

**For discussion  
on 19 February 2019**

**LEGISLATIVE COUNCIL  
PANEL ON COMMERCE AND INDUSTRY**

**Findings of the Survey of Companies in Hong Kong  
with Parent Companies Located outside Hong Kong  
and the Survey of Start-ups in Hong Kong**

**PURPOSE**

This paper briefs Members on the key findings of the survey of companies in Hong Kong with parent companies located outside Hong Kong, and the survey of start-ups in Hong Kong.

**SURVEY FINDINGS**

**Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong**

2. Since 2000, InvestHK has been collaborating with the Census and Statistics Department to conduct an annual survey, the response to which is voluntary, to enumerate companies in Hong Kong with their parent companies located outside Hong Kong, and the number which serves as a regional headquarters (RHQ)<sup>1</sup>, regional offices (RO)<sup>2</sup> and local office (LO)<sup>3</sup>. The survey also helps InvestHK better understand the needs of foreign companies in Hong Kong and tailor its promotions, both locally and overseas, of Hong Kong as a leading destination for foreign direct investment.

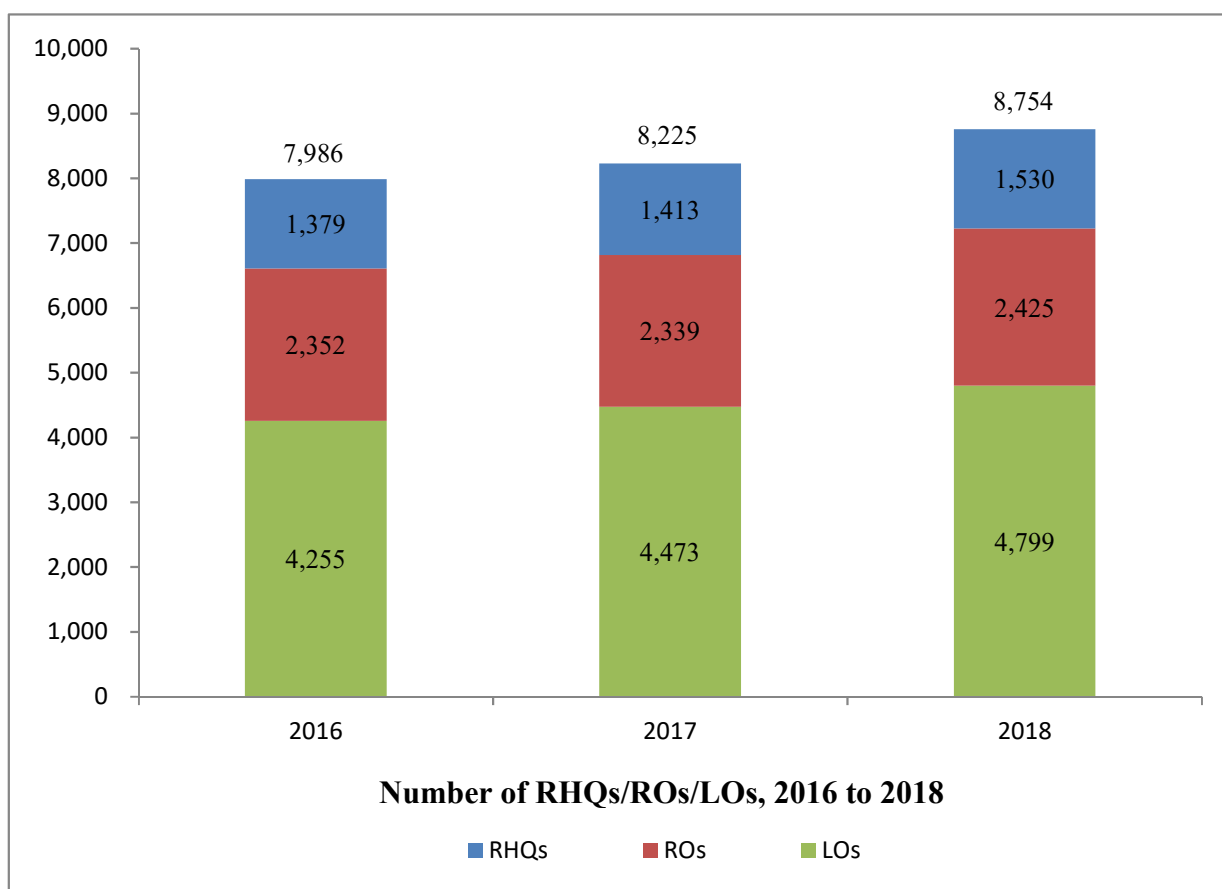
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<sup>1</sup> An RHQ is an office with parent company located outside Hong Kong which has managerial control over offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

