



Start-ups in Hong Kong

Figure 1 – Global Start-up Ecosystem Ranking 2019

Ranking	Ecosystem
1	Silicon Valley
2	New York City
3 & 4	London/Beijing
5	Boston
6 & 7	Tel Aviv/Los Angeles
8	Shanghai
9	Paris
10	Berlin
⋮	⋮
14	Singapore
⋮	⋮
25	Hong Kong

Tier ^(#)	Hong Kong's Performance
1 st	Connectedness
2 nd	Market reach
4 th	Talent
5 th	Knowledge Performance Funding Experience

Note: (#) Individual attributes of start-up ecosystems are classified in tiers from 1st (highest) to 5th (lowest).

Figure 2 – No. of start-ups, start-up employees, and breakdown of start-up founders by place of origin

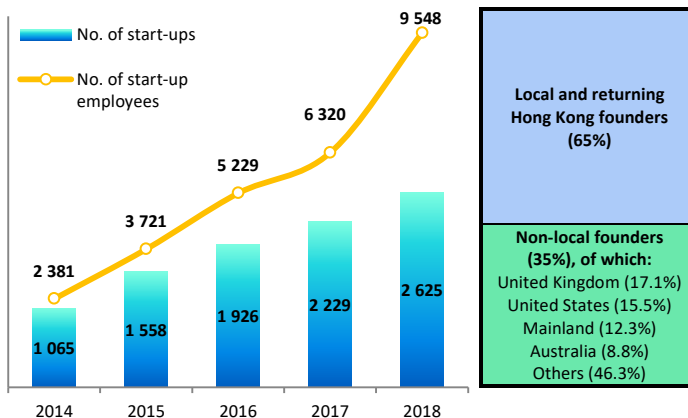
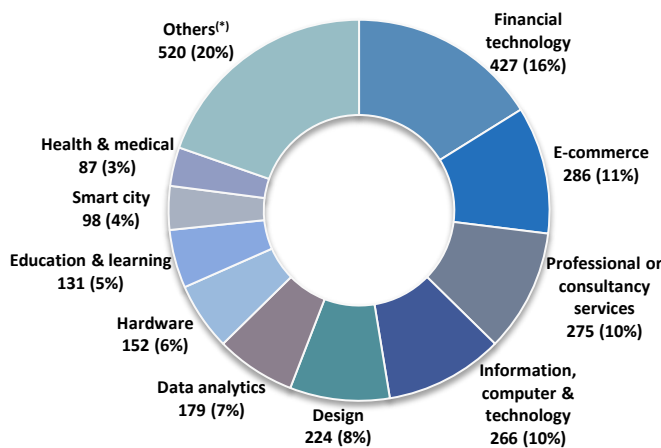


Figure 3 – Breakdown^(^) of start-ups by sector, 2018



Notes: (^) Some start-ups were engaged in more than one sector.
(*) This category includes start-ups in retail technology, gaming, green technology, social innovation, foodtech, robotics, biotechnology and other sectors.

Highlights

- A start-up is generally understood as an early-stage business in search of a scalable business model. According to a survey report on global start-up ecosystem, Hong Kong is ranked among the top 25 global startup ecosystems for the first time in 2019 (Figure 1). The report highlights that Hong Kong excels in market reach and has a strong connection to other global start-up ecosystems. However, its performance is relatively muted in areas such as start-up experience, access to funding, and patents generated.
- Hong Kong's start-up ecosystem has seen sustained growth in recent years. Based on a survey by InvestHK, there were a total of 2 625 start-ups in Hong Kong as at November 2018, which marked a 146% increase compared to 2014 (Figure 2). Over the same period, the number of staff employed by start-ups increased by 301% to 9 548 in 2018. The thriving start-up scene is also evident in the diverse background of its founders. Amongst all start-up founders, 65% are Hong Kong locals and returnees, while the remaining 35% are non-locals from places such as the United Kingdom, United States, the Mainland, and Australia.
- Reflecting the role of Hong Kong as a financial hub, financial technology is the most abundant sector amongst the start-ups (16%), followed by e-commerce (11%), professional or consultancy services (10%), information, computer & technology (10%), design (8%), and data analytics (7%) (Figure 3). It is recognized that start-ups in these sectors benefit from Hong Kong's pool of talent, strong customer base, huge network, and ease of doing business.

