

## **2019 - 2020 Hong Kong Startup Index report: Press Release**

Entrelink, a non-profit organization operated by startup founders in Hong Kong, commissioned the Social Sciences Research Centre of The University of Hong Kong ("HKUSSRC") with PricewaterhouseCoopers (PwC) as Advisor, published its preliminary findings of the 2019-2020 Hong Kong Startup Index on 13th, January 2021.

### **About 10 percent of local startups responded to survey, majority being seed stage companies**

Entrelink received 279 completed questionnaires from a survey of over one thousand local startups, around 10% of the local startup population, of which over 60% respondents are pre-seed stage or seed-stage companies. Respondents rate the performance of the Hong Kong startup ecosystem against 12 neighboring cities in the following areas: government funding availability, private sector funding availability, government non-cash support, regulations, talent availability, industry connections, startup ecosystem & culture and pilot test availability. Entrelink assembles such data into The Hong Kong Startup Index ("the Index"), to distill opinionated data into publicly available insights for policymakers.

### **5 industry leaders interviewed; qualitative feedbacks paired against quantitative data for more holistic view on startup ecosystem**

Corporate perspective has been included in this year's Index report to better facilitate collaborations between startups and multinationals. 5 multinational industry leaders from real estate, logistics, and finance were invited to participate for insights on opportunities and obstacles. In the hope to devise practical solutions between startups and large corporations.

The Index is an attempt to project a more holistic perspective on the Hong Kong startup ecosystem by balancing opinionated feedback and quantitative data. Quantifiable benchmarks such as private and government funding from various cities in the region were used in the Index.

### **Hong Kong exceeds past year's performance, rated top city of choice for startups**

Hong Kong scores a total of 50 points, earning 9th place among 12 neighboring cities in the region. Singapore (1st) and Shenzhen (2nd) maintain their rankings with an overall score of 71 and 64. The overall performance deviation between 4th place (Shanghai) and Hong Kong is fairly small, it stands to reason to categorize Hong Kong as one of the top tier cities for startups.

Hong Kong comes in strong on "government funding availability" and "regulations", ranking 5th and 2nd respectively, with the latter seconds only to Singapore. 46% of respondents favor Hong Kong as their most preferred city for expansion. Seoul and Taipei, two of the top five cities on the list, are increasingly popular in the region.

### **"Regulations" and "government funding availability" ranked second and top five**

Hong Kong has immensely improved its ranking in "regulations" and "government funding availability"

from sixth and seventh place to second place and top five. Respondents view these two aspects to be on par with competitions in the region. This finding is generally in line with data from the Survey.

The Hong Kong Government has been proactive in its efforts to introduce agile regulatory frameworks, shaping a stable yet competitive environment crucial to inno-tech businesses. The Hong Kong Monetary Authority, for example, revised regulations in 2017 for virtual asset management companies to operate in Hong Kong.

Stakeholders from multinational corporations and publicly listed companies express faith in Hong Kong's existing reputation and regulatory system for businesses to thrive. Hong Kong's regulatory framework is compatible with international standards, which reduces risks and hurdles for businesses worldwide. There is still room for improvement, however, in the area of adaptability of business regulations.

The Innovation and Technology Fund (ITF) invested HK\$ 2 billion in funding programs since 2016. While significant strides have been made over recent years, the Hong Kong Government's overall fund grants (0.026% of GDP) to startups is still relatively lower than that of Singapore. Corporation stakeholders and survey respondents both agree the Government funding availability has been perceived as "well-performing" in the Survey.

### **"Talent availability" and "talent quality" for local businesses call for improvement**

Respondents ranked Hong Kong 10th or below in "talent availability" and "talent quality" when compared to developing regional peers. This finding is generally in line with data from the Survey.

Shortage in talent is an alarming trend among Hong Kong startups, lagging behind developed peers like Beijing, Shanghai, Shenzhen, Singapore, and Taipei by a margin of 25 points, ranking Hong Kong second last on the list. The Census and Statistics Department (2019a) shows a mere 6.6 Hong Kong researchers per thousand employment in 2018, a ratio far lower than some Asian developed countries such as Taiwan (13.5) and South Korea (15.3).

Stakeholders from multinational corporations and publicly listed companies indicate there is an extensive spectrum of local talent. Startups are generally challenged in talent acquisition versus large corporations in terms of job stability and salary packages. The steep cost of living also works against startups when hiring overseas talents.

The Hong Kong Government has a considerable 500 million budget boost on tech-based talent training, it still falls short against neighboring peers such as Singapore or Shenzhen. We advise the Hong Kong Government to massively increase investments in STEM education schemes, enhance STEM levels such as coding training into existing curriculums among primary and secondary students.

### **Pandemic bane might be the startup boon, new opportunities ahead**

COVID-19 wrought unprecedented challenges to a wide spectrum of industries, we believe there are silver linings for startups in these trying times. Manufacturers, for instance, were reluctant to work with startups due to insufficient order volumes, the pandemic pushes manufacturers to be more receptive to



collaborations with startups. Other business sectors, such as e-commerce, bio-tech, and edu-tech, are thriving under the new normal.

The Index is based on perception ratings on current startup ecosystems, both locally and abroad. This year we have included insights from multinational corporations paired with quantitative data analysis, in the hope for a more holistic view of the Hong Kong startup ecosystem.

For more information on the Index report, please visit <http://entrelink.hk>

#### **About Entrelink**

Founded in 2018, EntreLink is a non-profit organization linking and being run by startup founders in Hong Kong. Together we strive to make Hong Kong a global technology and innovation center and create a sustainable new economy for present and future generations.

For more information, please contact [info@entrelink.hk](mailto:info@entrelink.hk) or visit <http://www.entrelink.hk>

#### **Entrelink**

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