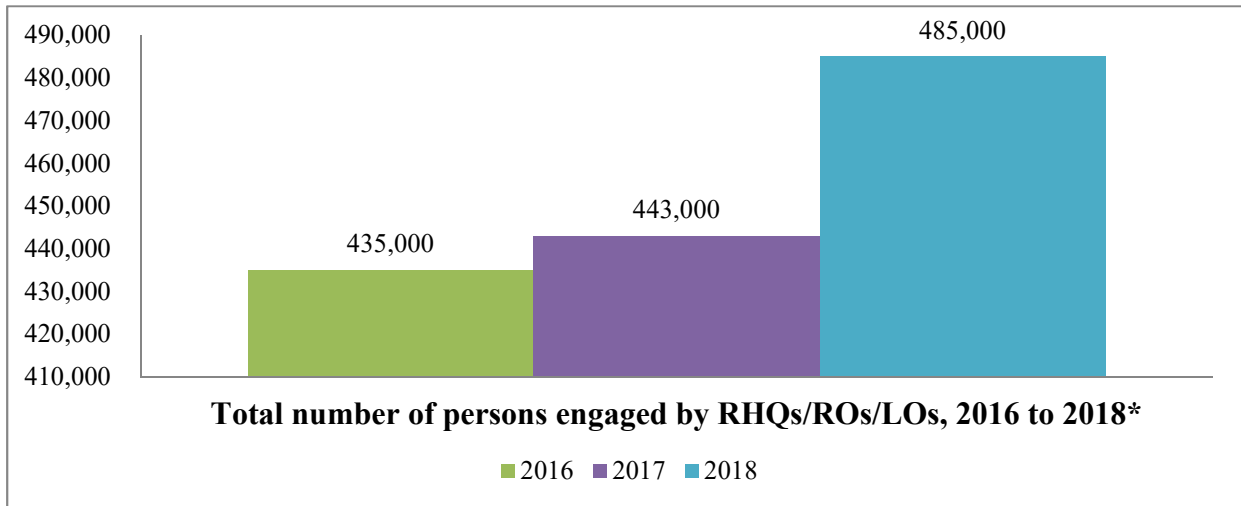
<sup>2</sup> An RO is an office with parent company located outside Hong Kong which co-ordinates offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

<sup>3</sup> An LO is an office with parent company located outside Hong Kong which only takes charge of the business in Hong Kong (and nowhere else).

3. According to the 2018 survey, the number of business operations in Hong Kong with parent companies overseas and in the Mainland recorded a healthy growth of 6.4% to 8 754<sup>4</sup>, compared to 8 225 a year ago. The 8 754 companies comprised 1 530 operating as RHQs, 2 425 as ROs and 4 799 as LOs. Among them, the number of RHQs showed a robust growth of 8.3% from 1 413 in 2017 to 1 530 in 2018, a testimony to Hong Kong’s important role as home to the RHQs of many international businesses. In terms of jobs, the total number of persons engaged by these companies reached an all-time high at 485 000, showing a 9.5%-increase from 443 000 in 2017. The survey results for the past three years are shown in the following charts:

