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Southeast Asia leads in hi-tech funds race
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Australia's ambitions to become a serious player among Asia's tech start-up scene are being overshadowed by Southeast Asian governments that are funnelling millions of dollars to create a new tech epicentre for the burgeoning market.

In the May budget the Australian government made important changes to foster and support technology start-ups, including commitments to tax breaks for small businesses, measures to change the tax treatment of employee share schemes, an increase in the depreciation threshold for individual assets up to $20,000 and $7.8 million in funding over four years for the corporate watchdog to implement a crowdsource equity funding system to spur new investment avenues.

But the changes have done little to reverse the damage wrought by the 2014 budget when the Australian government cut eight research and innovation funding bodies, including the $213m grants program Commercialisation Australia, and the Innovation Investment Fund, which co-invested in venture capital funds.

Meanwhile, in Southeast Asia governments are piling in large investments to ensure their technology ecosystems thrive.

In Malaysia the government has invested 50m Ringgit ($17.4m) to establish the Malaysian Global Innovation and Creativity Centre (MaGIC) to support and foster new technology start-ups.

The centre has been billed as the one-stop shop for entrepreneurs, with everything from getting financing from banks and venture capital to incubators for developing start-ups and facilities for training, coaching and mentoring.

"We did this to really jump-start the whole thing and create a vibrant ecosystem," said Tan Sri Dr Irwan, Malaysia's Secretary General of Treasury, Ministry of Finance.

"This is the way forward if you want to be competitive in this world. It's not my ambition to -create Silicon Valley but something better than Silicon Valley." Dr Irwan said it was necessary for the Malaysian government to create and fund MaGIC as the private sector only desired profits.

"Here private sector is profit-oriented. They don't think about nature or creating," Dr Irwin said.

"While the government shouldn't interfere with private sector, we want to facilitate growth and create the ecosystem, which is why we created MaGIC." Across the border Singapore has established its own -version of Silicon Valley known as Block 71. Reminiscent of densely packed high-school classrooms, the centre is jointly funded by National University of Singapore, the Media Development Authority and -SingTel's Innov8. As the heart of Singapore's technology start-up ecosystem the

Block is home to more than 300 start-ups, entrepreneurs and venture capital firms that all work and collaborate at the hub.

Singapore and Malaysia also support their technology entrepreneurs with generous co--investment grants.

In Singapore incubators can invest up to $S250,000 ($248.000) and have every dollar matched with $S1.50 of funding through the -government's Media Development Authority (MDA).

Malaysia has a similar set-up in which the government will match every dollar up to about $350,000. The Malaysian government also offers a 10-year tax holiday for new technology companies domiciled in the country.

Those matching grants and tax breaks have helped boost the region's technology accelerators with firms like ASX-listed Fatfish internet Group - a venture and start-up accelerator - that has set up hubs in both Singapore and Malaysia to build new technology businesses.

While Australian start-ups may not be supported to the same degree as their Asian neighbours, local investors are being increasingly exposed to start-ups seeded by the Malaysian and Singaporean governments, which are turning towards the ASX for extra funding.

In the past year Fatfish has listed on the ASX and the company has plans to list a spin-off of one of its investments - smartphone game develop iCandy - in the next couple of months.

Fatfish raised $3.5m in initial public offering on the ASX last year. Currently, it has a market capitalisation of about $35m.

"The ASX presents a very interesting proposition for internet companies because the investors have a good understanding of the internet compared to other markets," Fatfish chief executive Kin-Wai Lau said. "They understand the risks of early-stage ventures whereas in other markets like Singapore it's very profit- and track-record driven. So if you're not a profitable business over the last three years then there's no way you will get on the exchange there." A number of Asia-focused start-ups have recently listed on the ASX, including the reverse listing of online chat and game social network MigMe and Chinese mobile commerce company **99 Wuxian**, which listed on the ASX in October.

But while Fatfish lauds its listing on the ASX, other Singaporean tech companies like expense and travel management firm 8Common say that listings can be premature.

The firm - which has a range of Australian government agencies on its books, as well as large financial institutions like AMP - is on track to crack the $3m revenue bar this year and is expecting to grow turnover to more than $4m in 2016.

But its share-price performance on the ASX since listing in August 2014 at 25c a share has stuttered, with stock now trading at 18c.

"Our ASX listing was slightly premature but if we didn't do the listing we would have exhausted our funds," said 8Common founder and CEO Nic Lim.

"If we went out now it would have been better but the window was open so we took it.

"We just wanted to get the IPO done and build the business. We know that if we stay focused then we will win. "Mitchell Bingemann was a guest of Fatfish during his recent trip to Singapore and Malaysia.