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團結香港基金

100TH 週年紀念
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Strategic Partner:



ALIBABA
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Building Hong Kong as a Cradle for Successful Entrepreneurship

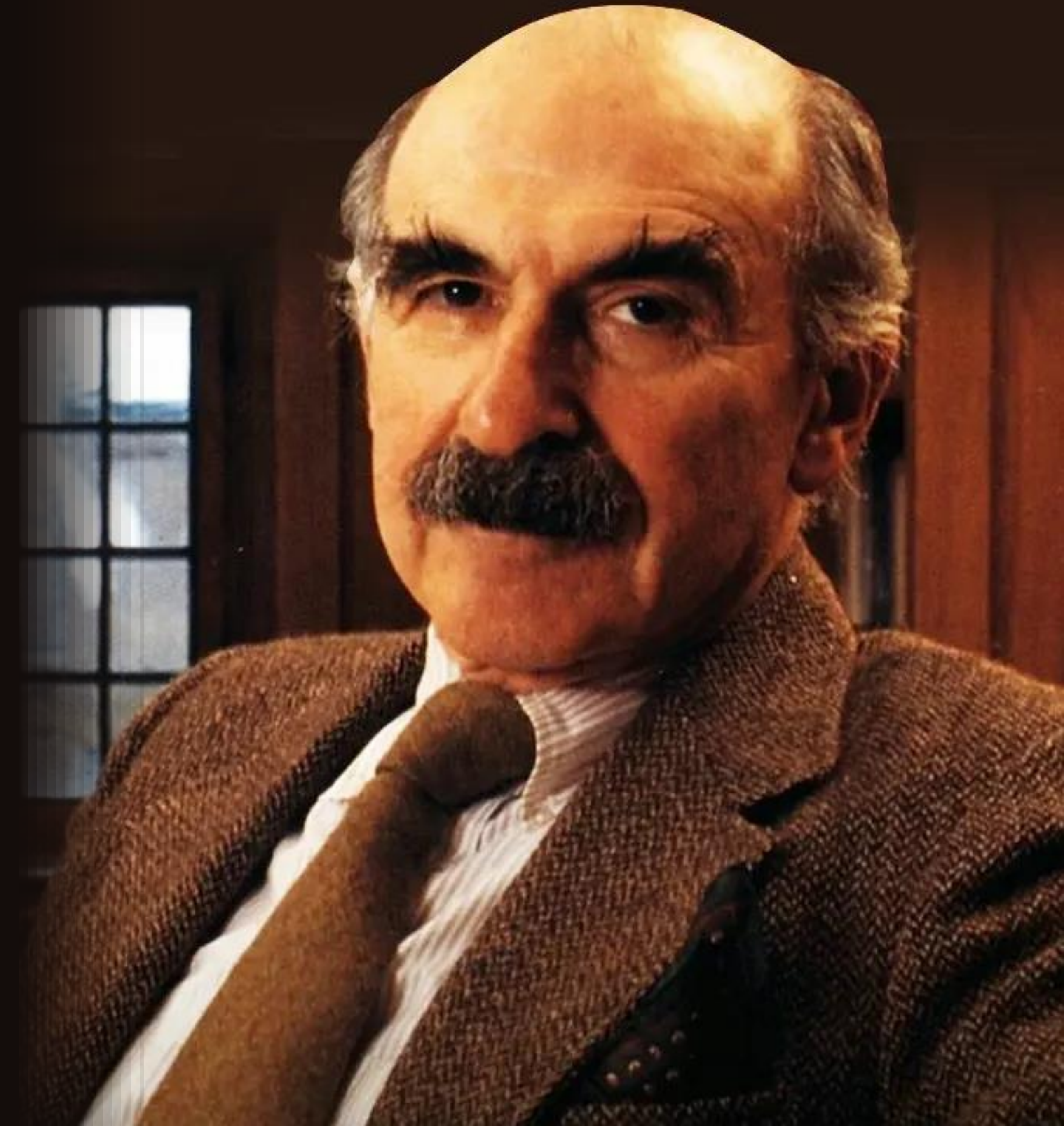
21 March 2024

Research • Advocate • Engage
研究 • 倡議 • 推動



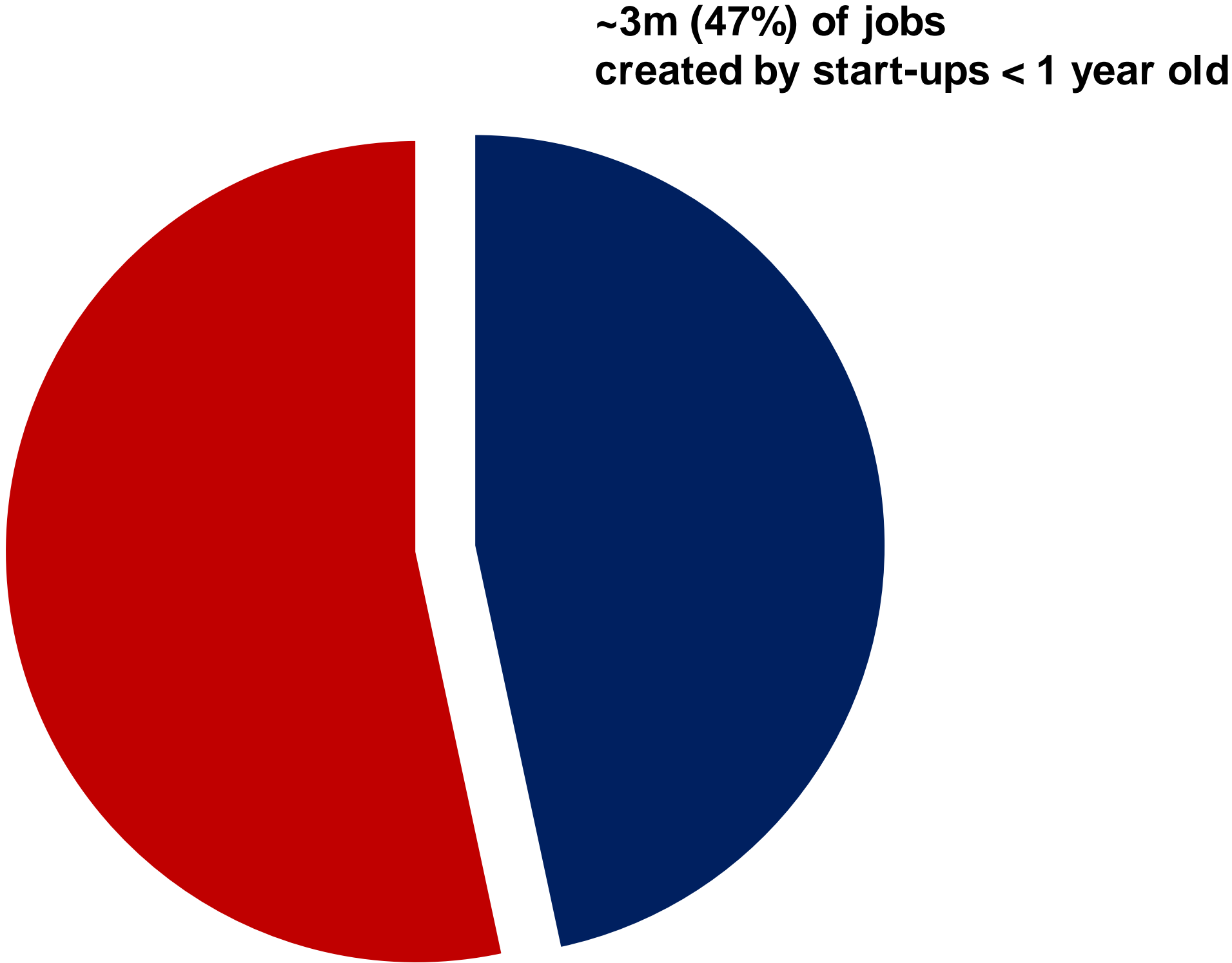
**Creativity is thinking up new things.
Innovation is doing new things.**

- Theodore Levitt



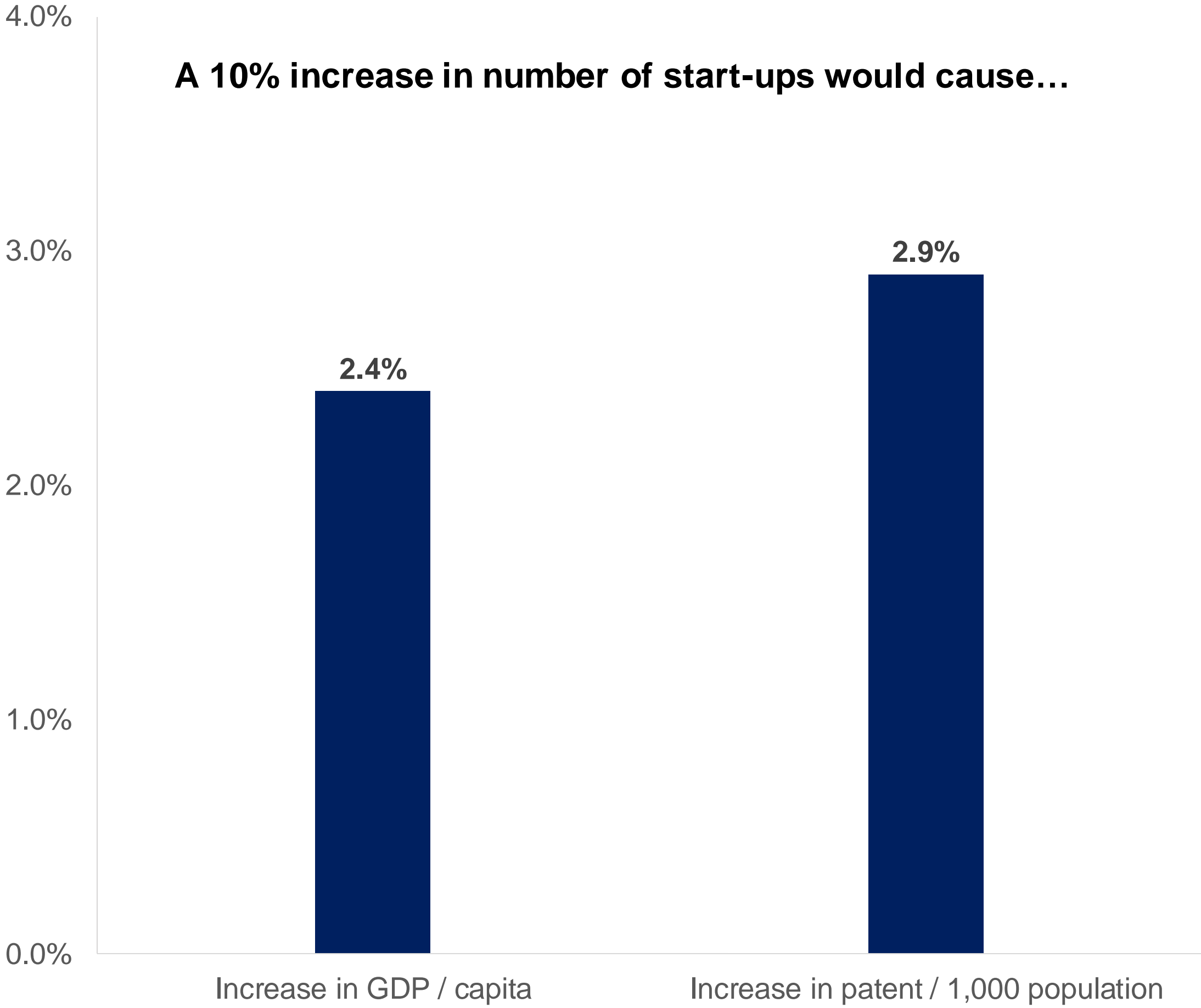
Why care about entrepreneurship?

Creating new jobs



Source: Bureau of Labor Statistics (2021) & Bloomberg (2022)

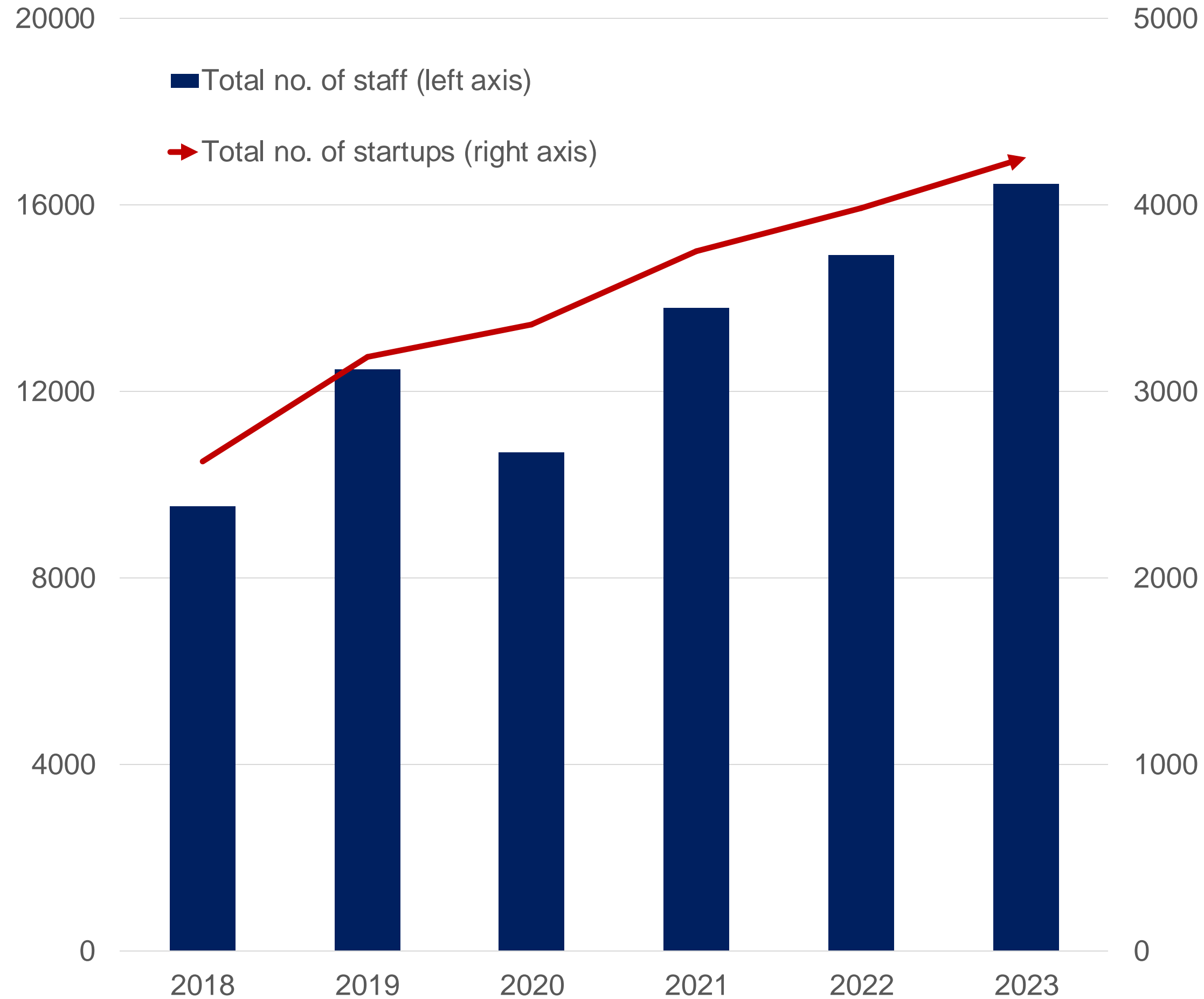
Driving economic growth



Note: World Bank dataset (start-ups in 125 countries)

