

Speech
Keynote Speech by SFST at Global Youth Entrepreneurs Forum 2015
(English only)

Monday, August 3, 2015

Following is the keynote speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the Global Youth Entrepreneurs Forum 2015 today (August 3):

Rosanna (Wong), ladies and gentlemen,

Good morning.

I'm very pleased to join you all today at the second edition of the Global Youth Entrepreneurs Forum. Last year's inaugural forum was a stunning success. More than 400 young participants and speakers from over 22 countries and cities converged on Hong Kong to discuss opportunities and challenges for budding entrepreneurs. One year on, it's time for us to meet again to focus on what's next for growing entrepreneurship.

One year is no doubt a long duration for entrepreneurs. The same could be said of the ecosystem that supports them. According to surveys by InvestHK, our investment promotion agency, the number of local start-ups here in Hong Kong has reached 1,065, growing by 30 per cent over the past year. The number of start-up co-work spaces and accelerators has grown from three in 2010 to 35 last year.

Young and bustling, Hong Kong's start-up scene is seeing some initial success. A company called Vitargent won the top honour at the 43rd International Exhibition of Inventions in Geneva in March this year for using fish embryos to test for toxins in consumer products. By some estimates, another company, GoGoVan, has already served 65 per cent of the local van delivery market and has expanded into Singapore and Taipei.

Hong Kong is not alone in witnessing a boom in start-up activities in recent years. Nor are start-up activities limited only to Silicon Valley. Many major cities including New York, London and Beijing have all developed significant start-up colonies. According to one study, there were nearly 140,000

start-ups at the end of 2013, with 76,000 based outside of the United States.

The start-up boom is not confined to large economies like the US or China. Israel, a nation of 8.9 million, has the highest concentration of start-ups at 375 per million inhabitants. In May, I paid a visit to Sweden, a large Nordic country with a population of 9.6 million. The relative small market size did not stop Sweden from grooming leading start-ups serving customers in multiple markets.

The heat-up in start-up activities on a global basis is no coincidence. The world economy has come to a point where restructuring is needed to promote further growth.

China is one example. After years of spectacular growth based on an export-led, resources-driven and labour-intensive model, China has become the world's second largest economy. But to promote sustainable growth, the government has adopted a rebalancing strategy by raising the role of consumption in the economy.

Similarly, ASEAN economies are also boosting intra-region trade to balance dropping Western demand. ASEAN has adopted an ambitious strategy to kick off the ASEAN Economic Community (AEC) by the end of 2015. The goal of the AEC is to create an integrated market to smooth the flow of people, goods, services and capital across the region. A flourishing middle class has also been fuelling consumption and retail sales in ASEAN.

Economic liberalisation is only effective in so far as individuals as economic agents are ready to make the best out of the new opportunities. Entrepreneurs, with their passion for invention and innovation, have a central role to play.

And there is a good reason why many entrepreneurs behind the start-ups are quite young. Our youth has always been the most powerful agent for change and innovation. They are driven by their dreams and vision as the future world is one that belongs to them. But they are powerful because they are ready, or even savvy, to turn their vision into actions.

Today, it is hard to imagine life without computers, smart phones and

social media. There is no need to look back. I do ask you to use your imagination to think about how new technologies could help change the way we save, borrow and invest - pretty much everything that has to do with our money.

In Hong Kong, we are very interested in developing financial technologies, or Fintech, and I am chairing a steering group to look into this and I have met many start-ups and bankers to share ideas on Fintech. Now what's going on is this. We know that computational cost has been falling. Data transfer, data analytics and storage laid the foundation for new technologies such as cloud computing, big data and mobile payments. These technologies are already changing the way we live.

Just look at the sea change that's going on in Mainland China. Third-party payment services have enabled small businesses and consumers to settle millions of small online transactions every day.

And in China, e-commerce is booming. Processing payments is a fast growing business. With lower cost structures, online payment companies can serve previously unbanked businesses and communities that are too small or located too far away.

But this is only the beginning. Over time, payment companies collected huge amounts of data on both consumers and small businesses. Advanced data analytics allowed these companies to understand their customers' behaviours like never before. This put them in an excellent position to offer customers other services, such as banking and asset management.

So even traditional financial services providers are also coming into the game. They make use of their own data, allowing them to know a lot more about themselves and their customers. With this information banks could combat fraud and identify illegal trading more easily. They can also serve their customers by becoming more customer-centric.

I have met many entrepreneurs in Hong Kong and abroad and I am always struck by how enthusiastic and visionary they are. And no doubt from the government stand point, we do want to encourage these activities, vision and energy in our city.

And I want to assure you that the Government will greatly value the innovation of these companies and entrepreneurs. And in fact, I have mentioned that I am looking into developing financial technologies in Hong Kong and we have also other partners such as the Science Park and Cyberport. They operate competitive incubation schemes, complemented by various funding schemes from the Government.

As young men and women, your opportunity cost is low; your risk appetite is high. You are also free from baggage that limits your imagination. More importantly, you are ready to take action. So keep going.

Thank you.

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