



Booming Startup Ecosystem Signals Bright Future for Hong Kong Entrepreneurs
EYE Program study reveals strong startup ecosystem growth of almost 300% since 2009, yet startup rates remain low as aspiring entrepreneurs face many challenges

HONG KONG, September 2, 2014 – According to findings revealed today from Google and the Chinese University of Hong Kong (CUHK) Center for Entrepreneurship’s new study, Hong Kong’s startup ecosystem has grown by almost 300% since 2009, with significant growth in physical hubs, startup accelerators and incubators, funding providers, and university support. However, in contrast with the city’s business-friendly policies and growing startup ecosystem, Hong Kong’s overall entrepreneurial spirit remains low as local entrepreneurs face pressure from societal values and experience challenges in securing seed capital from local financial resources.

Years of economic prosperity has resulted in a high risk-averse society, leading to younger generations opting for safer career options encouraged by parents. Social antipathy in Hong Kong to embark on an atypical career path is also strongly perpetuated by friends in addition to family. The study noted that pressure from family and friends of entrepreneurs who decided to delay their plans increased 39% and 436% respectively after entrepreneurs enrolled in startup-related programs.

In tandem with the social pressure aspiring entrepreneurs face from family and friends, they also have few options for early investment - 88% of entrepreneurs stated their major source of seed capital as self-funding. Despite an abundance of financial resources given Hong Kong’s status as a global financial hub, professional investors are not contributing to local startups because of various reasons, such as Hong Kong’s small market size, a lack of strong business ideas and legal issues that prevent investment opportunities. In consequence, 64% of experts stated the most important limitation for Hong Kong entrepreneurs is inadequate accessibility to financial resources.

Nevertheless, experts note that the future is bright for reviving the city’s entrepreneurial spirit, as major institutional players continue to accelerate investment and involvement in the city’s startup environment. In addition, knowledge providers from the private sector and universities are becoming more involved in offering programs and trainings tailored to meet the needs of entrepreneurs.

Dominic Allon, Managing Director of Google Hong Kong, said, “There is still much to be done to build a better ecosystem for local youngsters and entrepreneurs. Through the EYE Program, we want to address the challenges entrepreneurs face by inspiring them with a positive mindset, empowering them with multidisciplinary skills, and providing valuable networking opportunities. We are delighted to see how the EYE Program has taken off thus far, and hope our commitment will push forward the ecosystem and industry partners to turn Hong Kong into a digital hub for entrepreneurs.”

Professor Kevin Au, Director of CUHK Center for Entrepreneurship, explains, “If we were to describe Hong Kong’s entrepreneurial ecosystem with startup theory, we would conclude that it has performed a mostly successful commercialization and is now in its growth stage. Hong Kong is waking up, as one of our experts said, and it is doing it with its well-known dynamism and drive. What’s the next step? Initiatives like the EYE Program are making a sizeable contribution to advancing Hong Kong’s overall startup community, and we encourage more participation from the broader society to make an even bigger impact.”

The final report, available in November, will include a detailed analysis of trends, challenges and opportunities, as well as recommendations for Hong Kong becoming the hub for entrepreneurs.

A snapshot of key findings from the EYE Program Entrepreneurship Ecosystem of Hong Kong Interim Report includes:

A typical Hong Kong entrepreneur

- Based on responses from the 612 surveyed entrepreneurs, a typical Hong Kong entrepreneur is male (72%), most likely between 21 to 25 years old (38%), holds a B.A. (58%) from a local university (83%).
- Most entrepreneurs cite their major strengths as creative thinking, business management and presentation skills, while the least strong were fundraising, coding and most have them had no experience in entrepreneurship.
- The key factors that Hong Kong’s young entrepreneurs consider before deciding to launch a startup are availability of business opportunities and knowledge, supply and use of technology and creative ideas, and availability of funding sources for entrepreneurs.
- People who postponed their decision to pursue entrepreneurship think that regulation and policies in Hong Kong are not tailored enough for the needs of entrepreneurs (most important institutional factor), and that there is not enough funding availability (second most important factor).

Societal factors are preventing entrepreneurs from making the leap

- The lack of economic necessity and financial security is amplifying high-levels of risk aversion, in addition to pressure from older generations to enter less risky careers.
- Entrepreneurs face increasing pressure from friends and family after enrollment in entrepreneurship programs. Entrepreneurs who postponed their startups faced on average 39% and 436% increase in pressure from family and friends respectively.

Challenges in obtaining early-stage investment and seed capital

- Most entrepreneurs surveyed stated self-funding (88%) as the major source of seed capital. Meanwhile, banks are the least represented as a funding source of early stage capital (6%), followed by venture capitalists (8%).
- According to experts, financial accessibility ranks as the biggest weakness (64%) in Hong Kong’s entrepreneurial ecosystem. The experts interviewed emphasized the contrast between the availability (abundant) and accessibility (very low) of financial resources from these formal channels.
- Hong Kong has a high abundance of financial resources, with 260 established Hong Kong-based venture capital firms in 2013 investing in startups and 25% of startup support ecosystem being populated by funding providers in 2014. However, there is limited domestic investment from these groups: only an estimated 1.8% of total local venture capital investment and 21% of Hong Kong angel investor funding went to local startups from 2009 to 2013.

The future is bright

- The number of coworking spaces has grown from 1 in 2009 to 22 in 2014, startup accelerators and incubators have more than tripled from 6 to 16, knowledge providers have more than doubled from 14 to 37, and funding providers (including associations HKBAN and HKVCA as single entities) have almost tripled from 16 to 42.
- Direct funding from businesses to local universities has grown by 35% and government-matching collaboration programs have tripled since 2009, indicating private and public sector recognition of the importance of entrepreneurial studies and knowledge exchange.
- Youngsters are positive in taking on the entrepreneurial journey, as the network of coworking spaces, funding and knowledge providers, and government programs continues to grow and better connect to the ecosystem.
- Experts are positive about the future of Hong Kong's entrepreneurship ecosystem, with its growing momentum.

The EYE Program Entrepreneurship Ecosystem of Hong Kong Interim Report is a comprehensive study from over 400 sources, including survey responses from 612 young entrepreneurs, interviews from a panel of 12 local experts, analysis from international databases and reports, and social networks assessing the viability of the local entrepreneurship ecosystem. The goal is to identify the growth and challenges in Hong Kong's startup ecosystem, and to generate enthusiasm and support for aspiring entrepreneurs.

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