainland.

AR provides an overlay of high-resolution digital imagery onto the real world with the use of a clear headset, like Microsoft’s HoloLens.

IDC said the shipment estimates excluded simple headsets that have no built-in technology, such as Google Cardboard and similar devices which use a smartphone as a viewer.

It predicted total AR and VR headset shipments worldwide to hit 76 million units by 2020, up from an estimated 10.3 million this year.

“In 2016, VR makes up about 99 per cent of that headset market in China,” Zheng said.

Alibaba Group demonstrated during its annual 11.11 global shopping festival on Singles’ Day that VR headsets could also help promote online retail.

New York-listed Alibaba, which owns the Post, sold about 150,000 Cardboard-like VR headsets for 1 yuan (HK$1.12) apiece through its Taobao Marketplace platform in the 11 days leading up to the November 11 event.

Through Alibaba’s “buy+” VR shopping program, mainland consumers browsed products from a number of overseas retailers, including Macy’s, Costco and Target, using the basic VR headsets. When a user focuses on an item in a shop, a three-dimensional view of the product appears, as well as its price and a short description.

According to Forrester Research, Alibaba integrated Alipay to enable customers to check out items within that VR environment.

Zheng pointed out that there are currently more than 100 start-up VR headset suppliers on the mainland, where they will compete against new devices from established smartphone companies.

“Start-ups like 3Glasses, Deepoon, Pico, Pimax and Hyperreal are among the VR vendors which have developed a following in the market,” Zheng said. “We also see plenty of opportunities for the major Chinese smartphone vendors, including Lenovo Group, Huawei Technologies and Xiaomi, in the VR headset market.”

Microsoft said earlier this month that HoloLens will be available in China next year. The software giant’s so-called mixed reality specification will also power new headsets to be released next year by hardware partners such as 3Glasses, Lenovo, Dell and Acer.

8. The biggest tech trends from China to watch out for in 2017

(Forbes, 21-12-2016)

A Boom in Fintech

Financial products aimed at an emerging and growing middle class are on the rise and are expected to grow amid burgeoning demand.

China's consumers have skipped many stages in their technological progression, bypassing aging Western technology in favor of new trends, said Jeremy Peruski, from ICR, a consulting firm.

"I really do believe that China is becoming a global hub when looking at global technology and they historically have led with creating financial products," Peruski said. "This will only continue to accelerate because we see China skipping growth patterns we saw in the U.S."

Credit cards have never taken hold, with most customers opting instead to use their phones and payment apps such as Alibaba's payment system, Alipay, and WeChat. An Ernst & Young report found that 40 percent of consumers in China now use new payment methods. ([http://www.chinadaily.com.cn/china/2016-11/23/content_27462905.htm](http://www.chinadaily.com.cn/china/2016-11/23/content_27462905.htm))

Further underpinning growth in the country's fintech segment is a new social credit system that the government expects to fully implement by 2020. The system assigns each citizen and business a credit score based on their social behavior, previous purchases and other financial data. The score would then be used to determine a person's eligibility for everything from loans and government jobs to where they can travel.

While the system has been criticized as draconian and a further reach into the lives of the country's private citizens, eight of China's largest companies are developing credit systems that could be incorporated into the new system, including Alipay and Sesame Credit - both offshoots of Alibaba.

In the meantime, China's peer-to-peer lending segment is expected to continue to grow over the next year to fill the space left by more traditional banking. China Rapid Finance, one of the country's largest consumer lending platforms, facilitates in providing loans to online consumers and the middle class, who by and large do not have access to credit scores. The company currently has more than 1 million borrowers, and analysts anticipate that number will rise.

"The next year will definitely be a pretty pivotal year in terms of what the future of credit scoring is in China," said Matthew Wong, a senior research analyst at CB Insights.

Lower Valuations and Tightening Investments

Valuations hit a peak in 2015 after an influx of cash hit the market from new venture capital funds and wealthy Chinese looking for new investment vehicles. Nineteen Chinese firms were valued at more than $1 billion in 2015, but that number dropped to 11 in the first 11 months of 2016 and is expected to decrease further in 2017, Wong said.

Beauty app Meitu is the latest Chinese firm to have an initial public offering, going public on the Hong Kong stock market earlier this month with a valuation of $4.6 billion - lower than investor expectations.

Investments into startups are likewise expected to continue to slowdown in 2017. The number of VC-backed deals rose slightly in the third quarter of this year but the investment amount dropped about $1.8 billion, according to a KPMG report.

Those who do get larger funding amounts will likely be in the artificial intelligence segments of the industry, including automated driving and robotics.

"As humans get more comfortable with automation in daily life, this whole conversation around human-machine interactions will become key," said Jenny Lee, a managing partner at Shanghai-based firm GGV Capital.

Global Expansion
Chinese firms had a particularly active 2016 abroad, spending more than $20.7 billion in mergers and acquisitions. The spree in M&As and other overseas investments is likely to progress over the next year.

The largest tech firms have begun their global expansion, branching off in Europe, the United States and Southeast Asia. Ant Financial, Alibaba's financial arm, recently invested in Ascend Money, a Thai fintech company, to expand its own online financial products.

Chinese companies invested $3.5 billion in American companies during the first nine months of this year, and they will likely extend those investments over the next 12 months.

"I see no reason why they wouldn't continue to be aggressive moving into 2017, and we'll start to see more of that global ambition," Wong said. "I would definitely expect to see a more aggressive expansion in Europe and the United States."

Some companies are choosing to bypass the domestic market altogether. Cheetah Mobile, a mobile tools provider, generates more than half of its business outside of China's borders, though it is headquartered in Beijing. Musical.ly, a video social network app based in Shanghai, is one of the most downloaded apps in Europe and the United States.