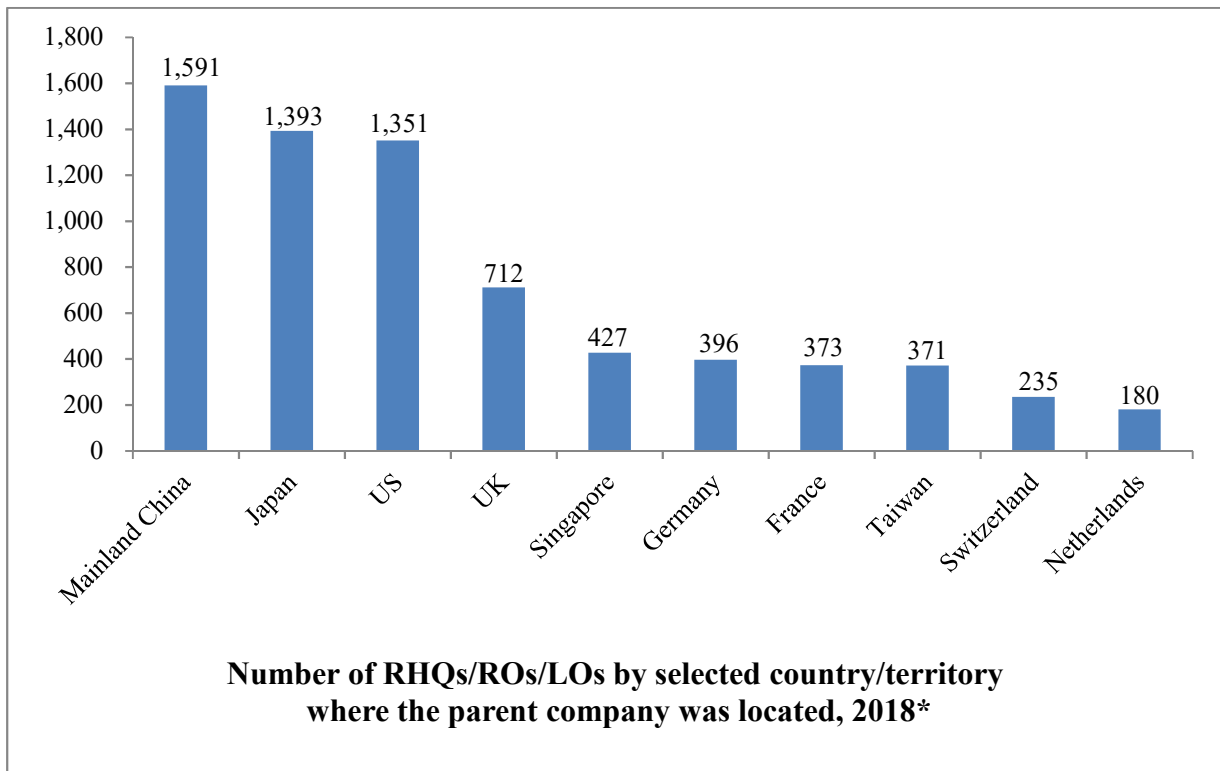


<sup>4</sup> Owing to the lack of a complete sampling frame of companies covered in the survey and the voluntary nature of the survey, the numbers of RHQs, ROs and LOs enumerated in each survey round represent the best snapshot that could be taken at the time of the survey. We would continue to work to improve the sampling frame of companies in order to widen the coverage of the survey.