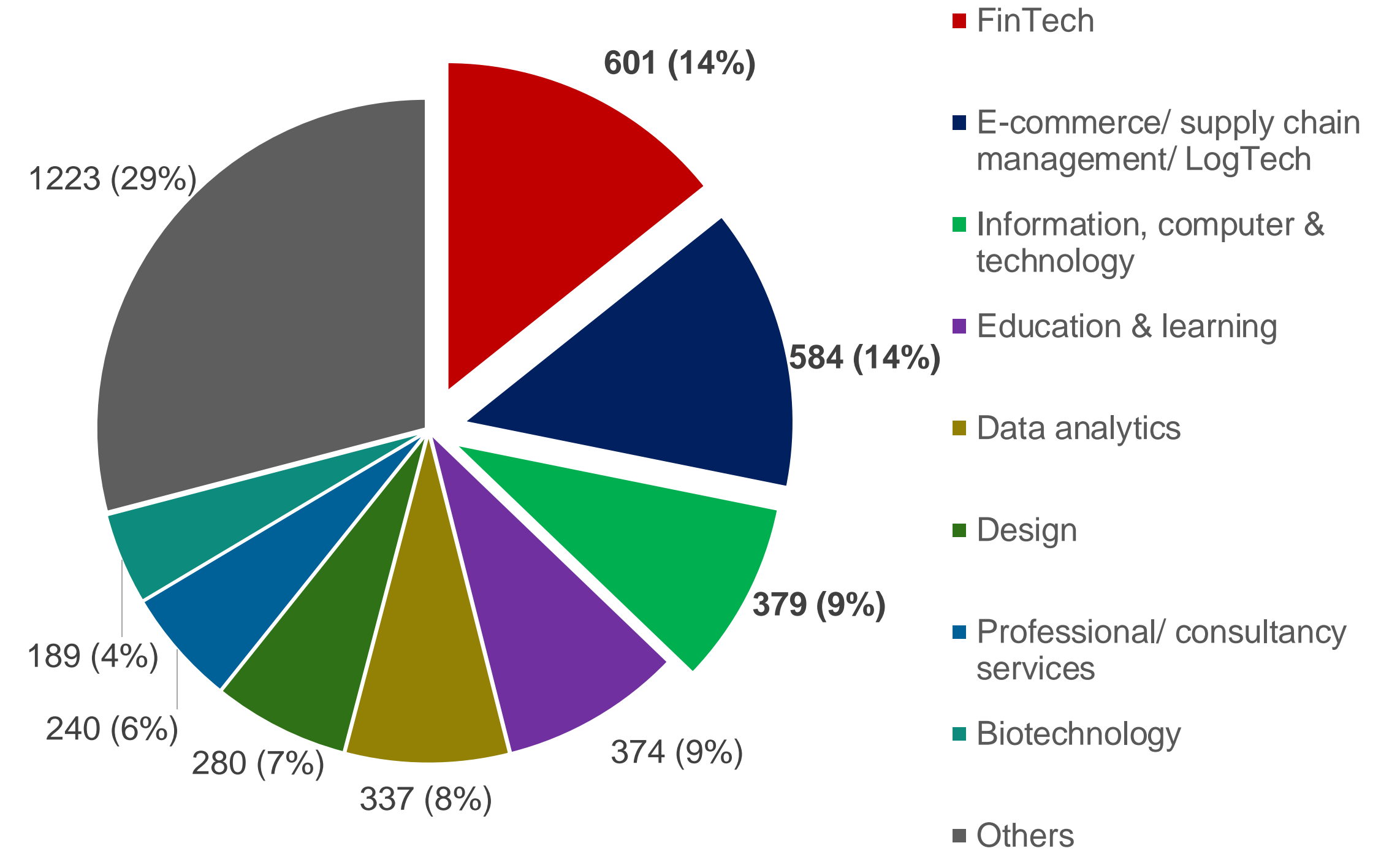
Hong Kong's start-up ecosystem is getting more vibrant

No. of startups and staff increased by 62% and 72% in the last 5 years



Source: InvestHK (2022, 2024)

Percentage of start-ups by industry (2023)



Source: InvestHK's 2023 Startup Survey

However, Hong Kong start-up ecosystem is lagging behind

Asia Pacific city ranking in the Global Startup Ecosystem Index 2023

	City
1 st	Beijing
2 nd	Shanghai
3 rd	Bangalore
4 th	New Delhi
5 th	Tokyo-Yokohama Area
...	...
12 th	Hong Kong

Source: StartupBlink (2023)

Hong Kong's start-up ecosystem is not yet mature



Low number of unicorns

- **18** (0.4% of HK start-ups) vs. Beijing (**91**), Shanghai (**71**) & Shenzhen (**32**)



Minimal role in start-up financing

- HK VC financing: USD**1.4b** in FY19/20 (0.5% of global financing)*
- HK IPO proceeds: USD**51.3b** in 2020 (18.9% of global proceeds)

* 2020 global VC investment was USD300b

Source: Hong Kong X Foundation (2021), Hurun Research Institute (2021), KPMG (2020), Crunchbase (2021), EY (2023) & HKEX (2020)

Building Hong Kong as a cradle for successful entrepreneurship

Objective

1

Understand **enabling factors** for becoming successful technology entrepreneurs in Hong Kong

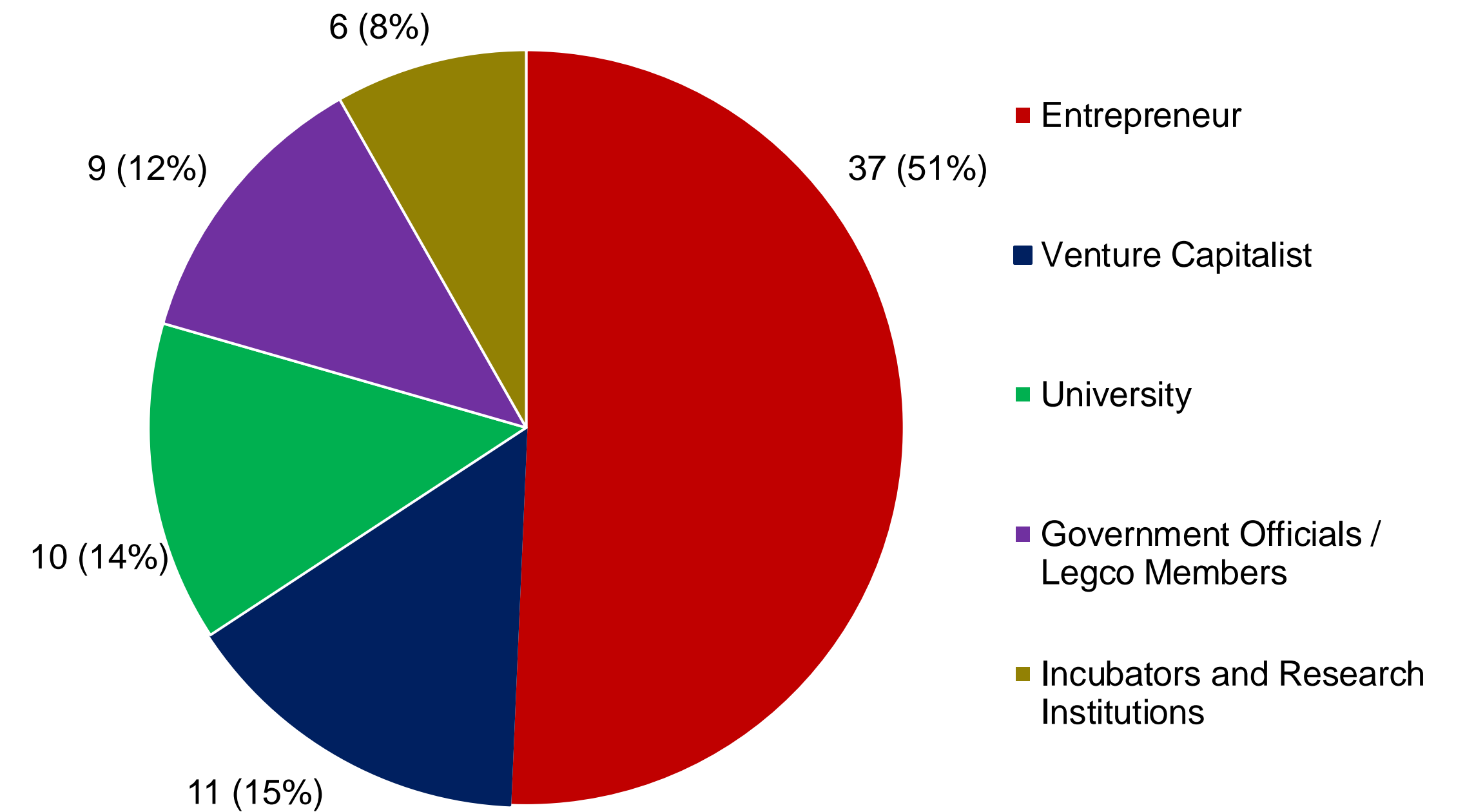
2

Build Hong Kong into a **cradle for successful entrepreneurship**

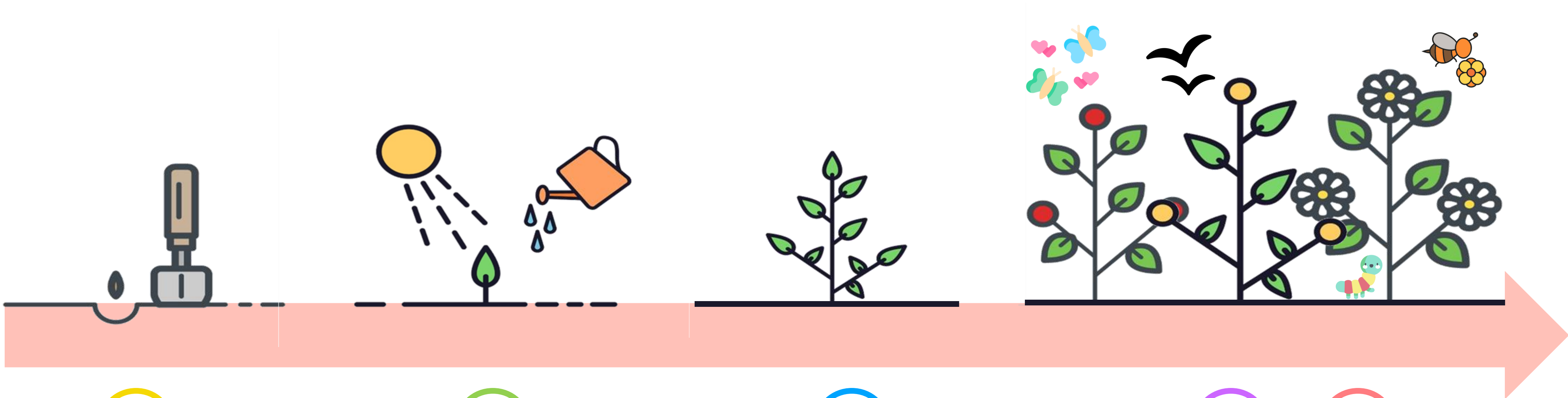
Strategic Partner:



Methodology: in-depth interviews and focus groups (73 stakeholders)



Start-up Growth Cycle



1

2

3

4 + 5

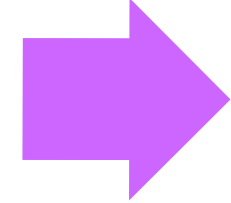
Entrepreneurship Education



Technology Transfer & Corporate Interchange

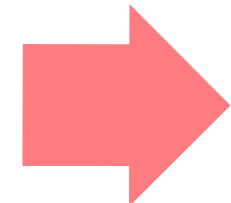


Access to Finance



Global Market Access

+



Talent & Enterprise Attraction



Part 1:

Promoting entrepreneurship education to cultivate entrepreneurial talent



Entrepreneurship education (EE) drives social return through cultivating entrepreneurial mindset

From entrepreneurial skills to mindset



Raising intention, execution, and social benefit



Start-up Intention

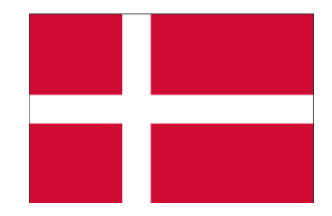
- Students undergone EE show an **86%** higher intention to start a business¹ than those who have not



China
(ranked 12th in GII)²

Starting a start-up

- Students starting their company during higher education increased by **50%**



Denmark
(ranked 9th in GII)

Social return on investment

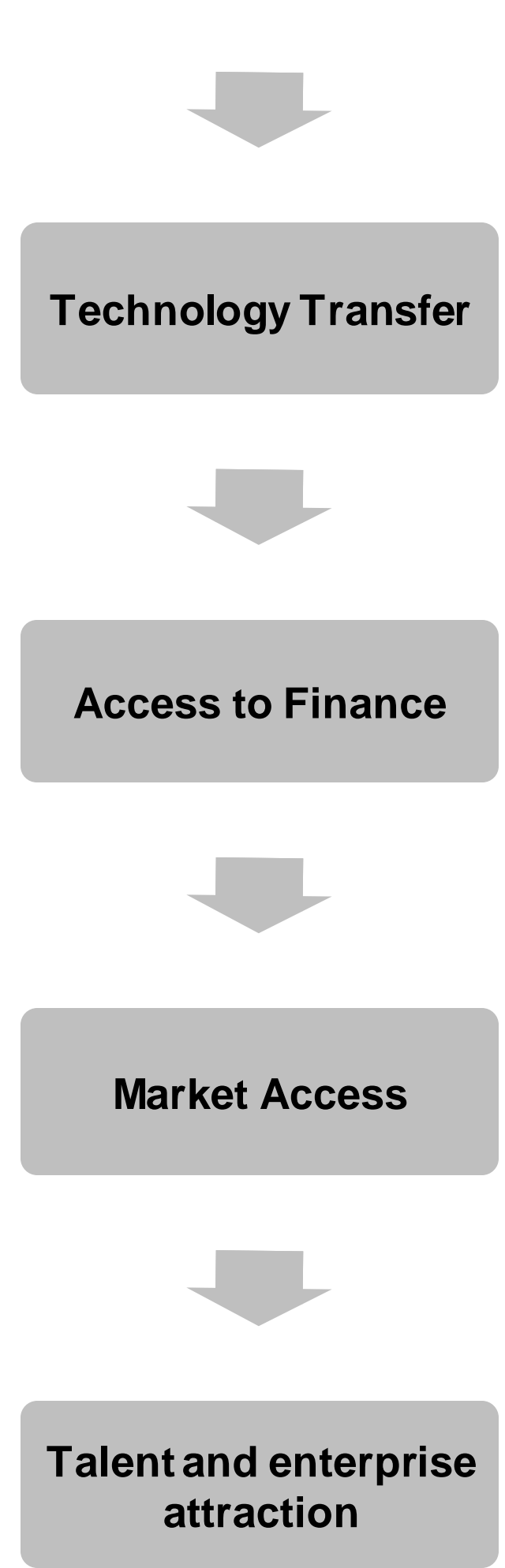
- **4500%** return on “societal prosperity”³



Canada
(ranked 15th in GII)

Note:
 1: 2023 figure
 2. Global Innovation Index (GII) 2023 ranking, HK ranked 17th
 3. Estimated impact of entrepreneurship education provider Junior Achievement
 Source: European Commission (2015), Deng and Wang (2023)

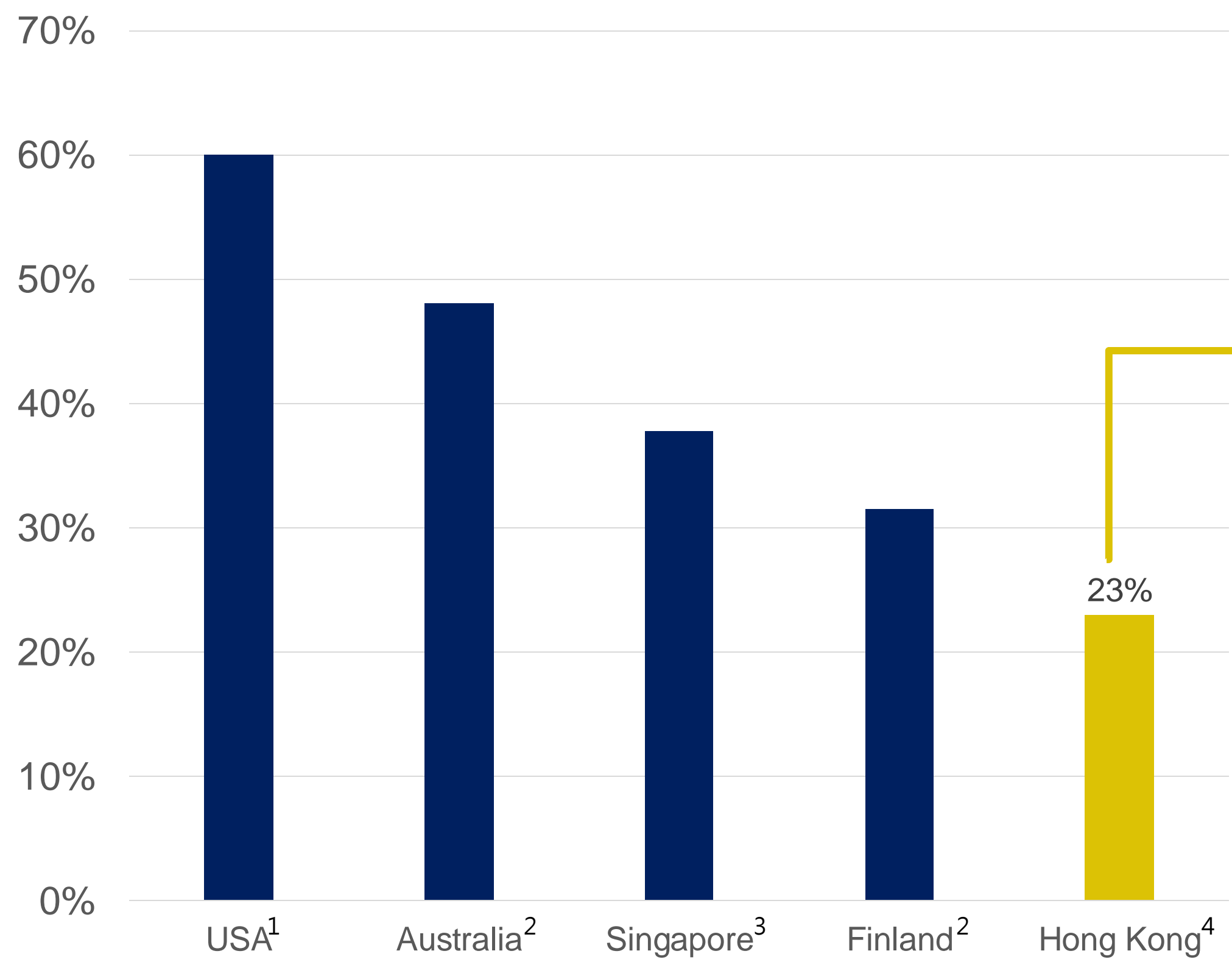
Entrepreneurship Education



Source: OECD (2015) & European Commission (2014)

