

Venture Capital Development in Hong Kong post Global Financial Crisis: 2009 - 2014

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Introduction

- There has been much discussion about how private equity, especially venture capital, may instill vitality in Hong Kong's economy since HKVCA in 2012 released a Brown Paper entitled “Venture Capital, Private Equity and Hong Kong's Entrepreneurial Businesses”.
- The preliminary findings provided original data on the venture capital investments of Hong Kong companies following the global financial crisis in 2009. The completed research paper will be published in the HKVCA's first research journal later this year.

Introduction Cont.

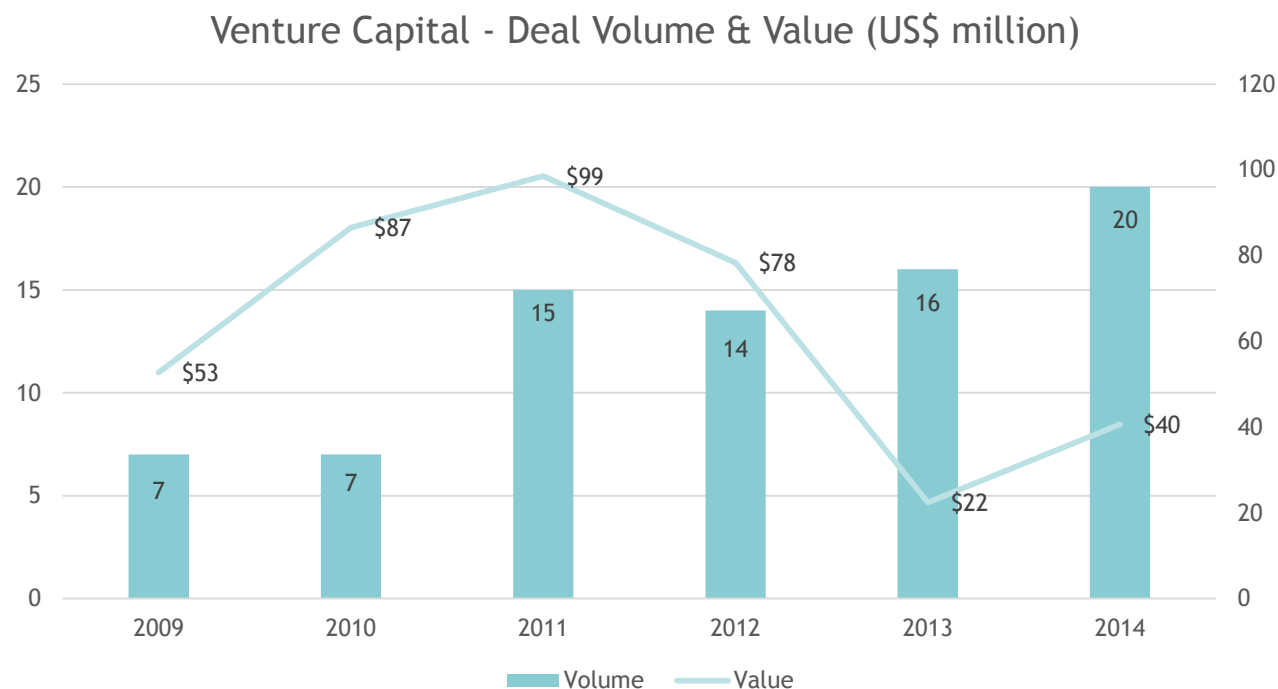
- The investments covered in this research refer to privately-negotiated investments by investment institutions (i.e., not holding vehicles of individual investors) in companies that:
 1. have substantial business operations in Hong Kong;
 2. have their operating headquarters residing in Hong Kong, including those that have relocated their operating headquarters to Hong Kong; or
 3. are originated in Hong Kong but have relocated elsewhere.

Introduction Cont.

- This research release aims to serve the following purposes:
 1. To show the trends in venture capital investments in Hong Kong companies;
 2. To identify the more active venture capital and private equity investors behind the investments;
 3. To highlight the various models which indicate how venture capital have provided vitality to the Hong Kong economy.

Venture Capital

Hong Kong Venture Capital Investment











- While far from reaching critical mass, the number of venture deals within Hong Kong companies reflects an encouraging up-trend. On an annualized basis, 2014 is expected to significantly exceed the previous years in terms of number of consummated venture deals in Hong Kong.
- The statistics exclude incubation funding by government-related entities.
- The recorded investment size ranges from US\$30,000 to US\$50 million per financing round.
- The talented Hong Kong entrepreneurs are proven their competitiveness in this global arena which accelerates deals volume surpassing the past years significantly.

Most Active VC Investor(s)

<u>Venture Capital</u>	<u>No. of Deal</u>
Nest	9
Fresco Capital Advisors	8
500startups - seed fund and incubator program	5
Leitmotiv Private Equity	5
Red Chapel Advisors	4
Velocity Capital	4

- The Hong Kong venture markets have attracted investors from China (e.g. **IDG, IPV**), Japan (e.g. **Mitsui**), Taiwan (**TMI**) and even the US (e.g. **500 Startups**).
- What is more important, we have begun to witness a re-emergence of home-grown venture firms that not only demonstrate sophistication in investing regionally or globally, but also have an appetite for domestic investment. Apart from the well-known **Horizons Ventures** story, **Arbor, Fresco, Leitmotiv, Mandra** and **RedChapel** are examples of new venture firms established in Hong Kong within the last 5 years.

Venture Capital adds vitality to the Hong Kong economy and entrepreneurship

Model	Examples	
1. Building new industry specialties in Hong Kong	Arbor invested in Demyst and East Ventures invested in Bindo in the FinTech start-up space	 
2. Using Hong Kong as the home base to grow innovative businesses cross-border	Sequoia Capital backed Welend to expand financial technology in Mainland China and Centurion PE supported GogoVan to develop in Southeast Asia	  <p>Powered by WeLab Limited</p>
3. “Manufacturing” strategic value for established enterprises	Fresco invested in Y5zone , which was acquired by Hong Kong Broadband Network (“HKBN”); Divide raised \$25 million venture capital funding ahead Google’s acquisition	 
4. Upgrading traditional industry by reducing transaction cost and improving the business efficiency.	8 Securities is a personalized Trading Portal, customers access to over 15,000 global stocks and exchange traded funds, market information, etc on a single dashboard. AfterShip helps online businesses to track packages and notify customers delivery updates.	 

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