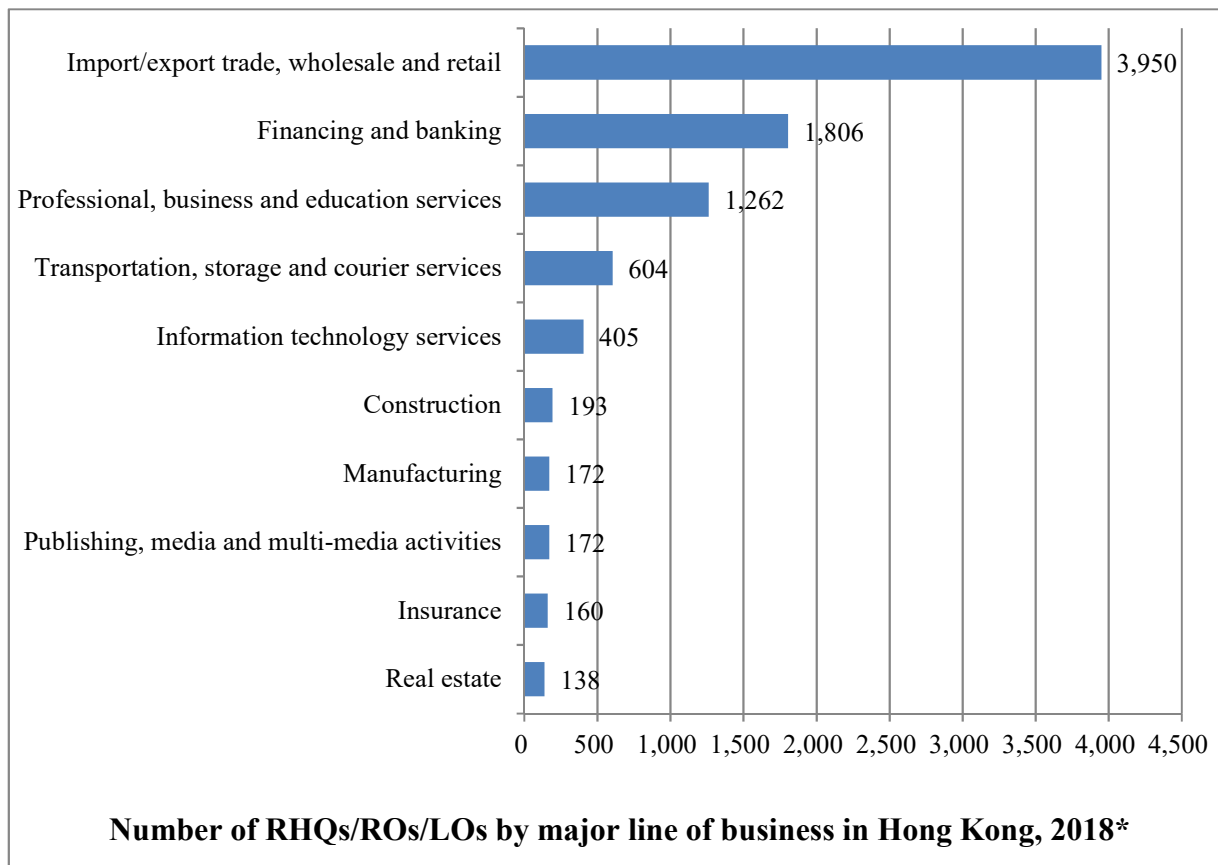
\* Figures are rounded to the nearest thousand

4. In terms of source country/territory, the Mainland ranked first (1 591 companies), followed by Japan (1 393 companies), the United States (1 351 companies), the United Kingdom (712 companies) and Singapore (427 companies). The top ten source countries/ territories of RHQs/ROs/LOs are shown in the following chart:



\* In the case of a joint-venture RHQ/RO/LO, there may be more than one country/territory where its parent companies are located.