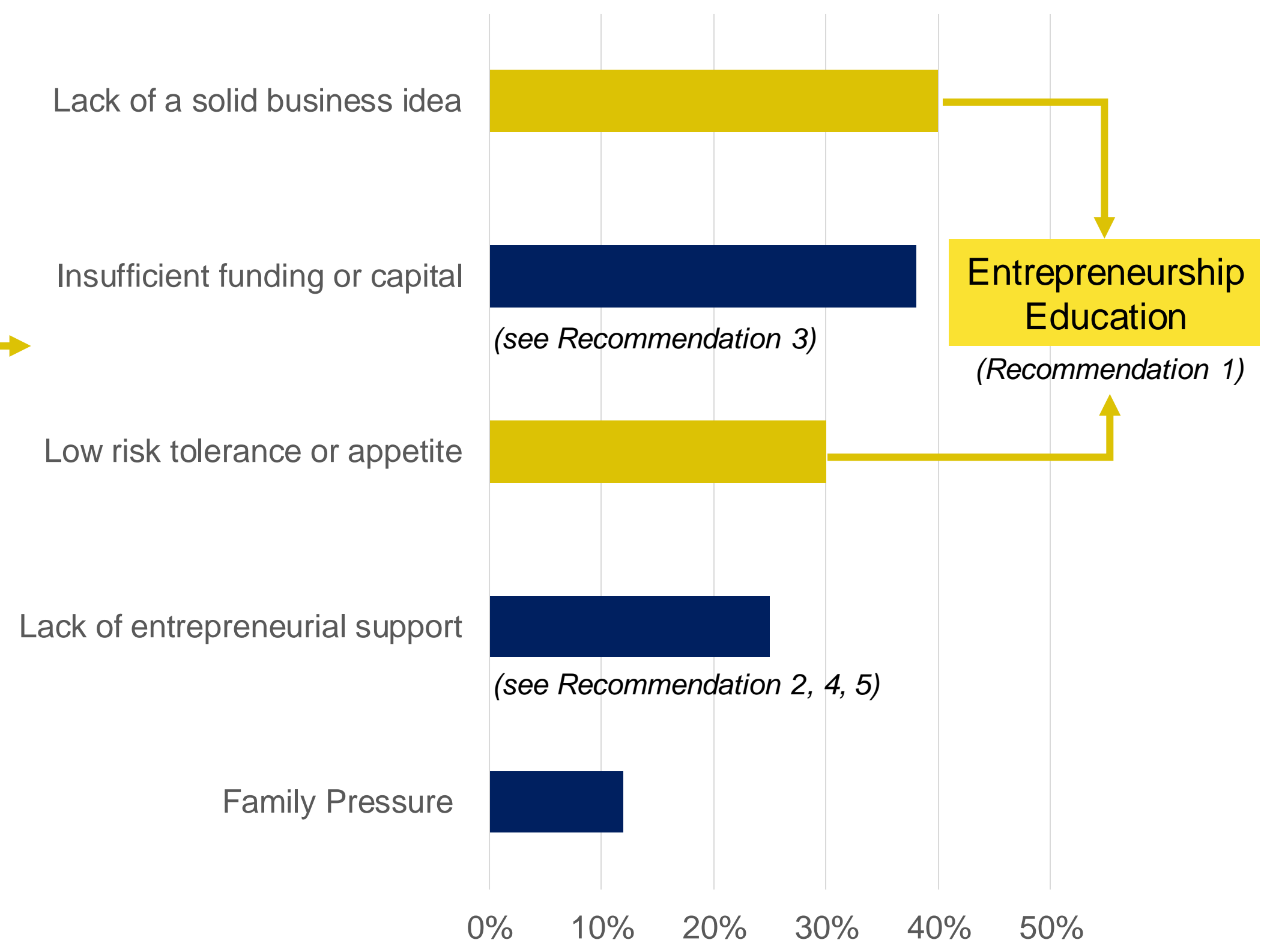
Low entrepreneurship intention due to a lack of business ideas and risk appetite

HK university graduates have relatively low startup intention

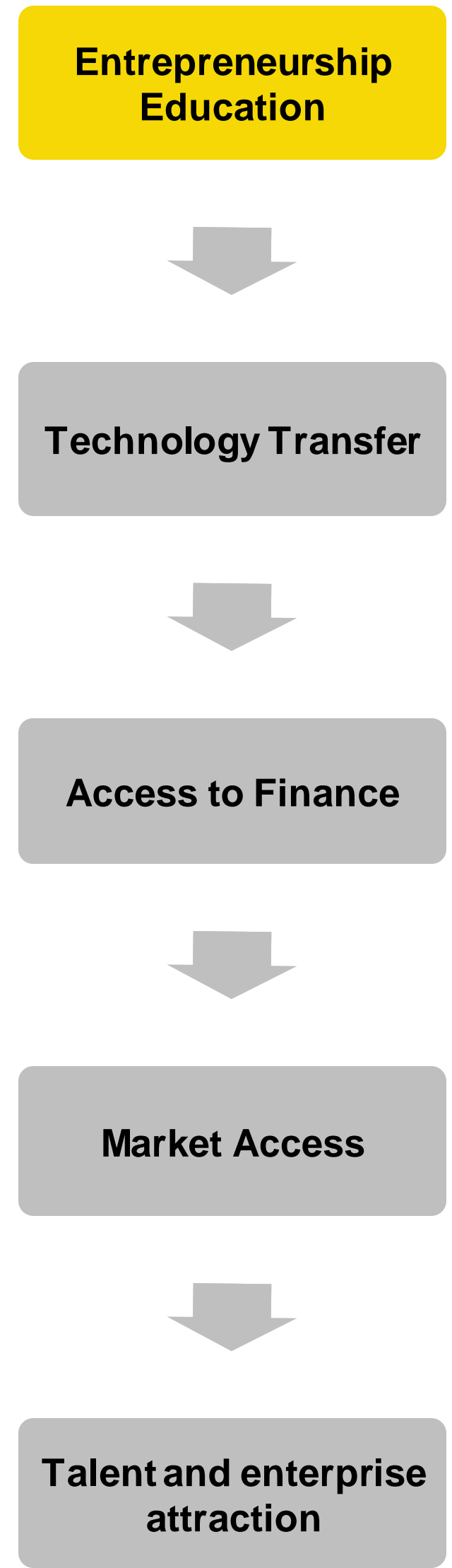


Note:
 1. 2022 figure; includes grads currently operate their own businesses, “plan on” and “considering” starting a business post-graduation
 2. 2018 figure
 3. 2019 figure; sample from students of NUS Overseas Colleges Programme
 4. 2021 figure
 Source: Intelligent.com (2022), NUS Enterprise (2019), GUESSS (2019), Deloitte (2021)

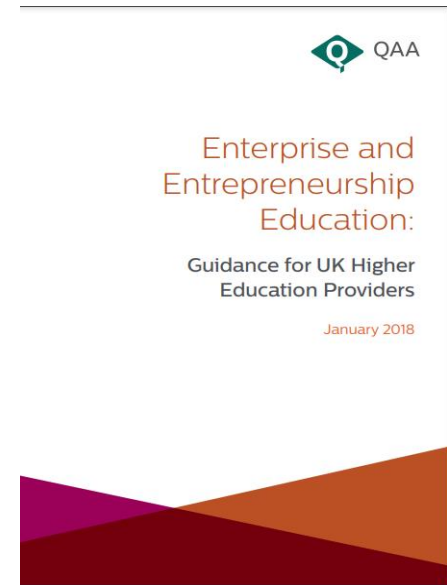
Major reasons for students not to consider starting a business



Source: Deloitte (2021)

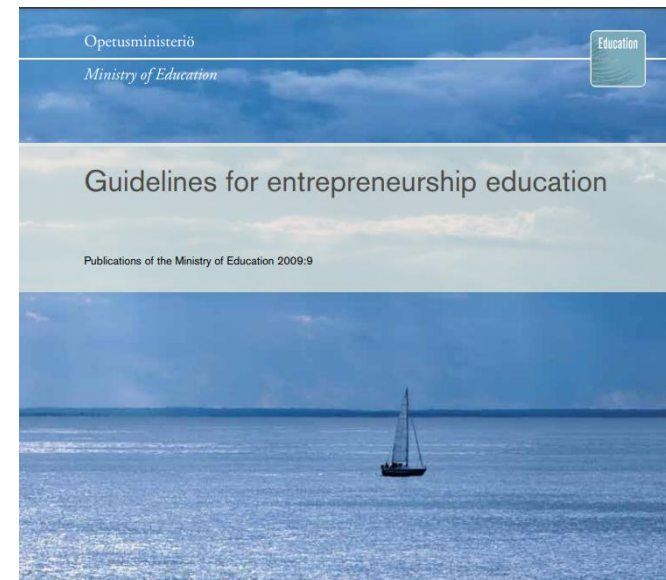


Countries worldwide have published guidelines to promote entrepreneurship education



United Kingdom (2018)

Promote Enterprise and Entrepreneurship Education in Higher Education



Finland (2009)

Enhance entrepreneurial spirit & make entrepreneurship a more attractive career choice



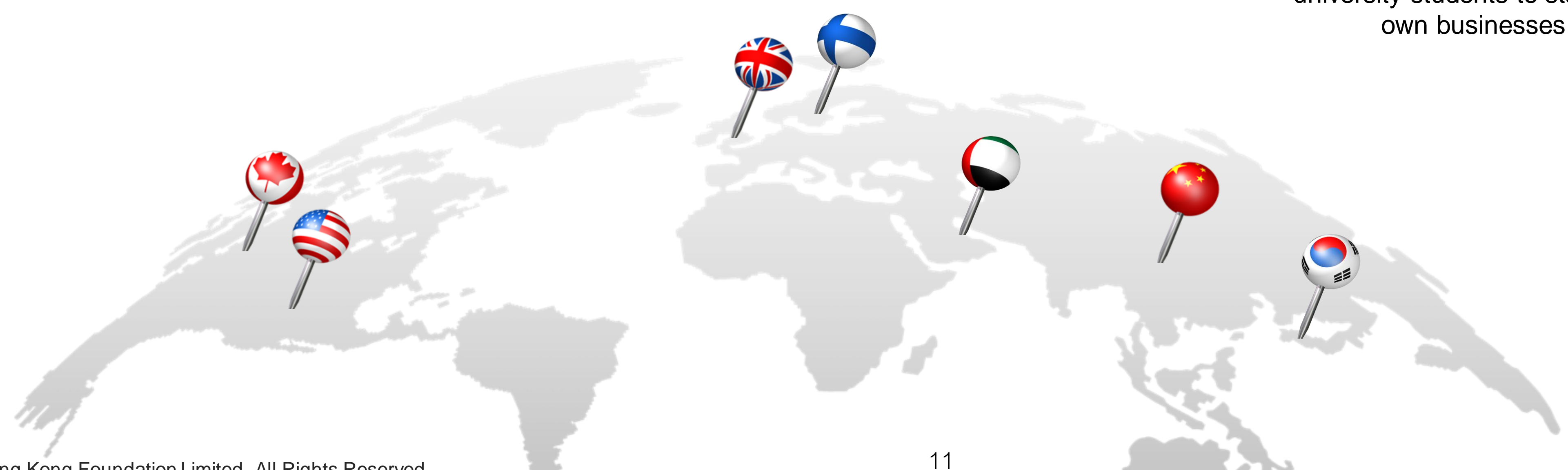
Denmark (2006)

“Denmark should be a leading entrepreneurial society”



China (2010)

Develop innovation and entrepreneurship education in Higher Education, encourage university students to start their own businesses



