

**For discussion  
on 21 January 2020**

**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 Startups 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 startups in Hong Kong conducted in 2019.

**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 office (RO)<sup>2</sup> and local office (LO)<sup>3</sup>. The survey also helps InvestHK better understand the needs of these companies in Hong Kong and tailor our promotions, locally, in the Mainland and overseas, of Hong Kong as a leading destination for foreign direct investment.

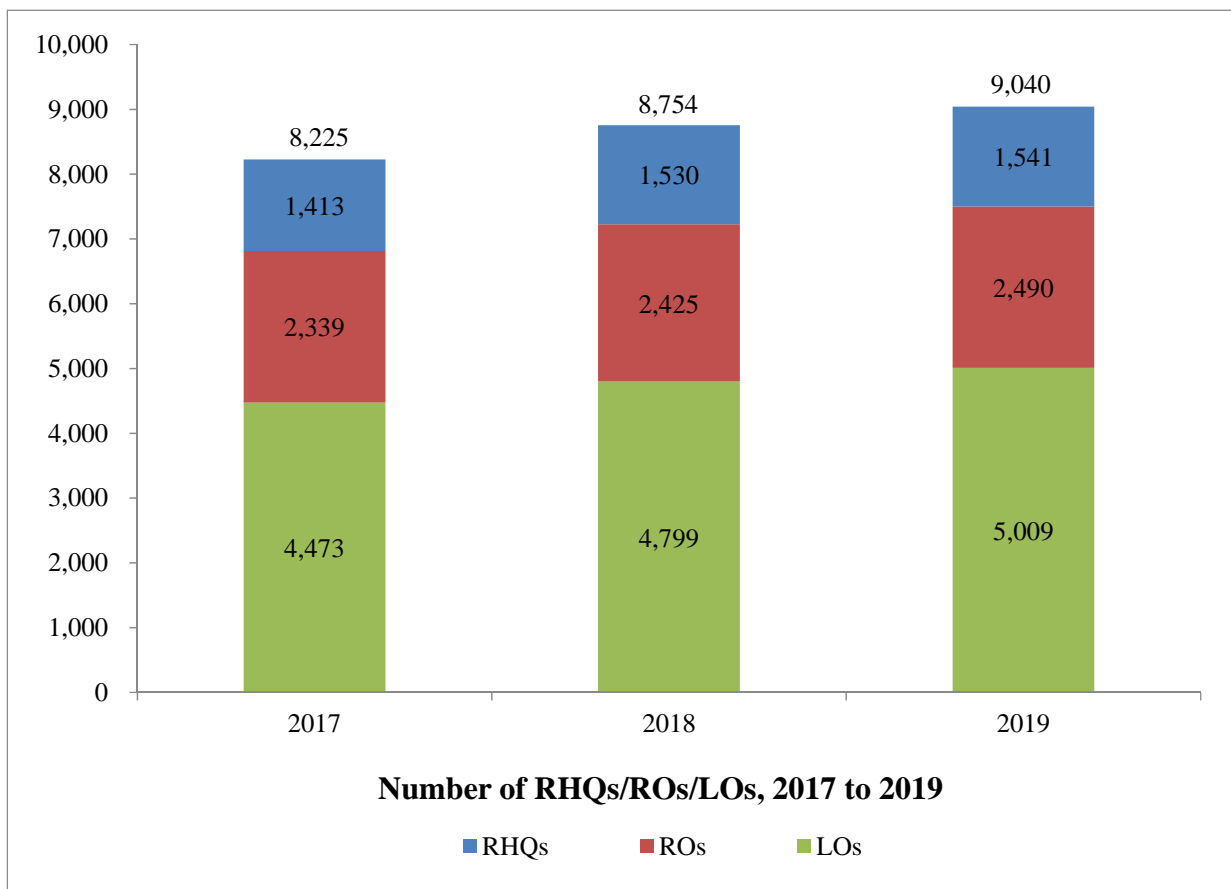
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<sup>1</sup> An RHQ is an office with parent company located outside Hong Kong which has managerial control over offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

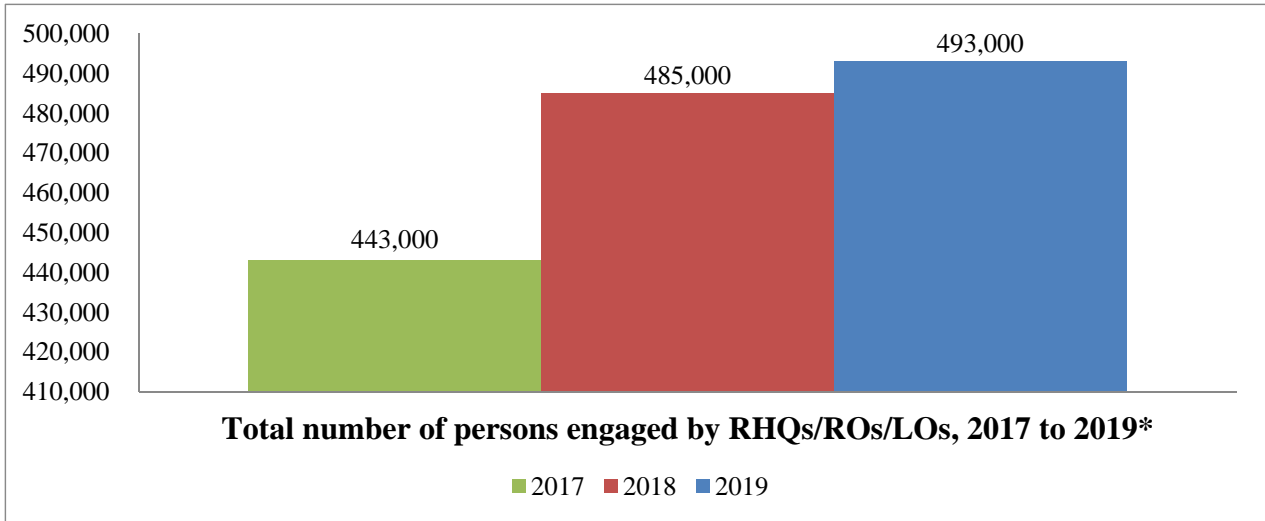
<sup>2</sup> An RO is an office with parent company located outside Hong Kong which co-ordinates offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