5. By business sector, import/export trade, wholesale and retail topped the list (3 950 companies), followed by financing and banking (1 806 companies), and professional, business and education services (1 262 companies). The top ten business sectors of RHQs/ROs/LOs are shown in the following chart:



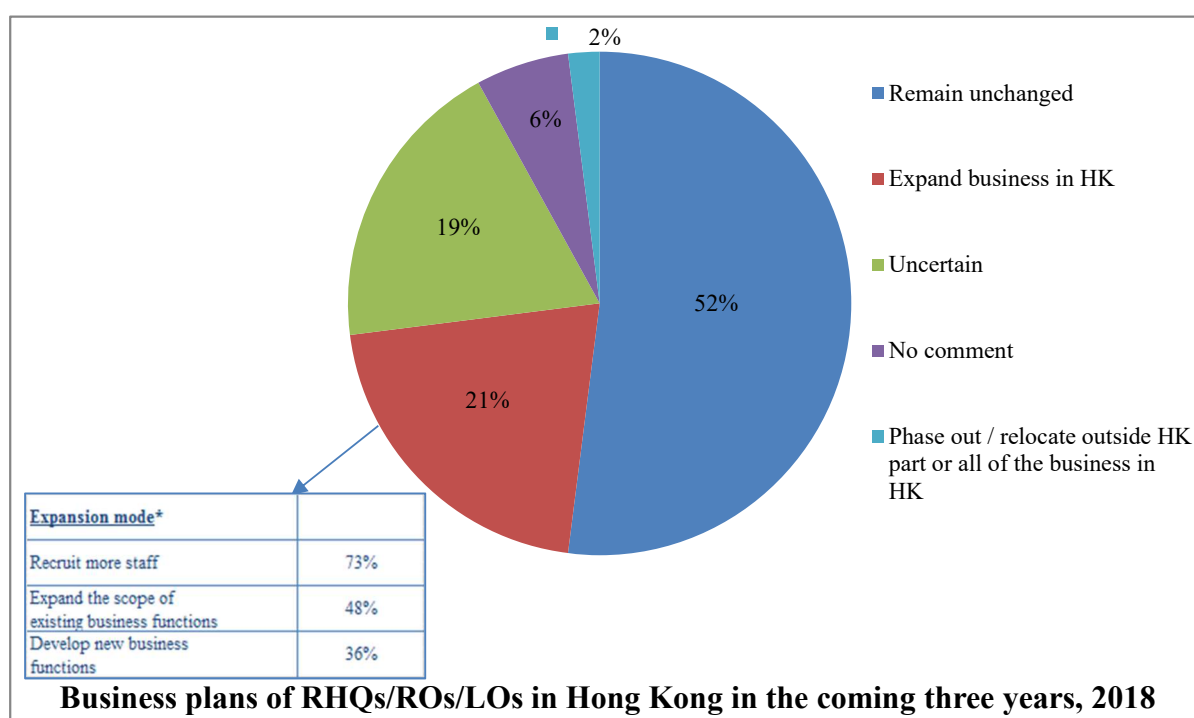
\* A RHQ/RO/LO may be engaged in more than one major line of business.

6. The survey also collected views on the attractiveness of Hong Kong as a place for setting up business. Top favourable factors identified included our "simple tax system and low tax rate" (67%), "free flow of information" (62%), "free port status" (59%), "geographical location" (59%) and "corruption-free government" (55%). This affirms Hong Kong's status as a sophisticated business-friendly city in the region.

7. On the other hand, top unfavourable factors identified in the survey were "availability and cost of residential accommodation" (43%) and "availability and cost of business accommodation" (40%). These are in line with the issues raised by investors and entrepreneurs whom InvestHK has assisted or maintained liaisons during its daily work. Other business-related issues raised with InvestHK included difficulties in opening bank accounts and in staff recruitment for certain

sectors, and relatively low readiness of some industries to adopt innovative technology.

8. Respondents were also asked about their business plans in Hong Kong in the coming three years. 52% indicated that their business plans would remain unchanged, while 21% planned to expand their business in Hong Kong, of which 73% indicated that they would recruit more staff, 48% and 36% would expand their scope of existing business functions and develop new business functions respectively.