Entrepreneurship Education



Technology Transfer



Access to Finance

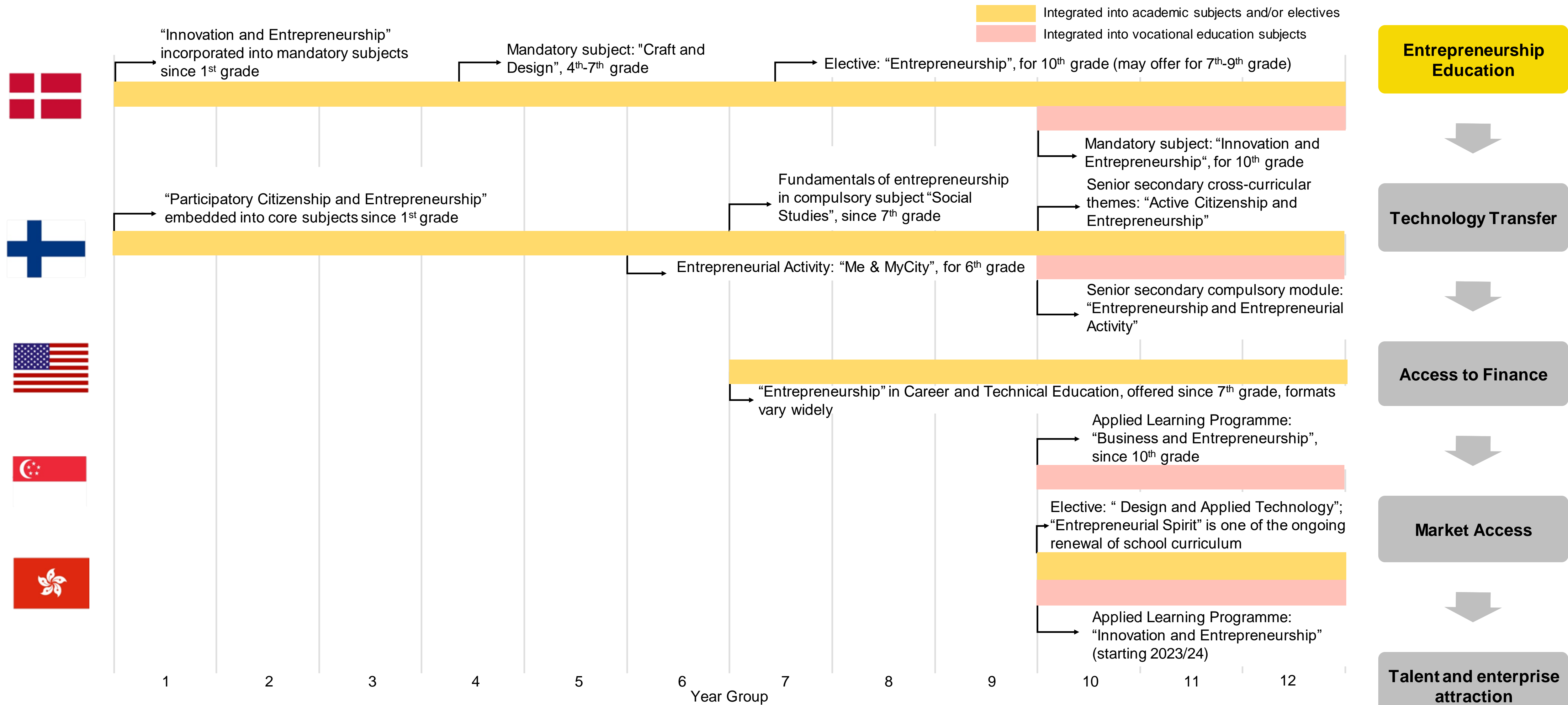


Market Access



Talent and enterprise attraction

Hong Kong needs to catch up with other economies in early-stage EE



Entrepreneurship Education



Technology Transfer



Access to Finance



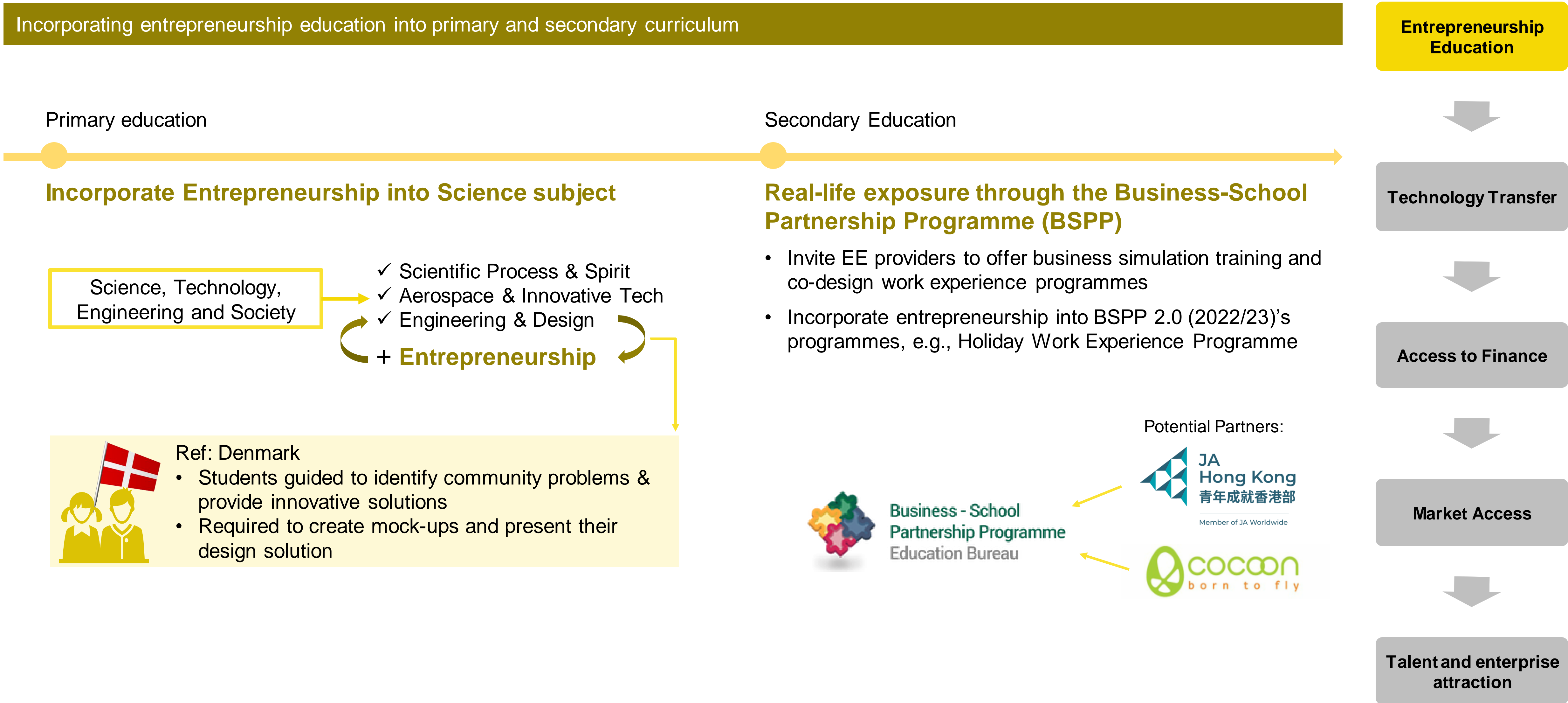
Market Access



Talent and enterprise attraction

Note :Year groups 1-6 are classified as primary education, Year Groups 7-12 as secondary education

Recommendation 1.1: Formulating a policy framework for entrepreneurship education in basic education

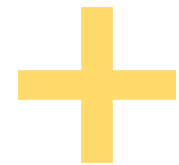


Recommendation 1.2: Encouraging cross-border, experiential entrepreneurship programmes at the tertiary level

Entrepreneurship Programme Model



2-3 years
Home University



1-2 years
Entrepreneurship experience at
Partnering Institution
(Ensure **credits are transferable**)

Example: XbotPark



- “2 + 2” undergraduate degree
(2 years at university + 2 years on-site training)
- Training offered on product definition, design, prototype production & marketing
- Industry mentors provided for Final Year Projects
- Partnering institutes:



Entrepreneurship Education



Technology Transfer



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Market Access



Talent and enterprise attraction

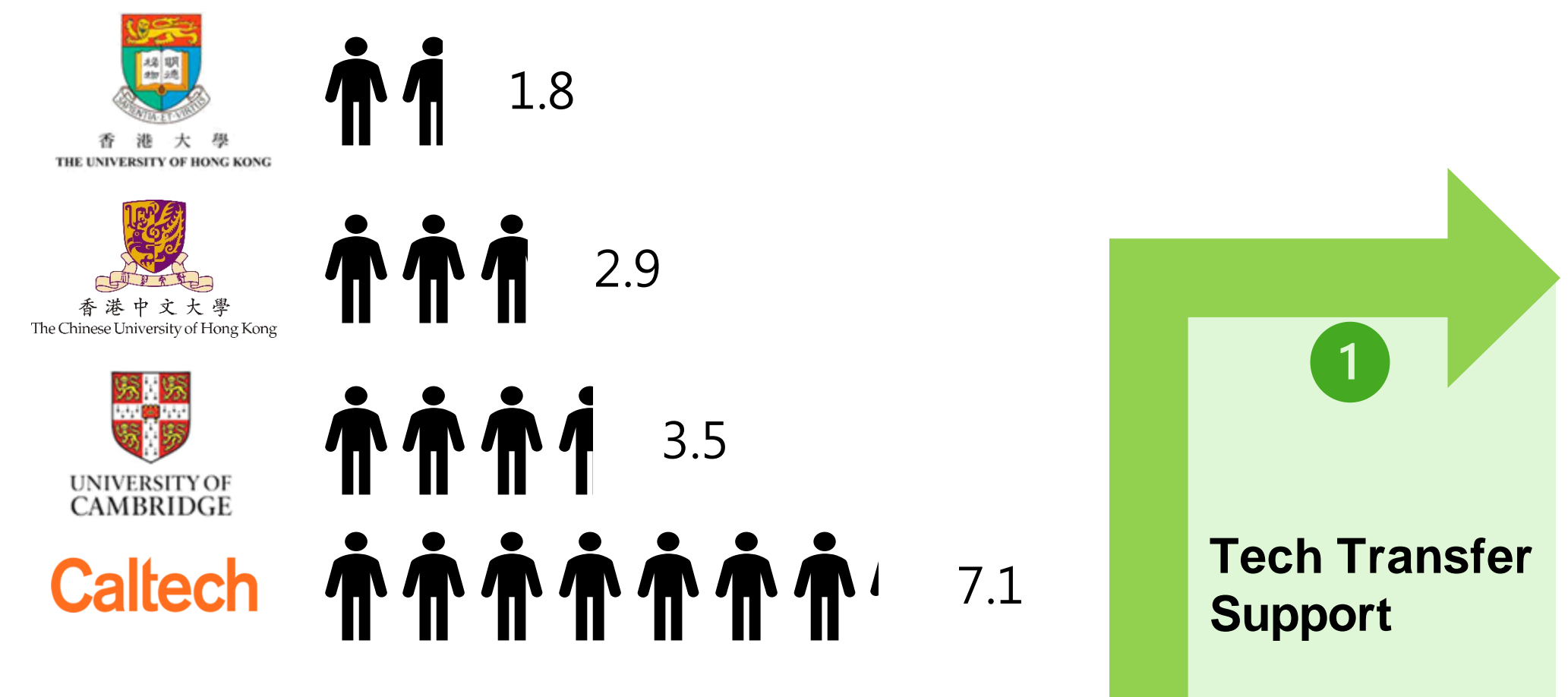
Part 2:

Facilitating technology transfer and corporate interchange to help start-ups grow

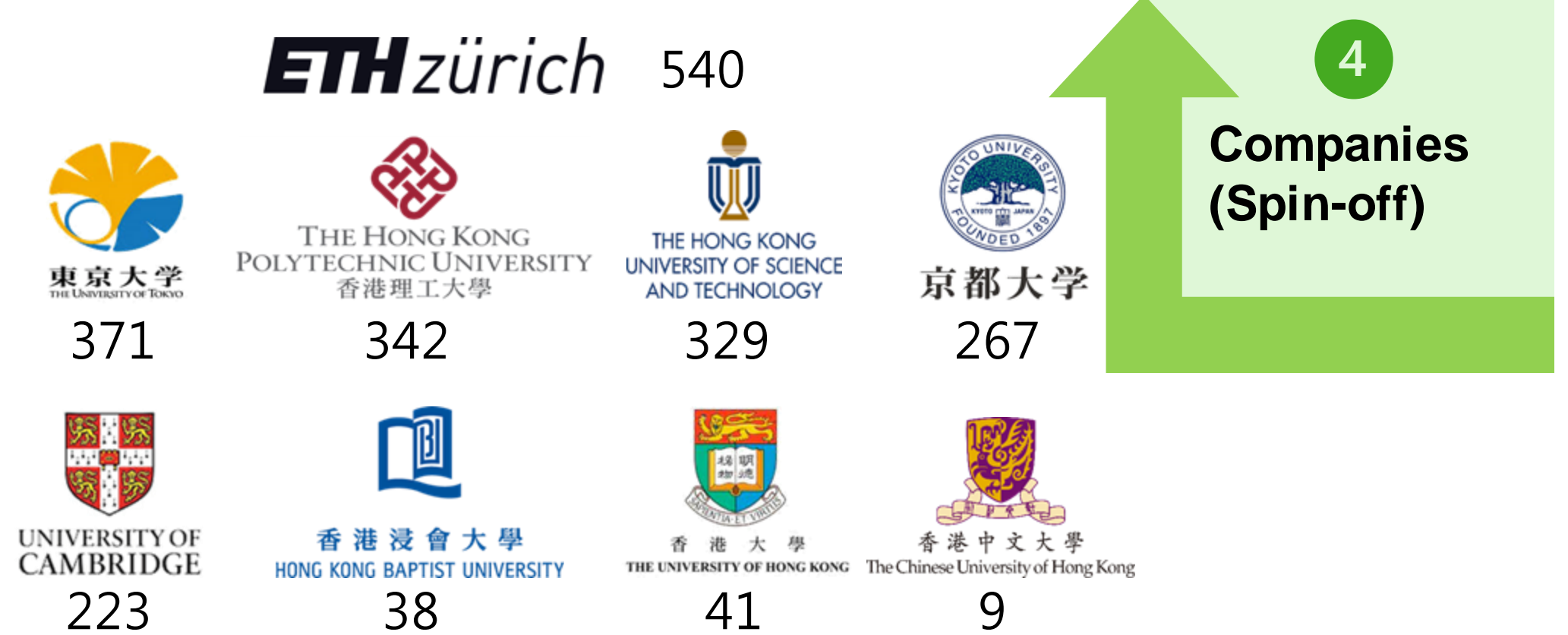


Hong Kong's technology transfer processes are hindered by insufficient support in staffing, incubation, and procurement

Number of technology transfer staff¹ per 100 professors

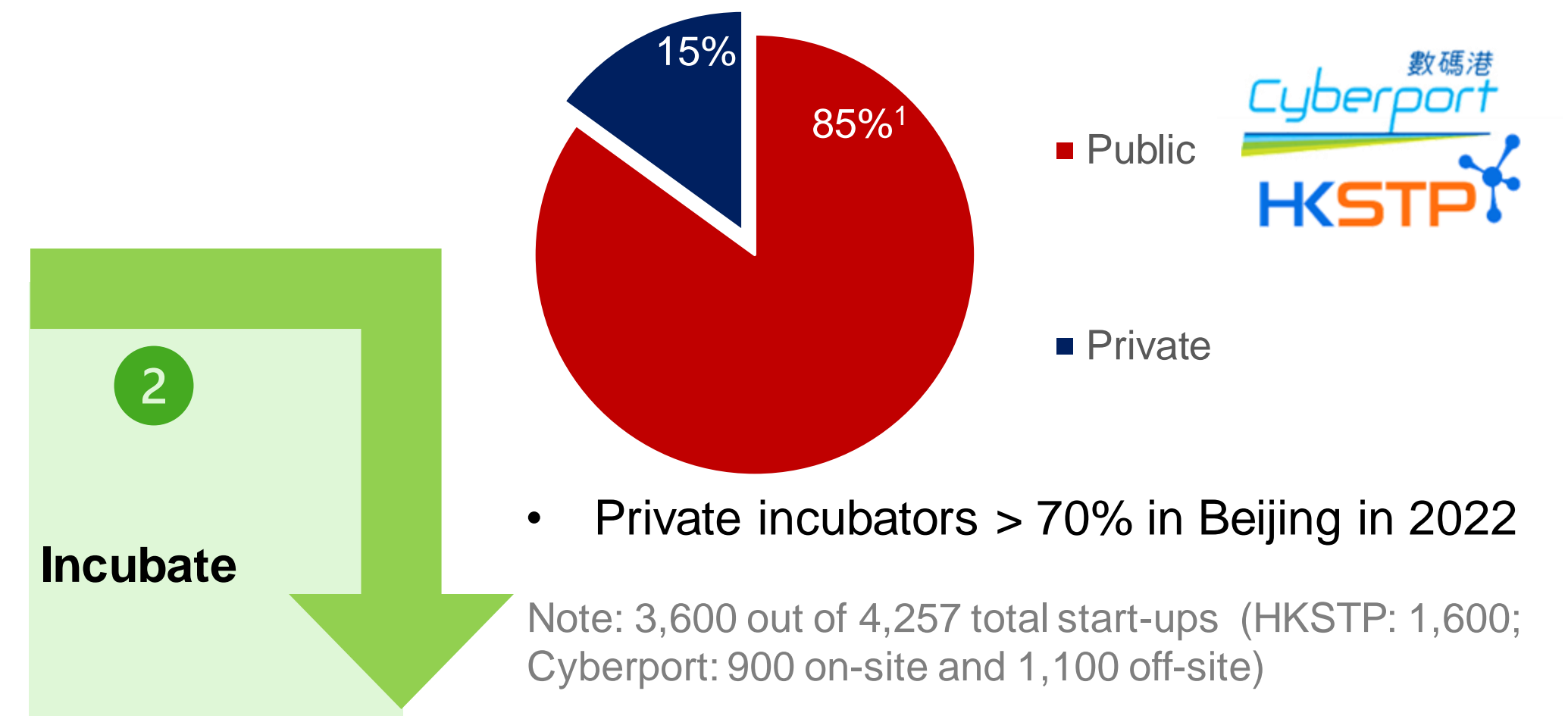


Number of active spin-off companies of each university (2021/22)

