

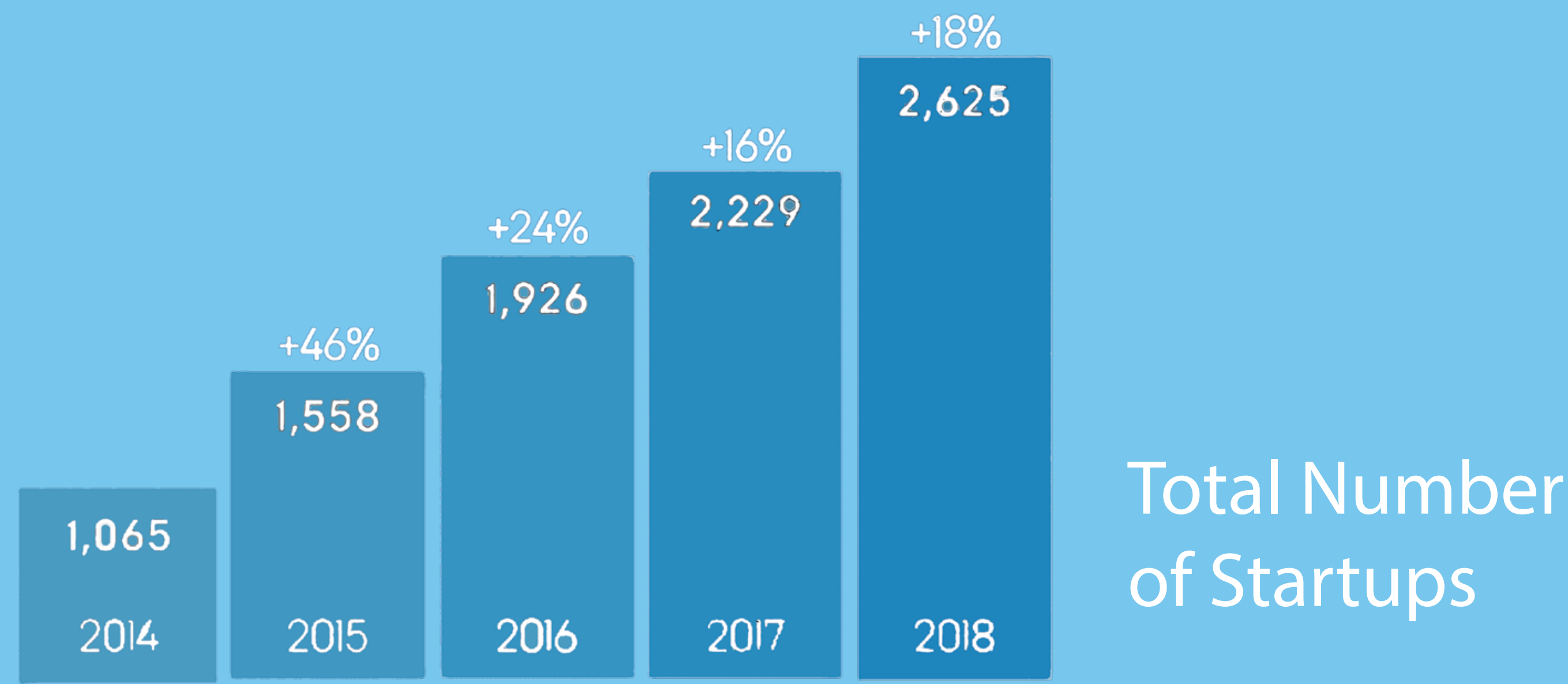
# What are the Challenges of the Hong Kong Startup Ecosystem?

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## Introduction

The Hong Kong government has invested more than 60 million dollars into the startup ecosystem. However, the number of Hong Kong startups are far less than Singapore's 40000 startups. What are the challenges faced by investors and entrepreneurs? How can we improve the Hong Kong startup industry?



Source: InvestHK (2018)

## Hong Kong Business Environment

- 1st: Most competitive financial and business hub  
Most IPO numbers globally
- 2nd: Most internet bandwidth  
IMD world Competitiveness scoreboard
- 3rd: Strength in investor protection
- 4th: Efficiency of legal framework in setting disputes
- 7th: Best city for business  
Least corrupt nation out of 180 countries

## Why Hong Kong needs to Develop Startup Ecosystem



## Challenges for Hong Kong Startup Ecosystem



### Education System

Hong Kong's duck-filling educational system stresses on memorizing theoretical knowledge but not practical experience. Students then lack the motivation and skills to be creative. The ideas of young people are not much valued by educators.