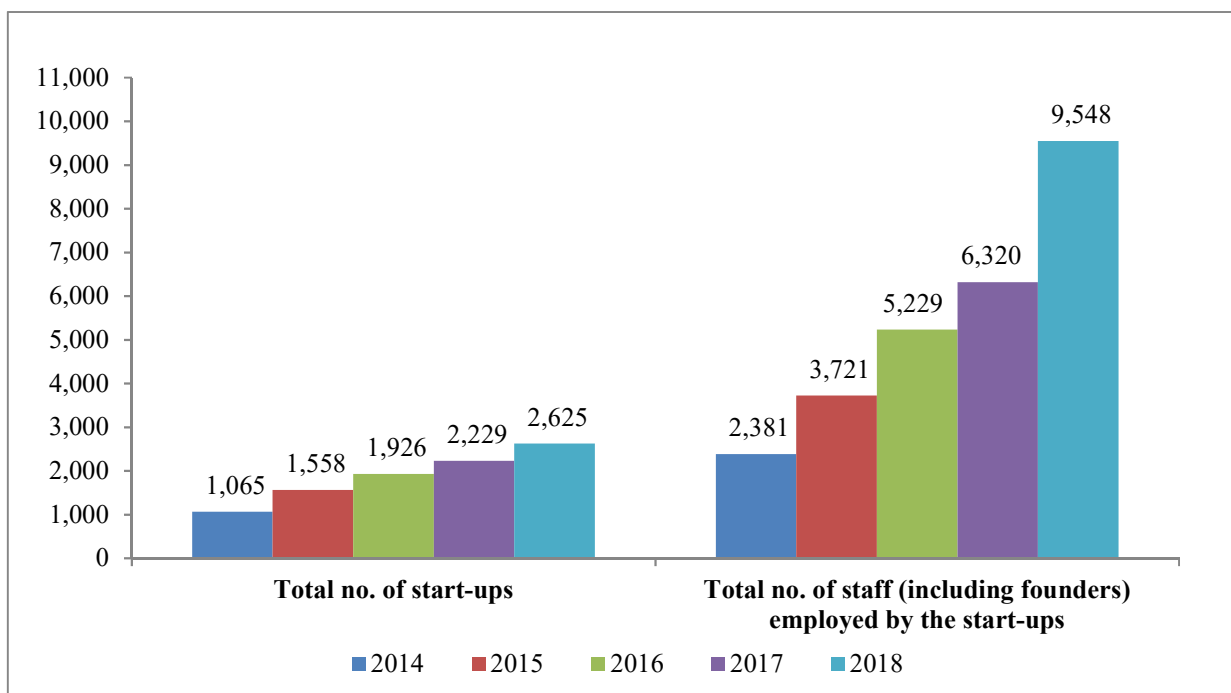
\* There may be more than one expansion mode by one RHQ/RO/LO.

## Survey of Start-ups

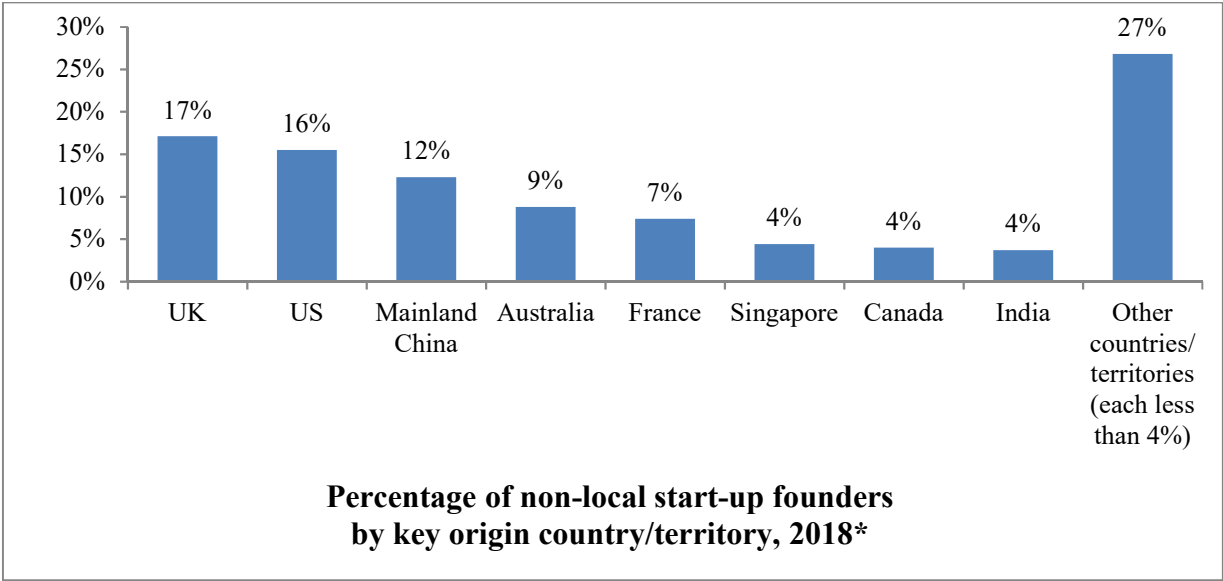
9. InvestHK has been conducting an annual survey with the operators of major co-work spaces, incubators and accelerators in Hong Kong on start-ups operating in their premises since 2014<sup>5</sup>. The survey helps keep track of the start-up scene with a view to creating a more robust start-up ecosystem in Hong Kong.