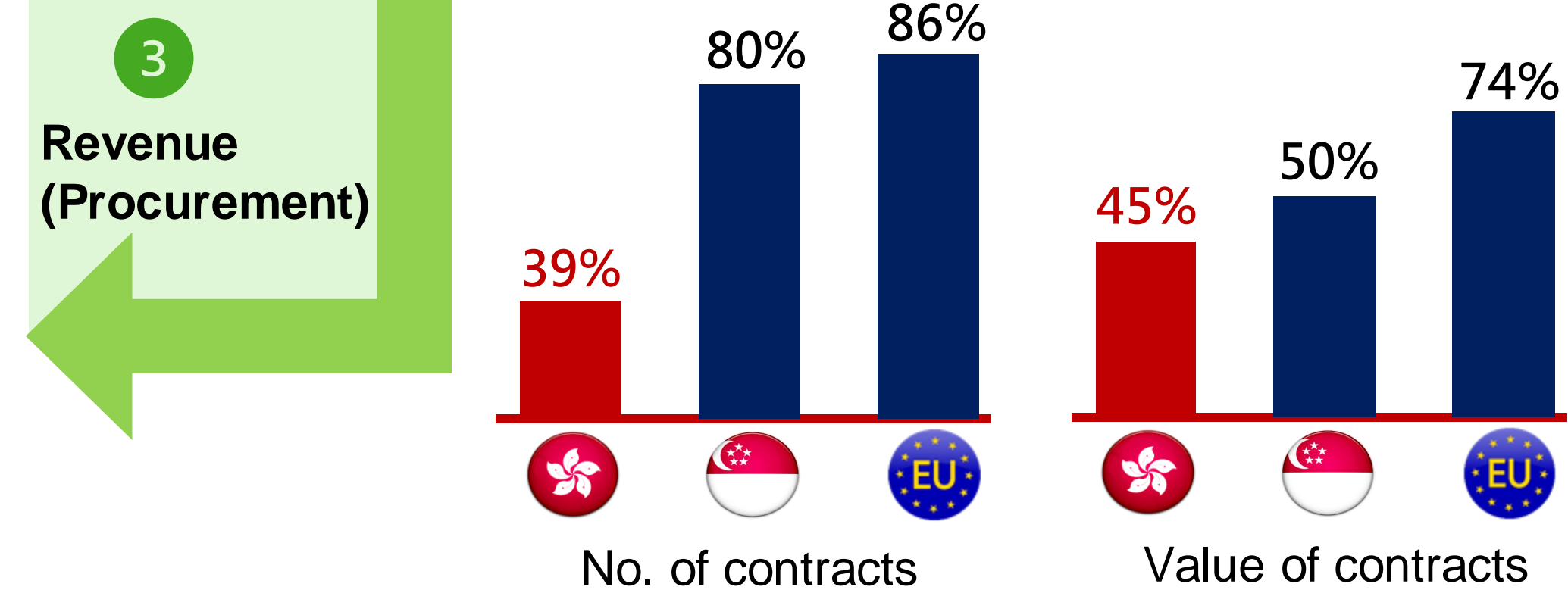


Source: UGC (2024), HESA (2022), University of Tsukuba (2023) & ETH Zurich (2024)

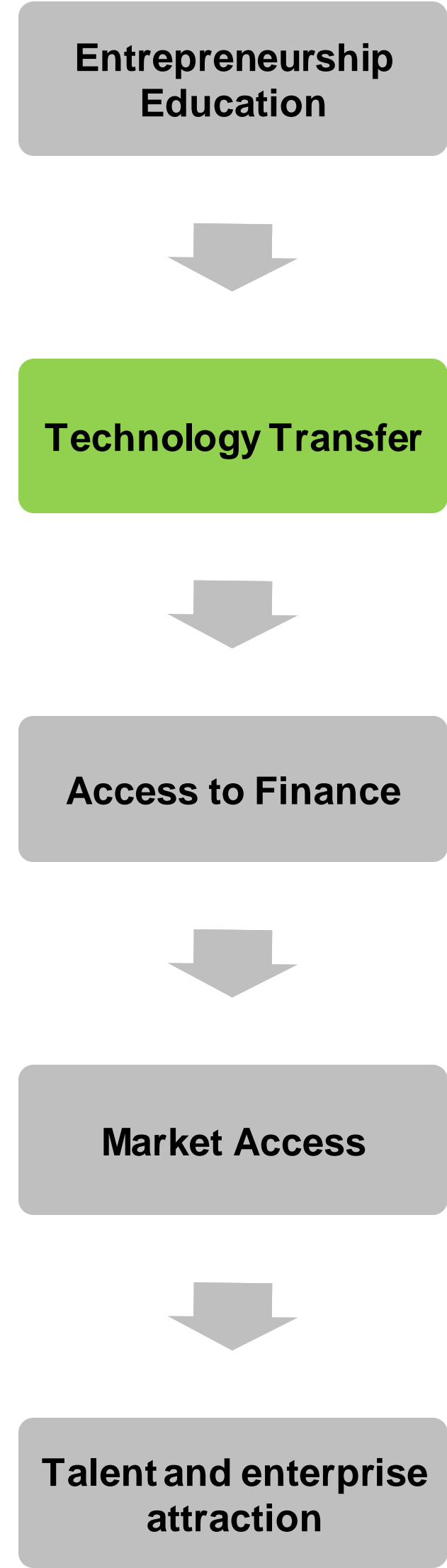
85% of Hong Kong startups are incubated in public incubators



No. and value of government contracts awarded to SMEs

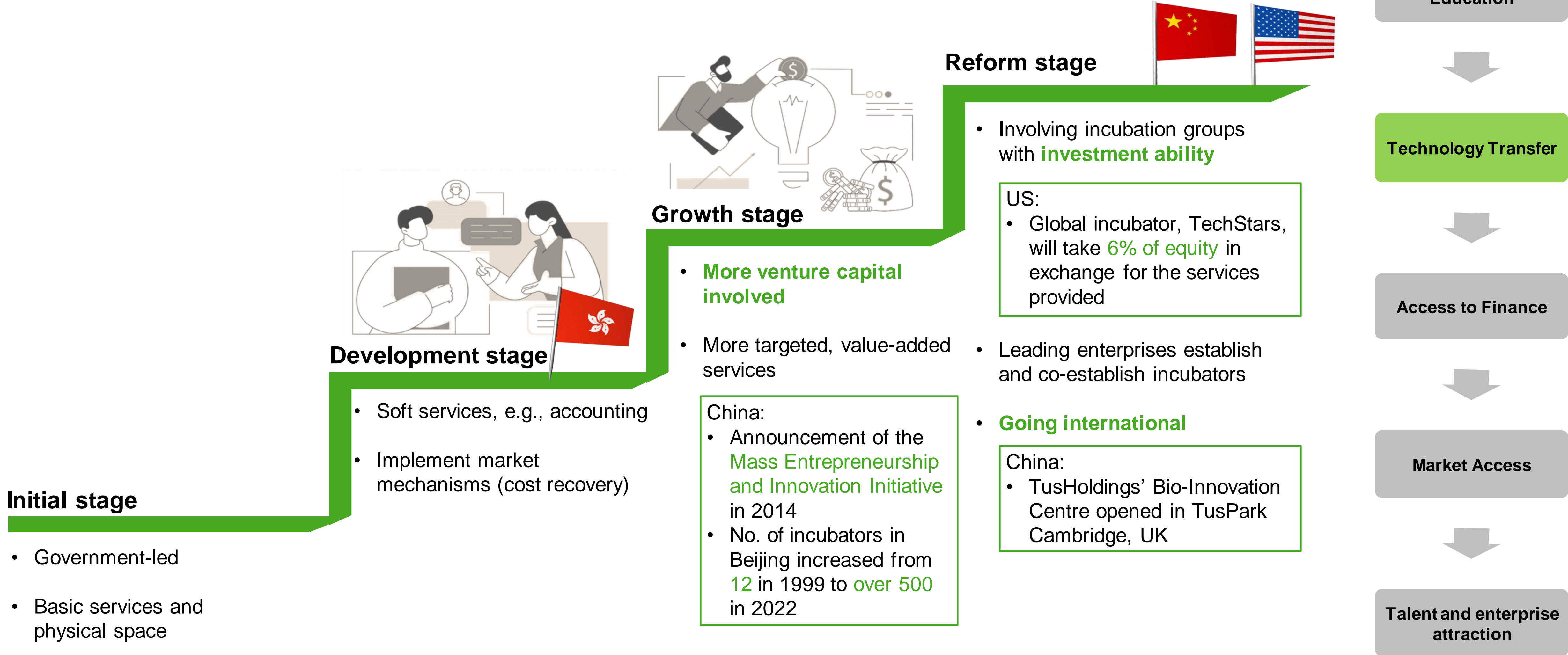


Source: Beijing Business Today (2017), European Commission (2019), Singapore Ministry of Finance (2023) & HKSAR Government (2010)



The development of incubators need to progress from a government-led model to an international, business-driven model

US and China have been through similar processes in promoting start-up incubation



Recommendation 2.1: Establishing a private incubator cluster in the San Tin Technopole

Measures to support the private incubation cluster

Incubator attraction



- Initial rent-free period, e.g., TechCentral Sydney
- Value-added services such as talent introduction
- Encourage JVs between local & global incubators

Service coordination



- Service commissioner to coordinate and address incubators' needs, e.g., "Shanghai High-Quality Incubator Cultivation Implementation Plan" (2023)

Financial support



- Pre-construction operation subsidy e.g., "Shenzhen Science and Technology Business Incubator and Maker Space Management Measures" (2010)



Example:



Tech Central, Sydney



Pudong, Shanghai

Entrepreneurship Education



Technology Transfer



Access to Finance



Market Access



Talent and enterprise attraction

Source: 上海市人民政府辦公室《上海市高品質孵化器培育實施方案》&《深圳市科技企业孵化器和众创空间管理办法》

Recommendation 2.2: Raising the adoption rate of startup products and services by both government and private sector

Split large-scale contracts into bite-size procurements



• Singapore

- ✓ > 80% of all government procurement opportunities are at quotation-level (contract < SGD 90,000) annually



• European Commission

- ✓ The likelihood of SMEs winning contracts increases by 4% when lots are used

Expand services of Smart LAB to public institutions & private sector



• E.g., Singapore Open Innovation Platform (2018)

- ✓ Match business owners to 12,000 I&T solution providers
- ✓ Startups would be able to create products that cater to specific industry demands



Corporates:



Public Institutions:



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Technology Transfer



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Market Access

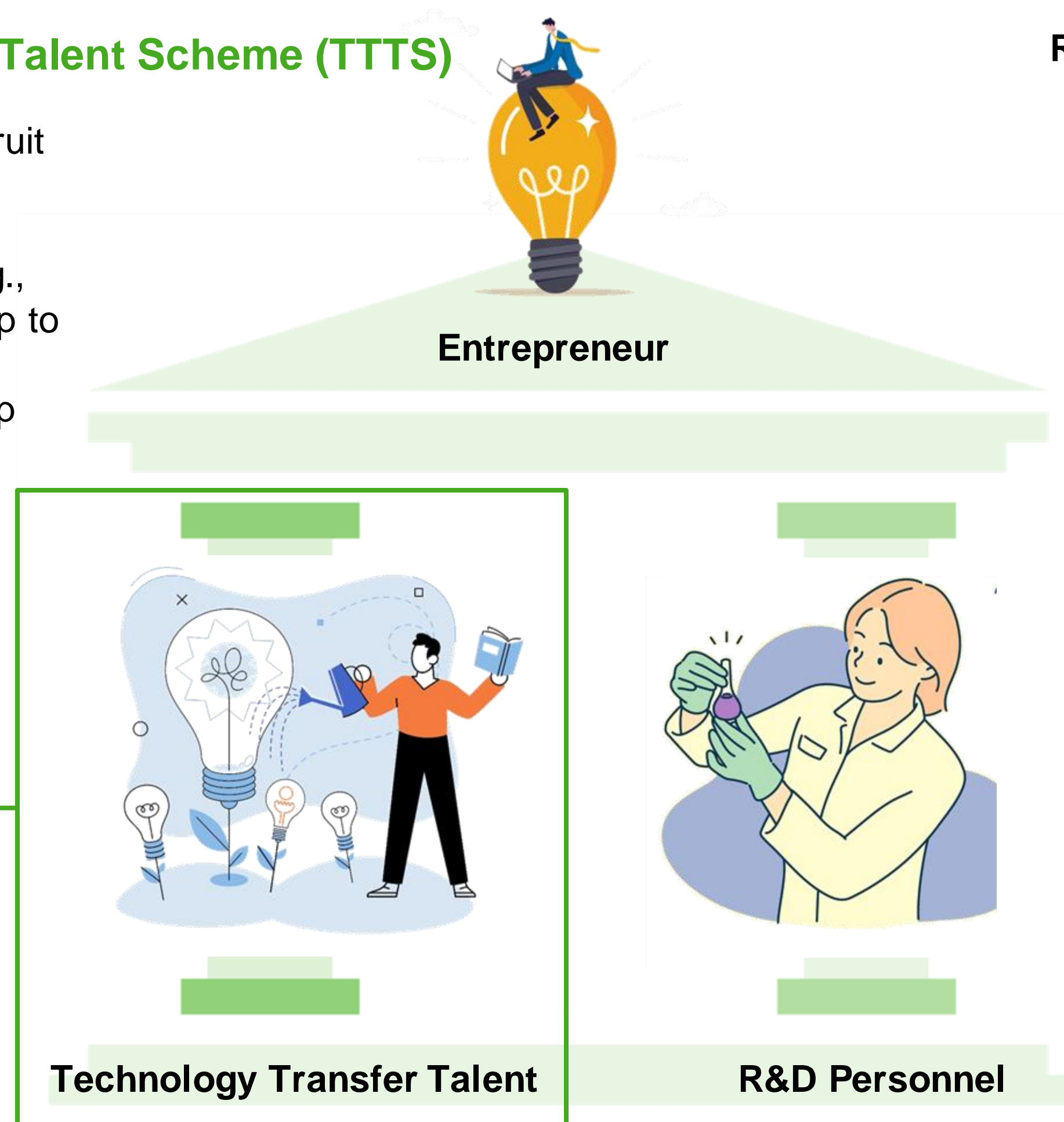


Talent and enterprise attraction

Recommendation 2.3: Setting up a Technology Transfer Talent Scheme

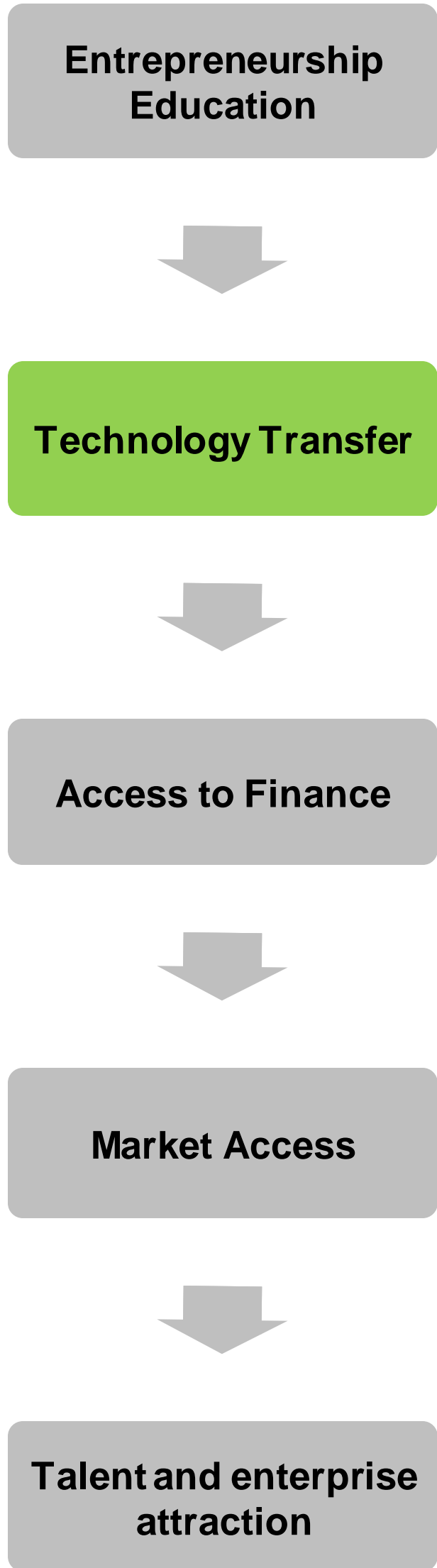
Establish Technology Transfer Talent Scheme (TTTS)

- Subsidising companies/ TTOs to recruit tech transfer talent
- Sponsoring training programmes, e.g., Johns Hopkins' 2-year paid fellowship to provide students with exposure to commercialisation & entrepreneurship



