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Global Group chairman
Johnny Hon shares insights
on angel investing



GIVING ADVICE

Johnny Hon is the founder and chairman of the Global Group. Johnny Hon talks about what angel investors bring to the table aside from funding and what Hong Kong needs to become a hub for start-ups.

Angel investor

*Johnny Hon, founder and chairman of Hong Kong's **Global Group**, talks about how backing early-stage companies can provide a window into the future*

Photography **MOSES NG** Location **J. BOROSKI HK**

Hong Kong is often described as an entrepreneurial city, but it has struggled to produce the kind of innovative business ideas that dominate the 21st-century economy. This is because entrepreneurs don't emerge from a vacuum—nor even from a science park. There is a whole ecosystem of technology, financing and regulation that must exist to help innovators turn a good idea into a successful business. And the first stage in that journey is typically financed by an angel investor, such as Johnny Hon, founder and chairman of Hong Kong's Global Group.

Business angels come in many forms. Some are friends or family of the entrepreneur, some are entrepreneurs themselves, others are wealthy individuals who like backing

good ideas. But whoever they are, the most successful see their role as being about more than just providing money.

Indeed, investing in entrepreneurs at the earliest stage of their business usually means investing in a loss-making enterprise, when advice and guidance can be extremely valuable. For Hon, this is one of the biggest attractions of his angel investment work.

"If you're a successful businessman, I think it's natural to want to be a mentor of the next generation of entrepreneurs," he says. "As entrepreneurs get older they become wiser and more experienced, but the young guys have the innovation. What we can give them is more than just money—it's business experience, connections and advice on how they should grow."

This can be a crucial contribution. Many entrepreneurs underestimate how difficult it will be to exploit and commercialise their idea, says Hon. A study by the Massachusetts Institute of Technology (MIT), home to many great entrepreneurial ideas, showed that only 20 per cent of new businesses survive and that, for those that achieve success, it takes an average of two-and-a-half years for a new business to stop losing money and as much time again before the original shareholders start to recoup their investment.

Entrepreneurs who aren't prepared for this reality may give up too soon, which is why an angel investor who knows the ropes and is willing to stay the course can be critically important to the success of a new business—indeed that is why they are called angels.

But Hon and the Global Group are not only angels—they are also life-cycle investors who are willing to continue investing (or even to start investing) at each subsequent stage of the business's journey, where venture capital and private equity typically get involved, right up to a public float on a stock exchange and beyond.

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Such investors are relatively rare in Asia, and especially in Hong Kong, partly because property markets have performed so well but also because of structural weaknesses that make it harder for young people to start their own businesses.

"The government sometimes gets it wrong," says Hon. "There's a tendency to think that venture capital or angel investing is all about technology, but that's wrong. It's not only about innovation, it's about the whole ecosystem."

Pricing is a big element of that ecosystem. An entrepreneur in Silicon Valley might only have to give up a small share of her business to secure funding from a business angel, whereas a more traditional Hong Kong tycoon might expect to have the majority stake in an early-stage business that he is funding.

"The pricing is very different and that's what attracts entrepreneurs to go to the US, for example, to set up their business," says Hon. "But it's also about tax incentives, the government, the ability to recruit people. In addition to Silicon Valley, the successful hubs

are in places such as Berlin, London—and Singapore is coming up too. Hong Kong is lagging a bit behind in comparison. It's not just about building a science park."

As a result, the entrepreneurs that Hon backs are from all over the world—the US, Israel, Germany, the UK. While he started out helping international businesses to gain a foothold in China, today he is just as likely to help Chinese businesses going in the other direction. Hong Kong may lack the ecosystem to produce as many innovators as other places, but it is an excellent location for investors such as the Global Group to act as a bridge between China and the West.

Hon's personal philosophy as an angel investor draws on his academic background in psychiatry. "The personality of the entrepreneur is more important than the business idea," is how he sums it up. This psychological approach also affects how he finances an entrepreneur—a young business that has too much money, he says, can be careless and less sensitive to what the market

wants, which can be disastrous. A hungry company makes better decisions.

As well as the satisfaction of passing on such experience, many angel investors find it invigorating to work with young, innovative people. "I enjoy this work because you hear so many new ideas, you can see into the future," says Hon. "Getting to hear some of these ideas 20 years before they come on to the market is in itself a fun thing to do."

Of course, such ideas can also be more than fun. Hon's doctoral research focused on Alzheimer's disease and he hopes that one day he may be able to help fund a cure for this degenerative condition—a medical advance that could allow all of us to go through life with a brain as capable of learning as that of a 16-year-old.

How does he find the innovators he works with? "I have a reputation for being able to support entrepreneurs, and what you find is that if people think you have some money to invest, entrepreneurs are like bees—they just come, they find you," says Hon.

After all, who doesn't want their own angel? ●

GROOMING: WENDY LEE