<sup>5</sup> The numbers of operators of major co-work spaces, incubators and accelerators in Hong Kong which took part in the 2014, 2015, 2016, 2017 and 2018 surveys were 27, 30, 38, 47 and 48 respectively.

10. The 2018 survey showed that a total of 2 625 start-ups operated in the above premises, representing an increase of 18% (or 396 start-ups) over 2017. The number of people employed by the start-ups also increased significantly by 51% to 9 548. This growth is evidence of the vibrant environment of Hong Kong as a leading hub for start-ups. The survey results for the past five years are shown in the following chart:

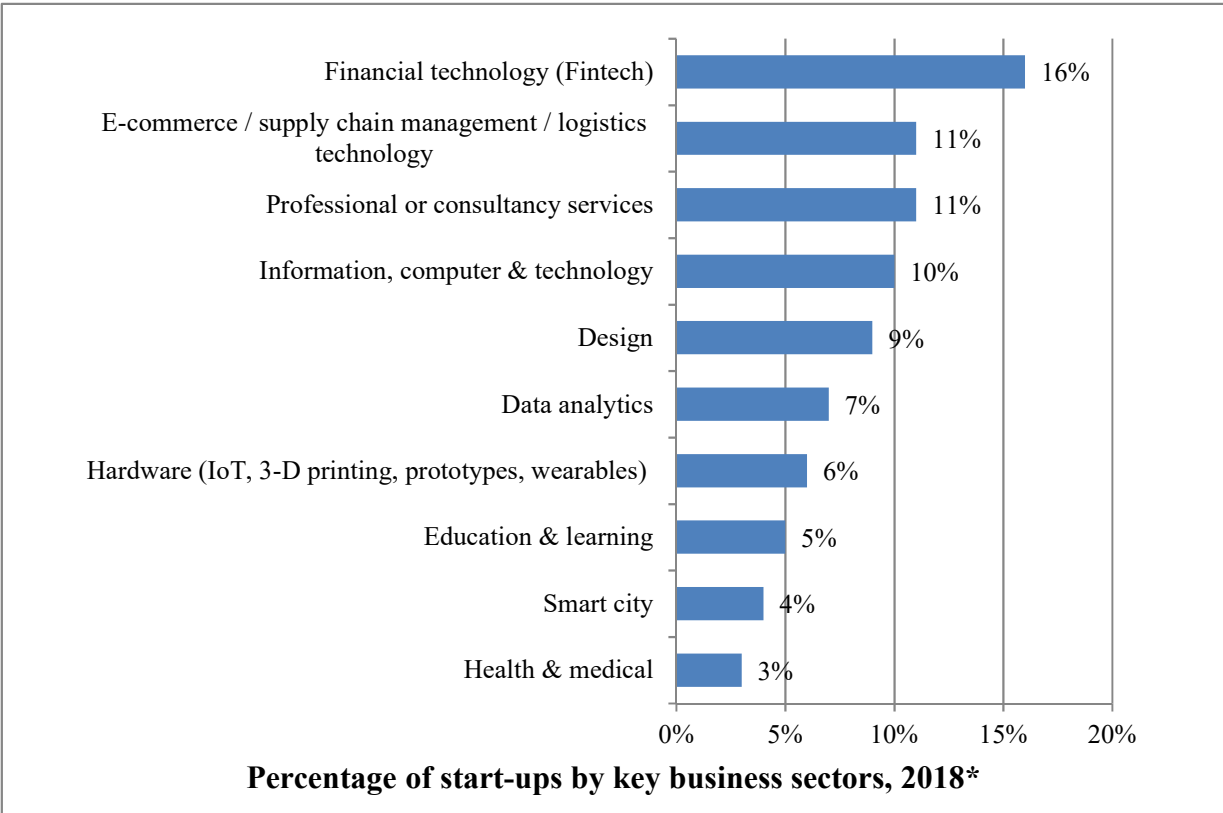


11. It is worth noting that the start-up community is highly international. While 62% of the start-up founders were from Hong Kong and 3% were Hong Kong returnees, 35% came from outside Hong Kong and among them, the United Kingdom (17%), the United States (16%), the Mainland (12%) and Australia (9%) were the key origins of the start-up founders, demonstrating that entrepreneurs and talents from different parts of the world are attracted to Hong Kong. The diverse mix of origins of start-up founders are shown in the following chart:



\* Based on number of founders with relevant information provided.

12. The main sectors of the start-ups included fintech (16%), e-commerce/supply chain management/logistics technology (11%), professional or consultancy services (11%), and information, computer and technology (10%). The top ten business sectors engaged by the start-ups are shown in the following chart:



\* Based on available information. Some start-ups were engaged in more than one sector.

## CONCLUSION

13. The findings of the above two surveys demonstrate that Hong Kong continues to attract and retain leading overseas and Mainland companies, as well as entrepreneurs from around the world to set up a wide range of leading edge and innovative businesses here. We also note that companies are increasingly seizing new opportunities arising from the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area development.