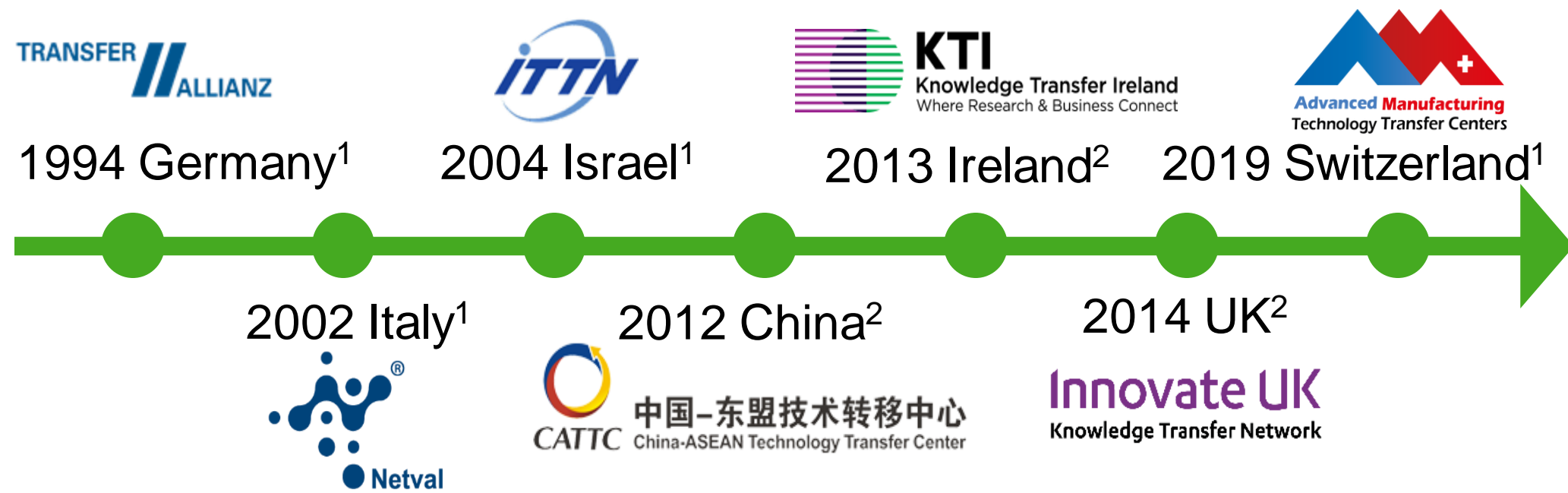
Reference: Research Talent Hub (2020)

- Sponsoring organisations/companies hiring local and non-local R&D talents
- Providing monthly salary and living allowance for 36 months



Recommendation 2.4: Setting up a Technology Transfer Alliance

TTAs have been established in many countries



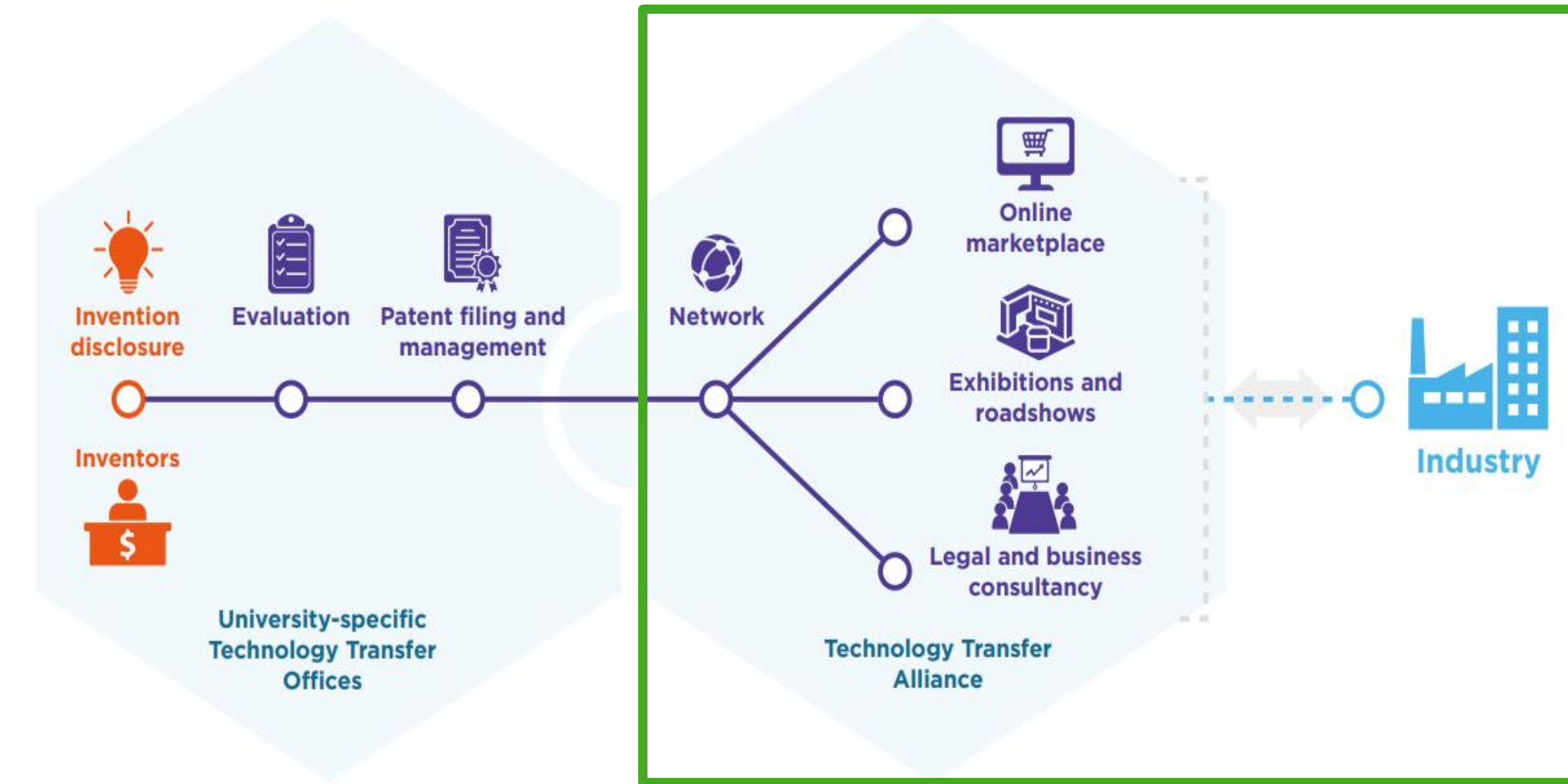
Features of TTA:

- Central contact point for universities and firms
- Network of information and expert
- Technology transfer sharing and training
- Strategic planning and policy implementation

Note:

1. Consortiums among universities, research institutes and associations
2. Initiated and managed by the government

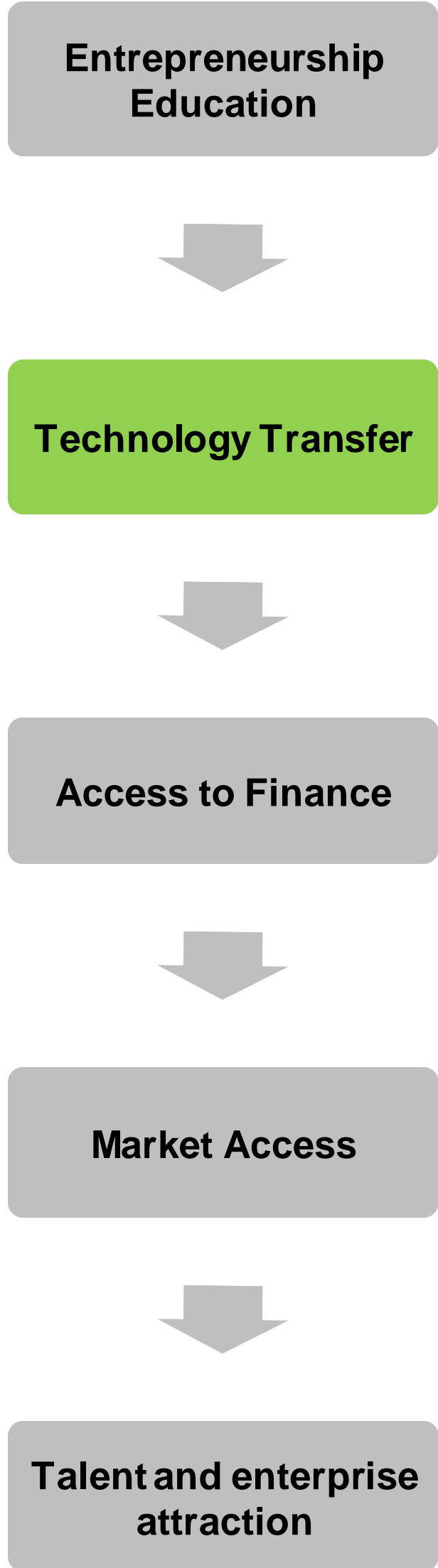
TTA can focus on late-stage commercialisation vs. individual TTOs



Source: OHKF(2020)

Advantages:

- Pool and mobilise commercialisation professionals
- Optimise resource allocation
- Promote researcher' work to corporates
- Facilitate collaboration between research, academic and industry



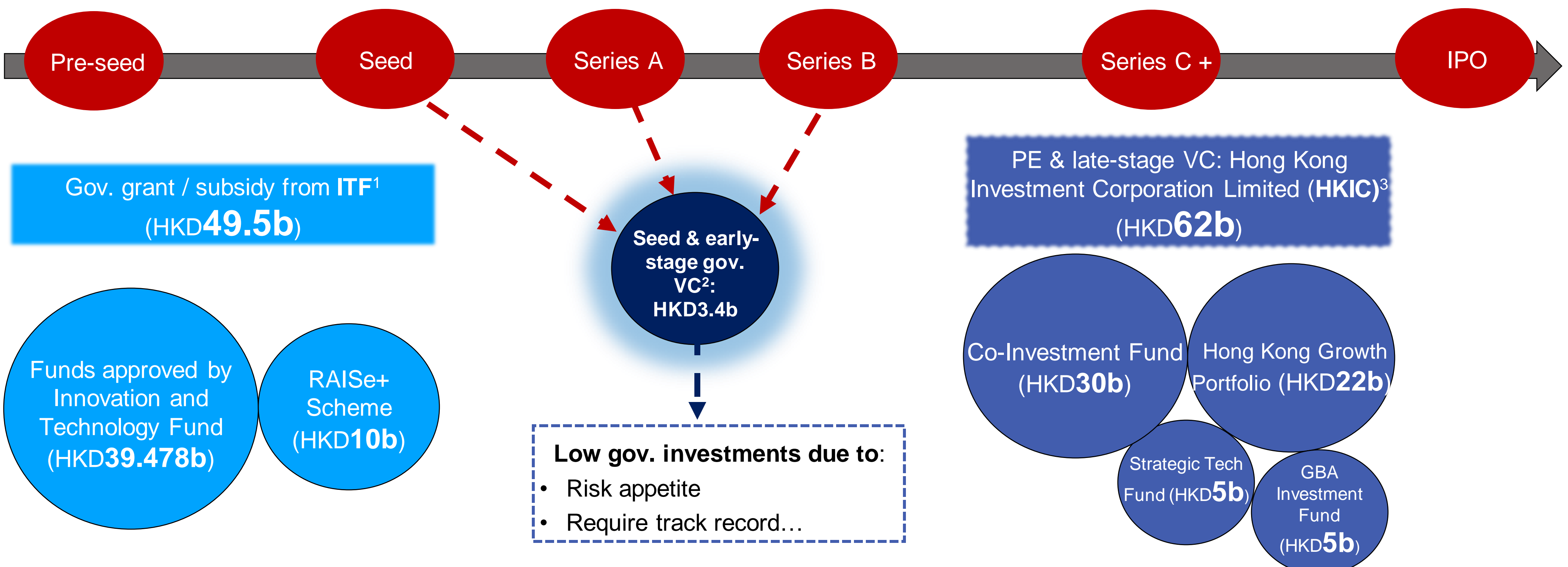
Part 3:

Boosting entrepreneurs' access to finance



Lack of seed and early-stage venture capital for Hong Kong start-ups

HK Government's early-stage investments in local start-ups are lower than other funding support



Note:
 1. Include funds approved by ITF since 1999, e.g., HKD10b for InnoHK, (HKD39.478b as at 30 Nov 2023) & funding of RAISe+ Scheme launched in 2023 (HKD10b)
 2. Include ITVF (Innovation and Technology Venture Fund, founded in 2017): HKD2b; CVF (HKSTP Corporate Venture Fund, founded in 2015): HKD1b; CMF (Cyberport Macro Fund, founded in 2016): HKD0.4b
 3. HKIC (Hong Kong Investment Corporation Limited) was established in 2022 (asset size: HKD62b)
 In general, grant / subsidy is not considered as equity investment

Recommendation 3.1: Establishing an angel fund of funds to provide seed and early-stage venture capital to Hong Kong start-ups

Examples of FOF investing in seed-stage & early-stage start-ups



Yozma I (1993-1998)

- Very young local start-ups
- **40%** gov. capital (USD100M)

Results:

- Invested in **164** start-ups
- 6 sub-funds: over **100%** IRR



Shenzhen Angel Fund of Funds (FOF) (2017)*

- Seed-stage & early-stage local start-ups**
- Up to **40%** gov. capital (RMB10b)



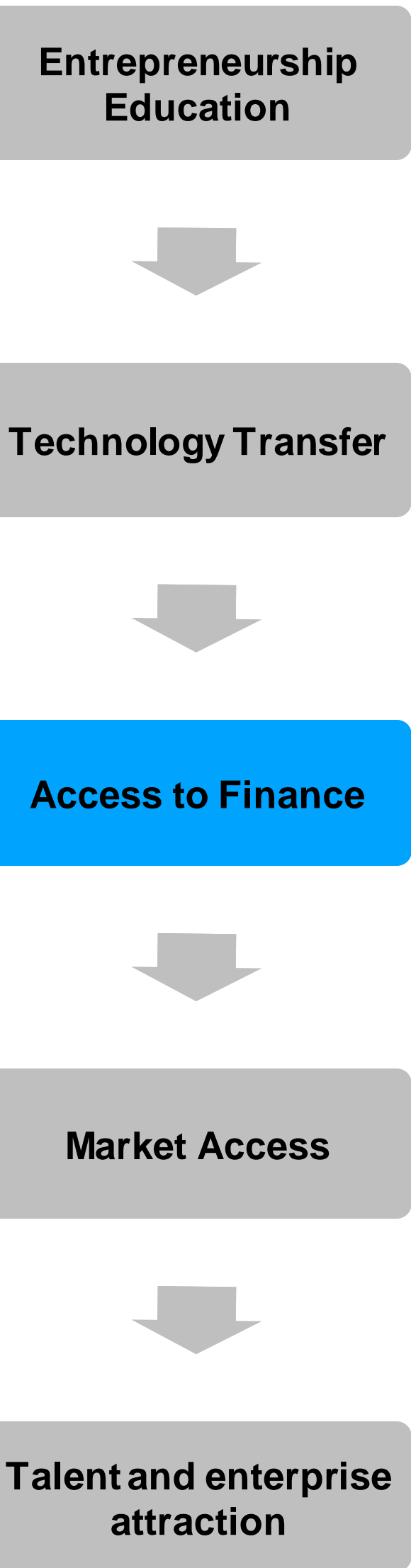
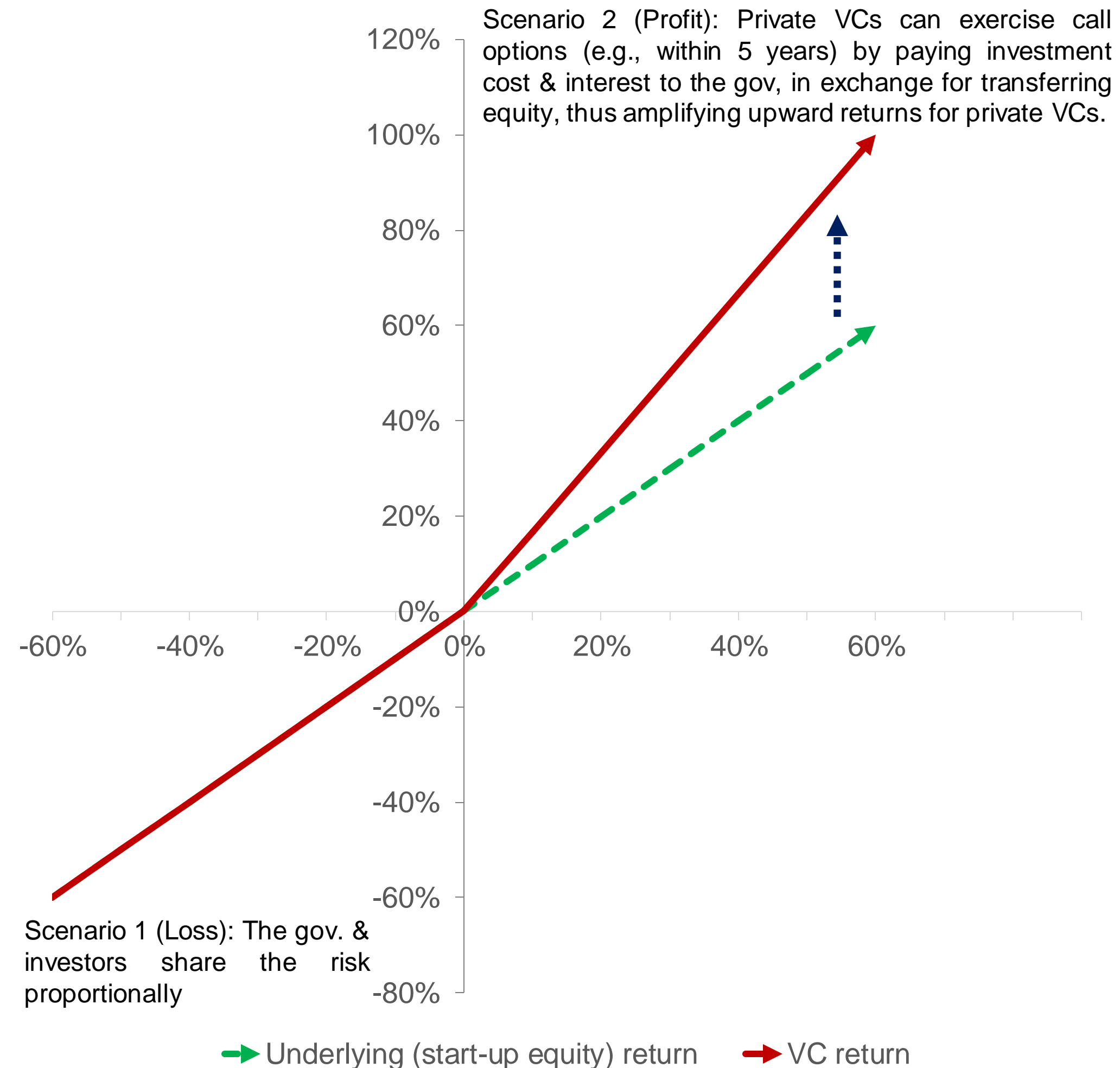
Results:

