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## City 'in late spring' for startups and is on right track

By Sophie He in Hong Kong

**Editor's note:** While Hong Kong's core competitiveness has remained intact, both the government and the business community have agreed to diversify the SAR's economy to create better-paying and more secured jobs in the manufacturing industry. The government is trying to facilitate the starting up of higher-value-added industries, especially in the IT sector, by introducing a slew of supporting services in the hope of regaining its competitiveness as a center for high-end manufacturing.



Despite daunting rental and labor costs, Hong Kong is still considered to be an ideal place for startups, according to scholars, experts and young entrepreneurs alike.

Marta Doweiko, postdoctoral fellow at the Chinese University of Hong Kong's (CUHK) Center for Entrepreneurship, thinks Hong Kong is getting better every day in terms of attracting startups. "In fact, I would say that Hong Kong is in its late 'spring' of startup community development," Doweiko told China Daily.

"In the past five years, we have seen tremendous growth of startup community support in the city, in fact there wasn't a single week without any initiative program or corporate project being announced to support the development of startups in Hong Kong," she said.

"Just at CUHK, we have completed three startup initiatives in 2014, and from what I know, other universities in Hong Kong are also working very hard to support entrepreneurship.

"I'm very glad to see that Hong Kong is stepping up on empowering innovative as well as entrepreneurial industries, and I'm very optimistic about how it will all develop in the future and how many more initiatives we will have in the next couple of years."

Doweiko pointed out that the city also has some obvious advantages in terms of attracting startups. Someone setting up a new business in Hong Kong would only need a few days to do so, as related regulations are pretty simple and straightforward. Besides, the tax rates are really low and hiring is cheaper than that of many other economies. "And if you are a startup coming from abroad, obtaining a startup visa in Hong Kong is not impossible. In many countries, it would be very difficult to start a new business if you are an outsider," she added.

Meanwhile, the entrepreneur community itself in Hong Kong is very strong, with groups that will organize seminars regularly, as local businesses are very conscious of the challenges out there, she said.

Doweiko also noted that many venture capitalists and angel investors are setting up office in Hong Kong, and they are open to working with local firms showing high potential. Meanwhile, more well-established local businesses, including Swire Properties and AIA, are becoming very involved in helping startups, while many other enterprises have launched startup awards or are partnering with universities to help develop the startup community.

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"If I were an entrepreneur, I would think now is a very good time to become part of the startup community in Hong Kong and to ride this wave of excitement about the entrepreneurship and innovation," said Doweiko.

For Ken Ngai Yuen-keung, website director at the Hong Kong Federation of Youth Groups, Hong Kong is a great testing ground for new technologies.

The city offers a market with high penetration rate of technology, Ngai told China Daily. This allows innovative startups to quickly test their products and take them to the next level in terms of intentional expansion, he said.

Financial Secretary John Tsang Chun-wah also pointed out the same in his 2015-16 Budget speech.

"Our well-established business support services and a sound system to protect intellectual property rights provide favorable conditions for the growth of startups," Tsang had said. "Many public and private organizations offer support, including provision of co-working space, incubation programs, business advisory services, and assistance in building partner networks. The number of such organizations has increased tenfold over the past three years, and they include world-renowned organizations such as (investment incubator) Nest and Accenture."

Ngai noted that Hong Kong offers diverse opportunities and incentive policies to help young people start their own businesses. For instance, many universities provide seed money for young entrepreneurs and the government also has venture funds that entrepreneurs may apply for, he said.

"Financing needs increase as startups grow. To further encourage financing of new enterprises, Hong Kong Science and Technology Parks Corporation will earmark HK\$50 million to set up a corporate venture fund for co-investment, on a matching basis with private funds, in startups which are located in the Science Park or have participated in its incubation programs," Tsang said in his Budget speech, while promising to "ask the Hong Kong Mortgage Corporation Ltd to expand and enhance the Microfinance Scheme".

"In addition, the proposed injection of HK\$5 billion into the Innovation and Technology Fund will help strengthen support for relevant enterprises," Tsang added.

But although Ngai believes the government is on the right track in terms of helping startups, he still wishes it could simplify or be more flexible about the funding process.

"As many startups are very creative and innovative, they may not be suited to apply for the government's traditional funding procedures, and since we are encouraging innovation, we should be more open-minded," he said.

Also convinced about Hong Kong's pluses as a startup hub is young Augustin Ceyrac, who launched a shipping solutions providing firm with two former classmates.

"Our company's mission is to remove the headache of shipping for e-commerce companies in Hong Kong," said Ceyrac, who set up Easyship with Tommaso Tamburnotti and Reuben Philip in December.

Tamburnotti said all three believe Hong Kong is the best place for this kind of business, as it has a very vibrant community and high density of e-commerce sellers. Being one of the world's biggest trading hubs also helps.

"The logistics industry is also well developed in the city, and all the main shipping companies have offices in Hong Kong, so it is easier for us to cooperate with the best shippers," he added. "And let us not forget that tax rates are really low in Hong Kong. This is also very important for startups."

E-commerce sellers in Hong Kong can currently register on the Easyship website for free, Ceyrac said.

The Hong Kong government has done a lot in terms of helping startups, added Ceyrac, but they still think the city should make it easier for foreigners to start a business.

"Setting up the company was actually very simple, it took us about one afternoon, but the visa application procedure was very complicated ... and fragmented," he said.

They needed to get an "investor visa" and for that they needed to submit a very thorough plan about what were they going to do, how many people they were going to hire, and also needed to show officials their bank account records.

"But if you are a startup, you are maybe still defining your whole idea, including what is your product and who will be your customer and, most importantly, you may not have much to show in your bank account."

The co-founders said they are very grateful to Swire Properties' Blueprint accelerator program, which not only provided a rent-free co-working space for Easyship and 10 other business-to-business startups, but also helped them obtain their investor's visa and get access to industry leaders.

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