14. The results of the recent surveys are also borne out by the day-to-day work of InvestHK. The Head Office of InvestHK works together with 16 investment promotion units (“IPUs”) based in the Hong Kong Economic and Trade Offices in the Mainland and overseas, the Beijing Office, the Hong Kong Economic, Trade and Cultural Office in Taipei, and 15 overseas consultants in key locations not covered by IPUs. In 2018, InvestHK completed an all-time high total of 436 investment projects<sup>6</sup>, supporting overseas and Mainland companies to set up or expand their businesses in Hong Kong. These projects have created more than 5 250 jobs in the first year of operation or expansion.

15. InvestHK will continue to proactively attract and assist overseas and Mainland companies to set up or expand their businesses in Hong Kong, by capitalising on Hong Kong’s full range of advantages including excellent geographical location, ample professional service support and rich international experience. It will continue to reach out to and engage potential investors through business seminars and marketing campaigns, participating in and sponsoring major international events and arranging investment promotion visits to both traditional and emerging markets. InvestHK’s StartmeupHK programme will also go full steam ahead to provide one-stop services to global start-ups and to encourage them to use Hong Kong as a launch pad to grow their businesses.

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<sup>6</sup> Investment projects each resulting in an overseas or Mainland company setting up or undergoing a significant expansion in Hong Kong with the assistance of InvestHK. The figures do not include companies set up in Hong Kong without such assistance.



## **ADVICE SOUGHT**

16. Members are invited to note the findings of the two surveys above.

**Commerce and Economic Development Bureau  
Invest Hong Kong  
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