- Nurtured **3** unicorns & **112** potential unicorns in 5 years
- Facilitated job creation ($\geq 34,000$ people)

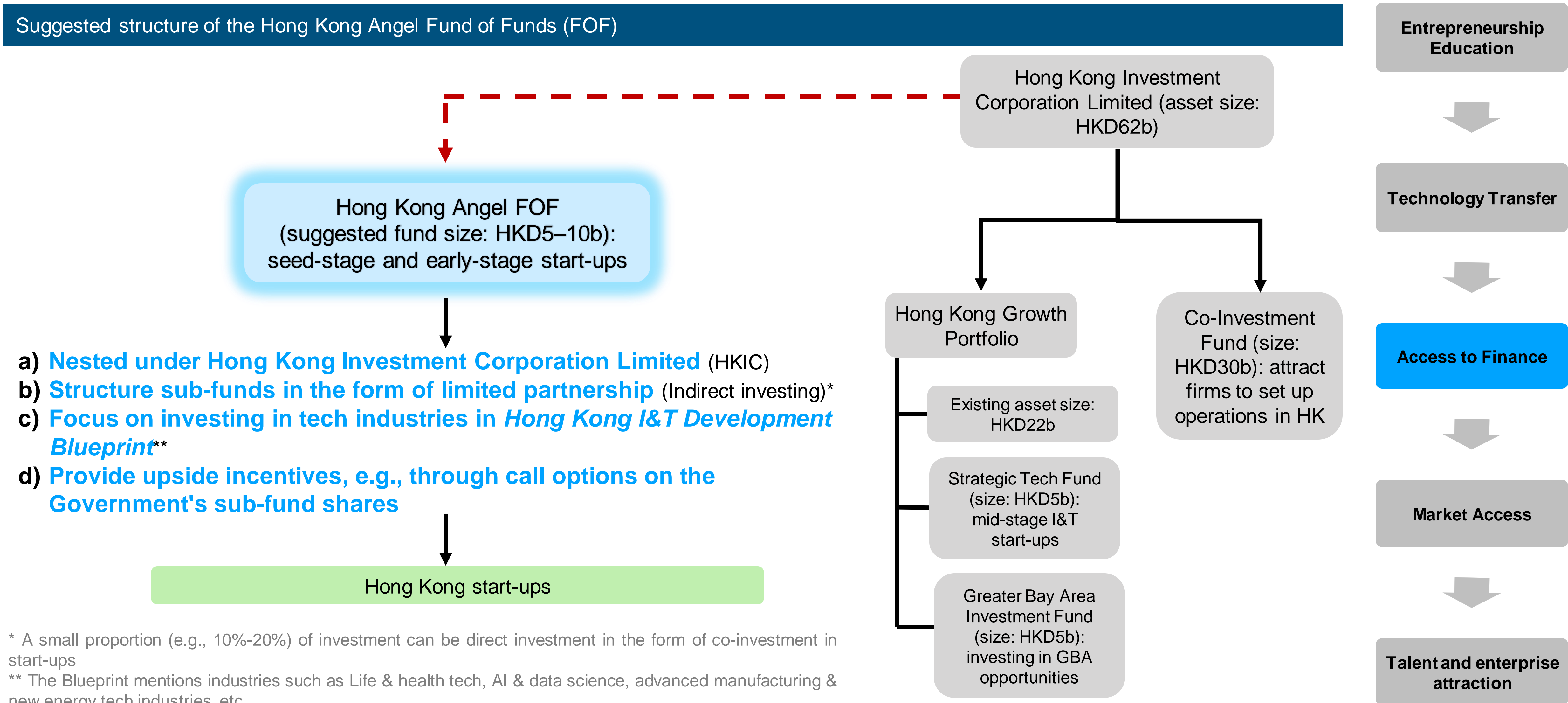
* Angel investments target seed-stage & early-stage (Series A & B) start-ups

** 18A: for biotech companies; 18C: for companies in specialist technology industries (next-generation information technology, advanced hardware and software, advanced materials, new energy and environmental protection & new food and agriculture technologies)

Upside leverage of call options on gov. shares attracts private VCs



Recommendation 3.1: Establishing an angel Fund of Funds to provide seed and early-stage venture capital to Hong Kong start-ups



* A small proportion (e.g., 10%-20%) of investment can be direct investment in the form of co-investment in start-ups

** The Blueprint mentions industries such as Life & health tech, AI & data science, advanced manufacturing & new energy tech industries, etc.

Recommendation 3.2: Reducing the barrier for tech start-ups to be listed under Chapter 18C of the Hong Kong Stock Exchange

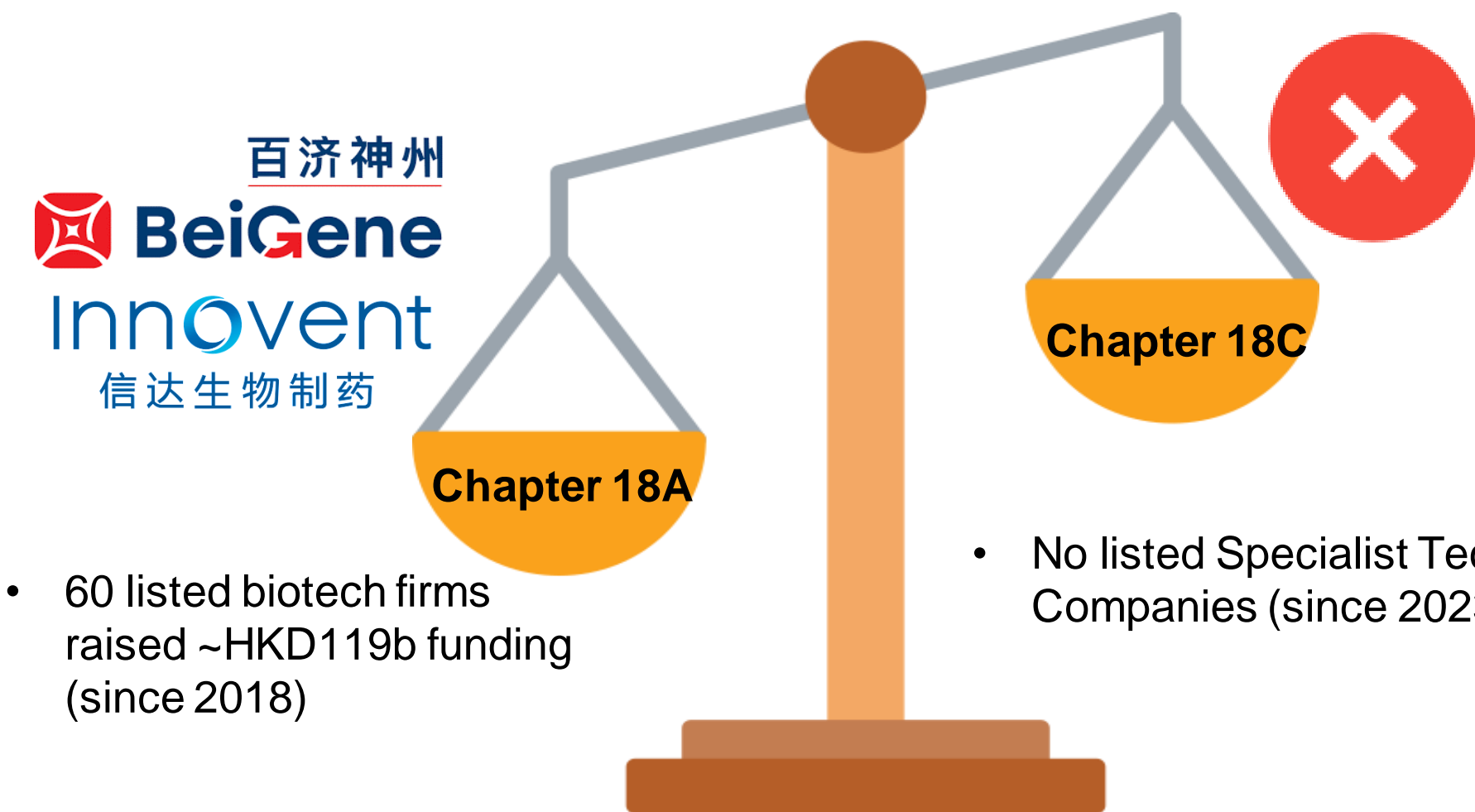
Chapter 18C market cap requirements are higher than counterparts



>84% of listed firms on Main Board are below HKD10b market cap

* Commercial Company: revenue ≥ HKD250 million for the most recent audited financial year

Reduce Chapter 18C market cap requirement



- 60 listed biotech firms raised ~HKD119b funding (since 2018)
- No listed Specialist Technology Companies (since 2023)
- Reduce current market cap requirement for Commercial Company & Pre-Commercial Company
- Add more criteria for firms with even lower market cap
 - ✓ Commercial Company: revenue & cash flow
 - ✓ Pre-Commercial Company: R&D result (e.g., tech advantages)

* SSE STAR Market has more inclusive listing standards (5 sets of financial indicators)

Entrepreneurship Education



Technology Transfer



Access to Finance



Market Access



Talent and enterprise attraction

Recommendation 3.3: Accelerating disbursement of government funding schemes

Gov. funding: stringent application & long waiting time



Cumbersome application processes

- 35% entrepreneurs not using gov. funding: key reason not to apply
- Documentary proof: progress report, application for reimbursement for actual expenditure, evaluation report and / or audited account

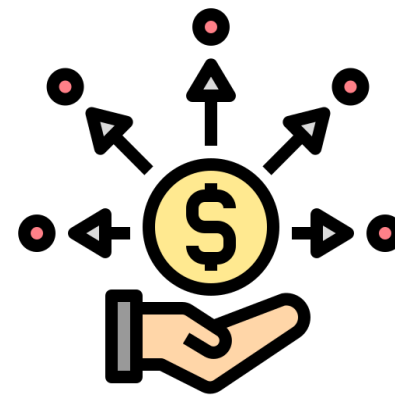
Delayed payment



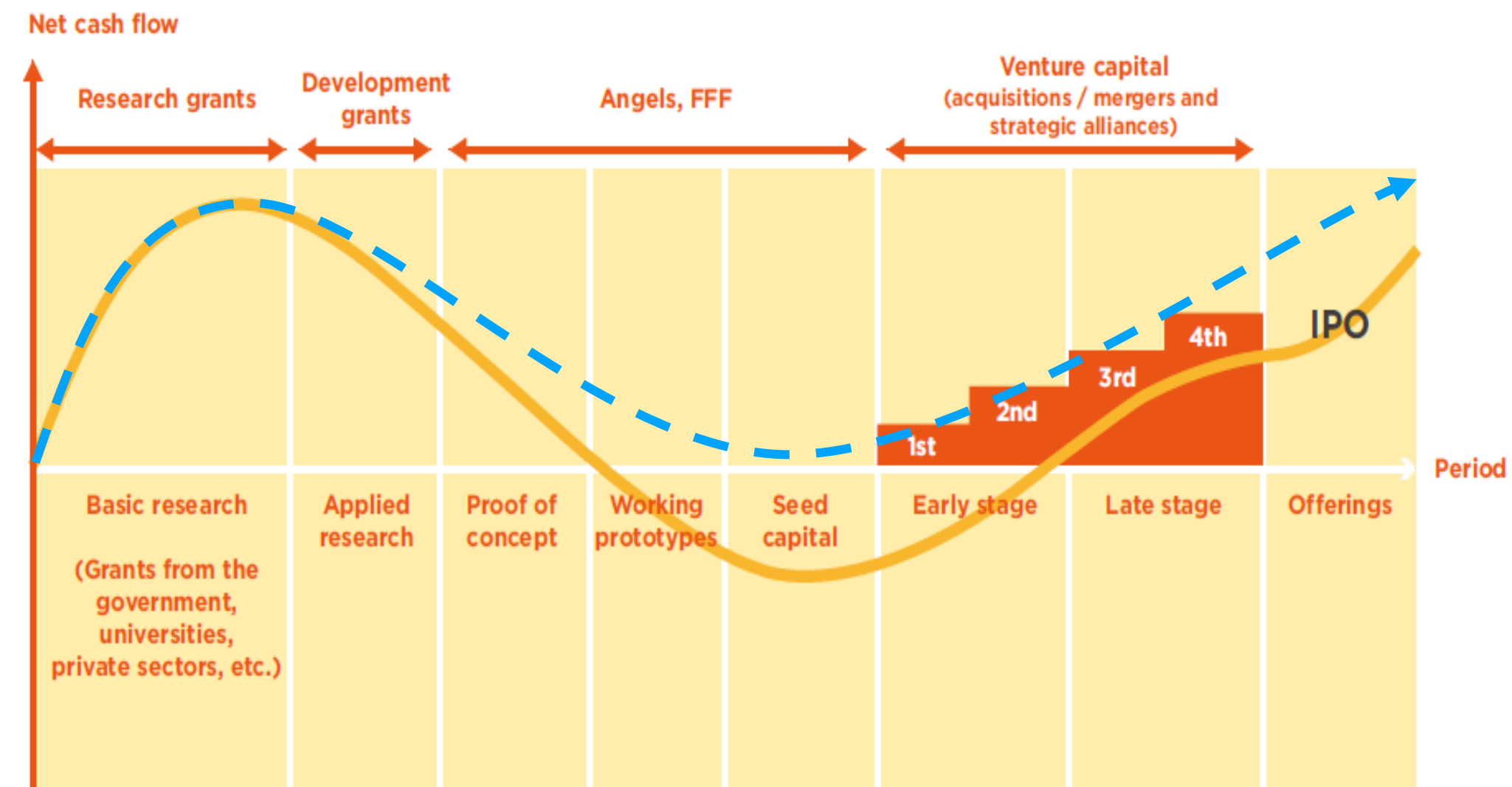
- Funds: reimbursed in cash (after project completion)
- Examples:
 - ✓ Research Talent Hub for Incubatees and I&T Tenants of the HKSTPC and the Cyberport (RTH-SPC) (half-yearly reimbursement)
 - ✓ Public Sector Trial Scheme for Incubatees & Graduate Tenants of HKSTPC and Cyberport (no initial payment)

To address cash flow issues of gov. funding

Example:



- Set up by Trade and Industry Department
- Initial payment (75% of approved funding)
- Upfront payment (project: ≤ 2 years)
- Guarantee: appointing ≥ 1 guarantor



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Talent and enterprise attraction

Part 4:

Supporting start-up expansion to GBA Mainland cities and ASEAN countries

Hong Kong unicorns are expanding markets in GBA and ASEAN

Hong Kong unicorns have expanded businesses in Shenzhen



Hong Kong unicorns have also expanded into ASEAN



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Market Access



Talent and enterprise attraction

Recommendation 4.1: Relaxing entry restrictions for Hong Kong enterprises in Mainland China

HK enterprises' investment restrictions in Mainland China

- The Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition)
- Hong Kong companies are regarded as foreign investors
- Need to comply with the Negative List when investing in Mainland China

The Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition)

Note

I. The Special Administrative Measures (Negative List) for Foreign Investment Access (hereinafter referred to as the "Negative List for Foreign Investment Access") sets out on a unified basis the special administrative measures for foreign investment access such as equity requirements, senior management personnel requirements, etc. Fields not mentioned in the Negative List for Foreign Investment Access are administered under the principle of equal treatment for domestic and foreign capitals. Domestic and foreign investors shall uniformly apply the relevant provisions of the Negative List for Market Access.