### Government Regulations and Taxation



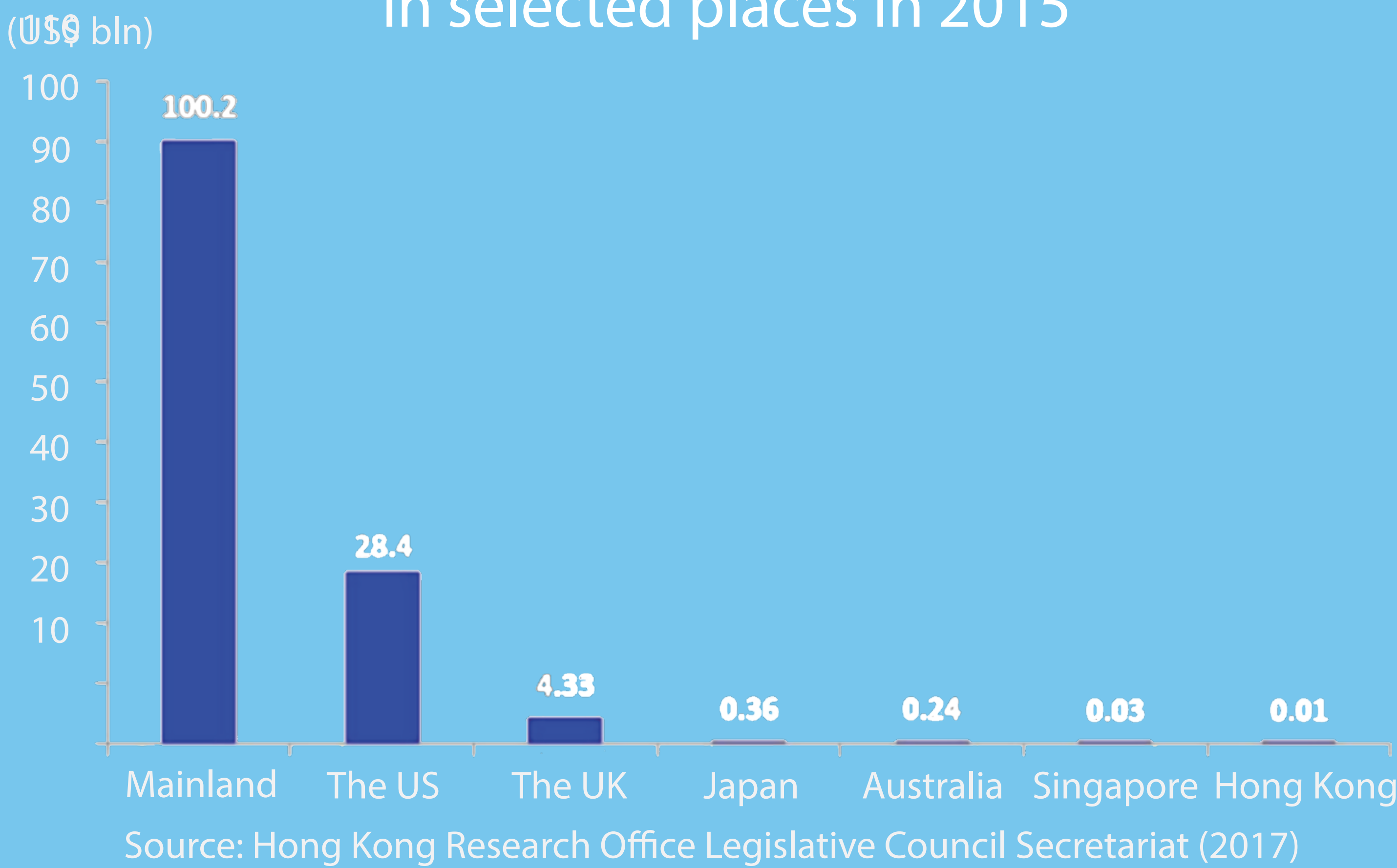
Though starting a business in Hong Kong is legally simple, the taxation system is not appealing. Entrepreneurs had to pay a tax rate of 8.25% on the first \$2million profit. Compare with Singapore, investors can claim partial or full tax relief, which attracts more overseas to invest local startups.



### Crowdfunding

Hong Kong has lots of crowdfunding regulations on raising capital. For example, only professional investors can fund and not more than 50 person can invest within 12 months.

Estimated value of crowdfunding in selected places in 2015



## Suggestions for Hong Kong Government



Promote and refer the dual education system originated from Germany, which stresses practical working experience to students



Adopt entrepreneurship education and hold more case competitions to motivate students to develop their creative business ideas



Provide tax subsidies and relax legal restrictions to local startups