Figure 4 – Publicly-funded incubation programmes for start-ups

	Maximum funding amount per start-up	No. of successful applications (no. of applications)				Survival rate ^(&)
		2015-2016	2016-2017	2017-2018	2018-2019	
HKSTP Incubation Programmes ^(@) (1992)	From HK\$860,000 to HK\$6,000,000	136 (283)	122 (207)	96 (234)	93 ^(#) (314)	78%
Cyberport Incubation Programme (2005)	HK\$500,000	51 (302)	103 (515)	105 (754)	108 (677)	72%

Notes: (&) The survival rate for HKSTP Incubation Programmes refers to start-ups that have remained in business, while the survival rate for the Cyberport Incubation Programme refers to start-ups that have survived three or more years after graduation.

(@) This includes the Incu-App, Incu-Tech and Incu-Bio programmes.

(#) Results are updated as at February 2019.

Figure 5 – Publicly-funded co-investment schemes for start-ups

	Fund size	Maximum investment amount per start-up	Co-investment ratio	Current investment by the Government
HKSTP Corporate Venture Fund (2015)	HK\$200 mln	HK\$8 mln	Up to 1:1	9 projects; HK\$50 mln
Cyberport Macro Fund (2016)	HK\$200 mln	HK\$20 mln	Not specified	8 projects; HK\$58 mln
Innovation and Technology Venture Fund (2017)	HK\$2 bln	HK\$50 mln	1:2	3 projects; HK\$30 mln

Figure 6 – Breakdown of non-local persons approved for entry under the Technology Talent Admission Scheme

Technology area	No. of non-local persons approved for entry	Place of origin
Financial technology	13 (32.5%)	Mainland (72.5%)
Material science	9 (22.5%)	Taiwan (5%)
Artificial intelligence	6 (15%)	Southeast Asia (12.5%)
Data analytics	4 (10%)	Others (10%)
Cybersecurity	3 (7.5%)	
Robotics	3 (7.5%)	
Biotechnology	2 (5%)	
Total	40	

Highlights

- The Government has in recent years rolled out various incubation programmes and co-investment schemes to buttress Hong Kong's start-up ecosystem. There are currently two major publicly-funded incubation programmes for start-ups, operated by the Hong Kong Science and Technology Parks ("HKSTP") and Cyberport. The former provides financial support for start-ups through various sub-programmes in mobile technology, biotechnology, etc. The latter provides subsidies for start-ups in digital technology. In 2018-2019, there were respectively 93 and 108 start-ups admitted to the HKSTP and Cyberport incubation programmes (Figure 4). The latter programme has seen rising admissions after doubling its quotas in 2016. Since the inception of the above programmes, HKSTP and Cyberport incubatees recorded survival rates of 78% and 72% respectively.
- With the establishment of the Innovation and Technology Bureau in 2015, the Government has further addressed the funding gap for start-ups through co-investment schemes with angel investors and/or venture capital funds. The HKSTP Corporate Venture Fund and Cyberport Macro Fund are open to application for early stage start-ups (i.e. seed to Series A) in HKSTP and Cyberport respectively. On the other hand, the Innovation and Technology Venture Fund ("ITVF") partners with pre-selected venture capital funds, and will make direct investment in start-ups at the growth stages (i.e. Series A and B) upon the venture capital funds' invitation. As at 14 September 2019, the ITVF has committed around HK\$30 million to three projects (Figure 5).
- To meet the talent needs, in June 2018, the Government introduced the Technology Talent Admission Scheme to expedite the admission of overseas and Mainland technology talent to undertake research and development work in Hong Kong. The three-year pilot is open to tenants and incubatees of Science Park and Cyberport, and may admit up to 1 000 talents in the first year of operation. As at end-February 2019, 225 quotas have been allotted to 38 eligible technology companies. A total of 40 non-local persons have been admitted using the quota allotted. They mainly work in financial technology (32.5%), material science (22.5%), and artificial intelligence (15%), and are primarily from the Mainland (72.5%) (Figure 6).

Data sources: Latest figures from Budget Speech (various years), InvestHK, Startup Genome, and the Innovation and Technology Bureau.

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