II. No overseas investor may engage in investment and business activities in the capacity of an individually owned business, an investor in a sole proprietorship enterprise, or a member of a farmers' cooperative.

III. Foreign-invested enterprises investing in China should comply with relevant provisions of the Negative List for Foreign Investment Access.



Gene diagnosis



Human cells



Internet news service

Implement relaxation measures in 3 steps



'Unleash HK Youths' Potentials in Tech Innovation to Build a National Engine for Innovation & Entrepreneurship' in collaboration with the MOST Torch Center (2022)



Development Plan for Shenzhen Park of Hetao Shenzhen-Hong Kong S&T Innovation Co-operation Zone (2023)

Step 1: Allow firms registered in the Loop to enter the GBA Mainland market

- HK permanent residents of Chinese nationality as legal representatives / major shareholders

Step 2: Extend the scope to the whole country

Step 3: Expand eligibility to all HK firms*

Entrepreneurship Education

Technology Transfer

Access to Finance

Market Access

Talent and enterprise attraction

Recommendation 4.2: Reinforcing support on start-up expansion in GBA Mainland cities and ASEAN countries

Expand incubation of HKSTP & Cyberport in GBA & ASEAN

Encourage HKSTP & Cyberport to **set up liaison offices / branches** in GBA Mainland cities* & ASEAN

- Hong Kong Science Park Shenzhen Branch was founded in 2023, representing HKSTP's 1st move to expand outside HK. Cyberport established the Cyberport Shanghai Representative Office in 2011.
- E.g., Techcode, a global incubator founded in Beijing in 2014, set up 30 incubators in Silicon Valley, Berlin, Seoul, Beijing, etc.



Encourage ETOs to compile policy info on starting ASEAN business

Economic and Trade Office (ETO):

- Hong Kong has 14 ETOs overseas. The Government is considering establishing ETOs in Kuala Lumpur, Malaysia and Riyadh, Saudi Arabia (The 2024-25 Budget)
- E.g., Hong Kong Economic and Trade Office in Guangdong (GDETO) provides support by collecting and disseminating latest economic and trade info



HKTDC: create business opportunities for firms, particularly SMEs, in Mainland China and overseas

- 2 offices in GBA Mainland cities (Shenzhen & Guangzhou)
- ASEAN: 5 overseas offices in Indonesia, Malaysia, Thailand, Singapore & Vietnam and 1 consultant office in the Philippines

Entrepreneurship Education



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Market Access



Talent and enterprise attraction

Recommendation 4.3: Setting up the GoASEAN one-stop platform to offer practical information on entering ASEAN

HKTDC: GBA business support through GoGBA one-stop platform



GoGBA digital platform (2021)

- Market, policy & subsidy info
- Practical tools (e.g., income tax reminder)



Shenzhen

“HKTDC GBA Centre” in Shenzhen

- Sharing & advisory activities
- Seminars & workshops

GoGBA Business Support Centres

- Policy consultation & market resource matching
- Corporate services & missions



GoGBA Development Day

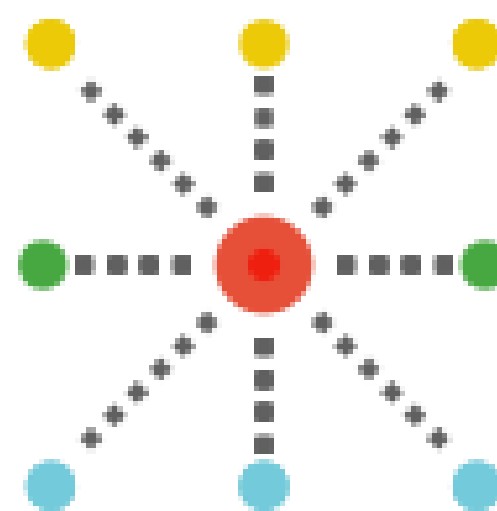
- Introduce GBA entrepreneurial opportunities & gov. support



GoASEAN one-stop platform can help expand in ASEAN



Launch the GoASEAN digital platform



Establish more consultant offices



Organise start-up events

Entrepreneurship Education



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Talent and enterprise attraction



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公共政策研究院
PUBLIC POLICY INSTITUTE

Part 5:

Attracting global and regional talents and enterprises to supplement the start-up ecosystem

Hong Kong has difficulty in attracting talents due to high living & operating costs

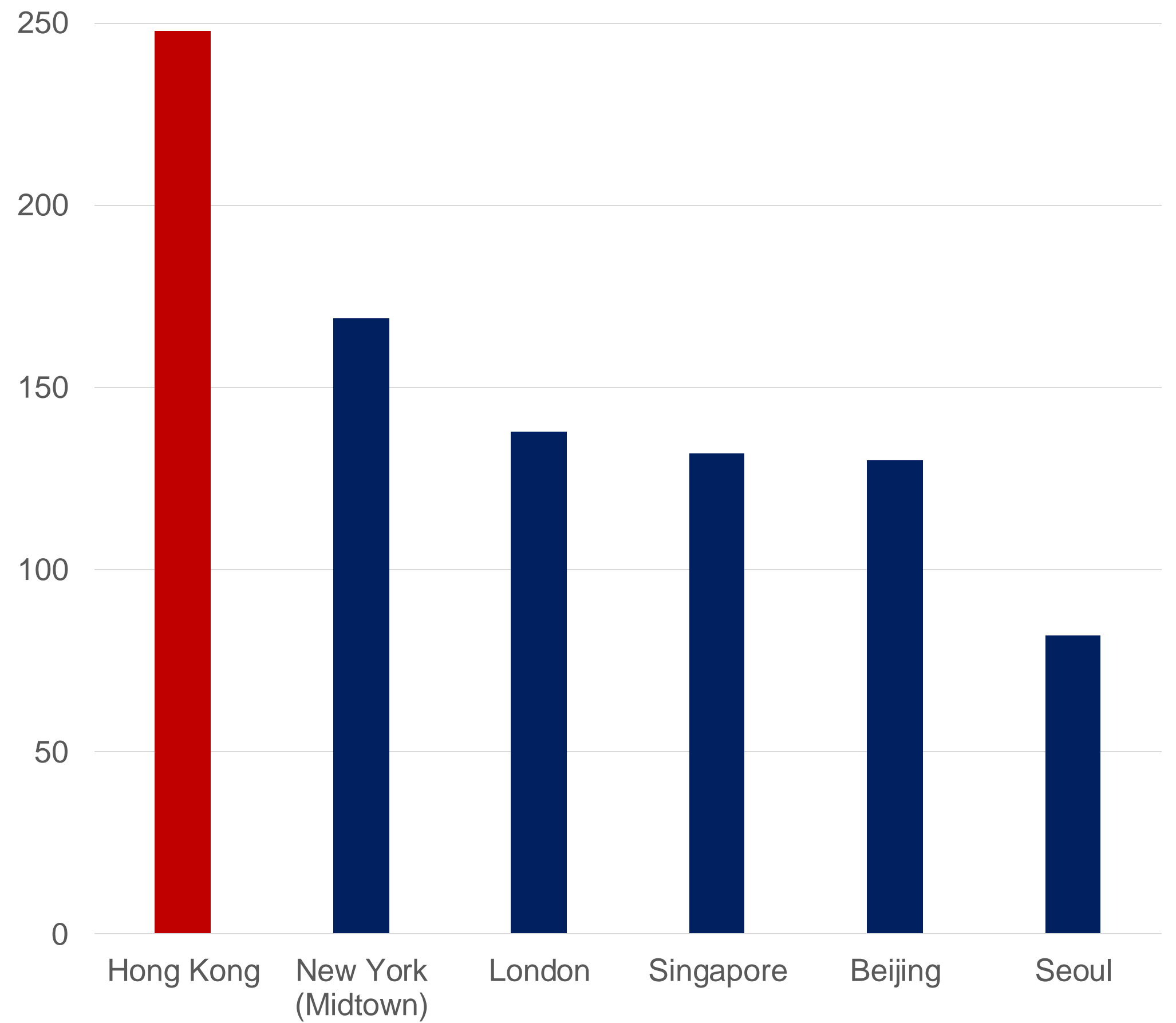
HK ranks 32nd in talent attraction and retainment

2023 "Appeal to talents" Ranking	Economies
1	 Switzerland
5	 Germany
9	 USA
14	 Singapore
25	 U.K.
32	 Hong Kong

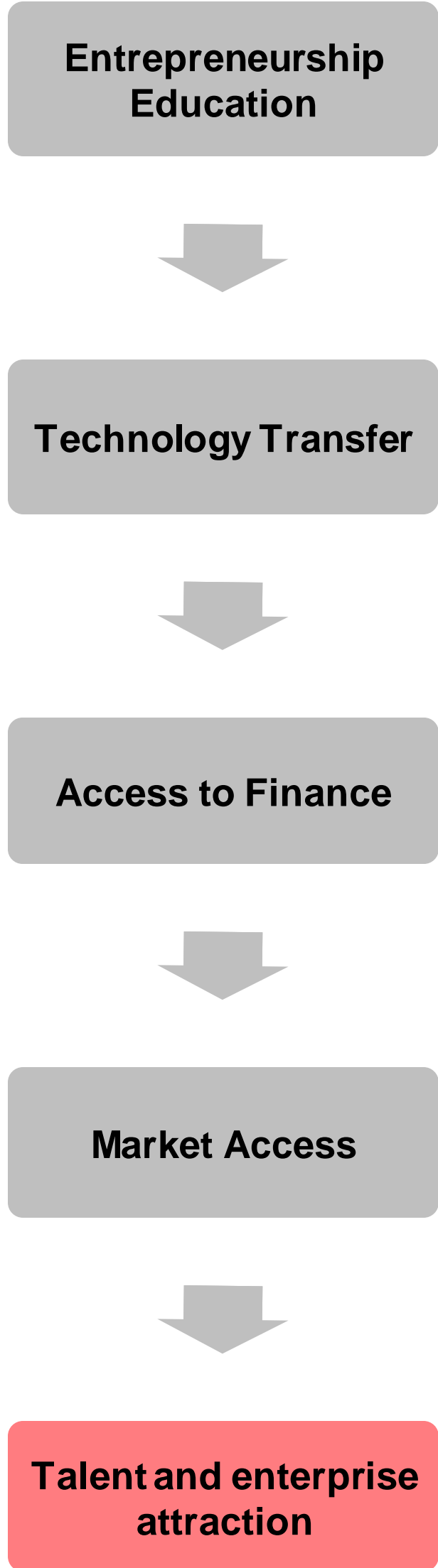
• Hong Kong ranks 61st out of 64 economies in cost-of-living index

Source: IMD "World Talent Ranking 2023"

Annual net effective cost for prime office space, 2022 (USD per sq. ft)



Note: rounded up to the nearest digit, data of Q3 2022
Source: Statista (2023)



Recommendation 5.1: Offering comprehensive support to facilitate talent attraction

HKTE: provide livelihood and market support to international talents



Hong Kong Talent Engage office (HKTE) (opened in Oct 2023)

- ✓ Provide face-to-face enquiry service & event venues
- + Enhance HKTE as a “one-stop” comprehensive service hub
- + Invite partnering organizations to provide job market info on-site
- + Organize talent exchange activities, policy seminars and forums regularly

Pudong International Talent Hub, Shanghai (2019)

Talent Market Support

- Stationed with HR industry leaders

“One-stop” platform for work & residence permits, and other appointments



Talent Innovation and Entrepreneurship services

- Communication space and services for talent activities

Provide affordable hostels and subsidise office rental expenses

Provide affordable talent accommodation in San Tin Technopole

- Ref.: InnoCell for HKSTPC incubatees & non-local talents
- Monthly rental at 60% of the rent of similar properties



Subsidise working space rental expenses

- Ref.: SIE Fund’s “Enhanced Social Innovation Co-working Space Subsidy Scheme”
- Leasing co-working spaces with supporting services
- Monthly subsidy capped at HK\$6,000



Note:

1. InnoCell at HKSTP & Kowloon West
2. Total subsidy capped at HK\$144,000, subsidy period no more than 3 years

Entrepreneurship Education



Technology Transfer



Access to Finance



Market Access



Talent and enterprise attraction

Recommendation 5.2: Providing tax incentives to start-ups and strategic enterprises

Qianhai & Singapore: attract enterprises with tax incentives



China: WeLab expand its presence in Qianhai

- As a “National Recognised High-tech Enterprises”, it enjoys a corporate tax rate of 15% (standard rate: 25%)



Singapore: Regional Headquarters Award (RHA) & International Headquarters Award (IHA)

- RHA offers a corporate tax rate of 15% for 3-5 years
- IHA offers a rate of 5% - 10% (standard rate: 25%)

Note:

- RHA: required to employ $\geq 75\%$ skilled staff and ≥ 10 professionals by year 3, with SGD2M annual business spending
- IHA: required to possess ample resources in capital and market share, and move headquarter operations to Singapore

Lower corporate tax rate to attract companies in strategic industries



16.5% \rightarrow 5 - 15%



Requirements for a lowered tax rate:

- The company is strategically valuable for the development of the "eight centres";
- Hire a certain number of local technical and professional staff;
- Increase business expenditure in HK;
- Meet a required minimum of paid-up capital;
- Provision of headquarters services to affiliated entities outside of HK

Entrepreneurship Education



Technology Transfer



Access to Finance

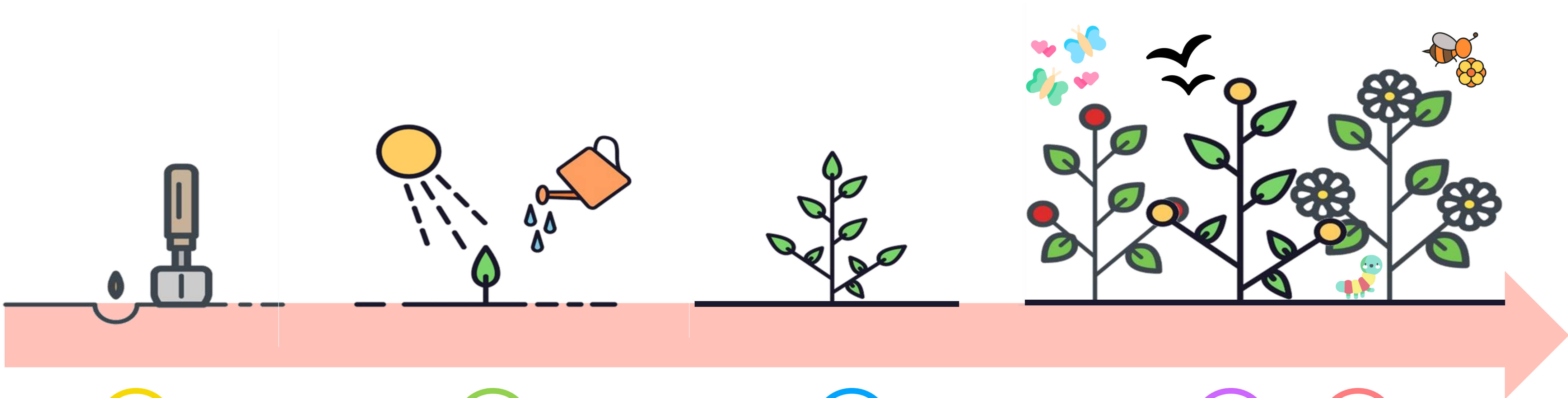


Market Access



Talent and enterprise attraction

Start-up Growth Cycle



1

2

3

4 + 5

Entrepreneurship Education

Technology Transfer & Corporate Interchange

Access to Finance

Global Market Access

Talent & Enterprise Attraction



Thank you