<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 2019 survey, the number of business operations in Hong Kong with parent companies overseas and in the Mainland recorded a strong growth of 9.9% to 9 040<sup>4</sup>, compared to 8 225 in 2017. The 9 040 companies comprised 1 541 operating as RHQs, 2 490 as ROs and 5 009 as LOs. Among them, the number of RHQs showed a robust growth of 9.1% from 1 413 in 2017 to 1 541 in 2019, 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 of 493 000, showing a 11.3% increase from 443 000 in 2017. The survey results for the past three years are shown in the following charts:

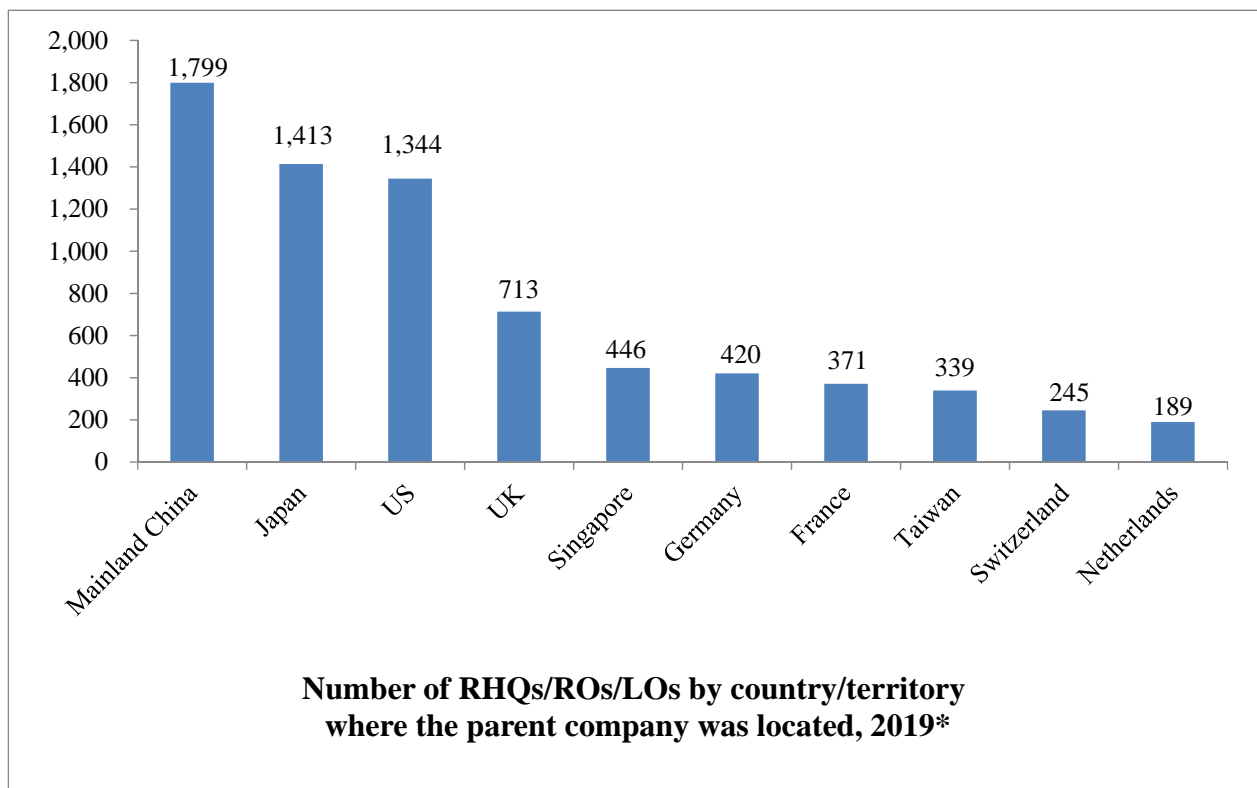


<sup>4</sup> Owing to the lack of a complete sampling frame of companies covered in the survey and its voluntary nature, the numbers of RHQs, ROs and LOs enumerated in each survey round represent the best snapshot that could be taken at the time of the survey. We would continue to work to improve the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



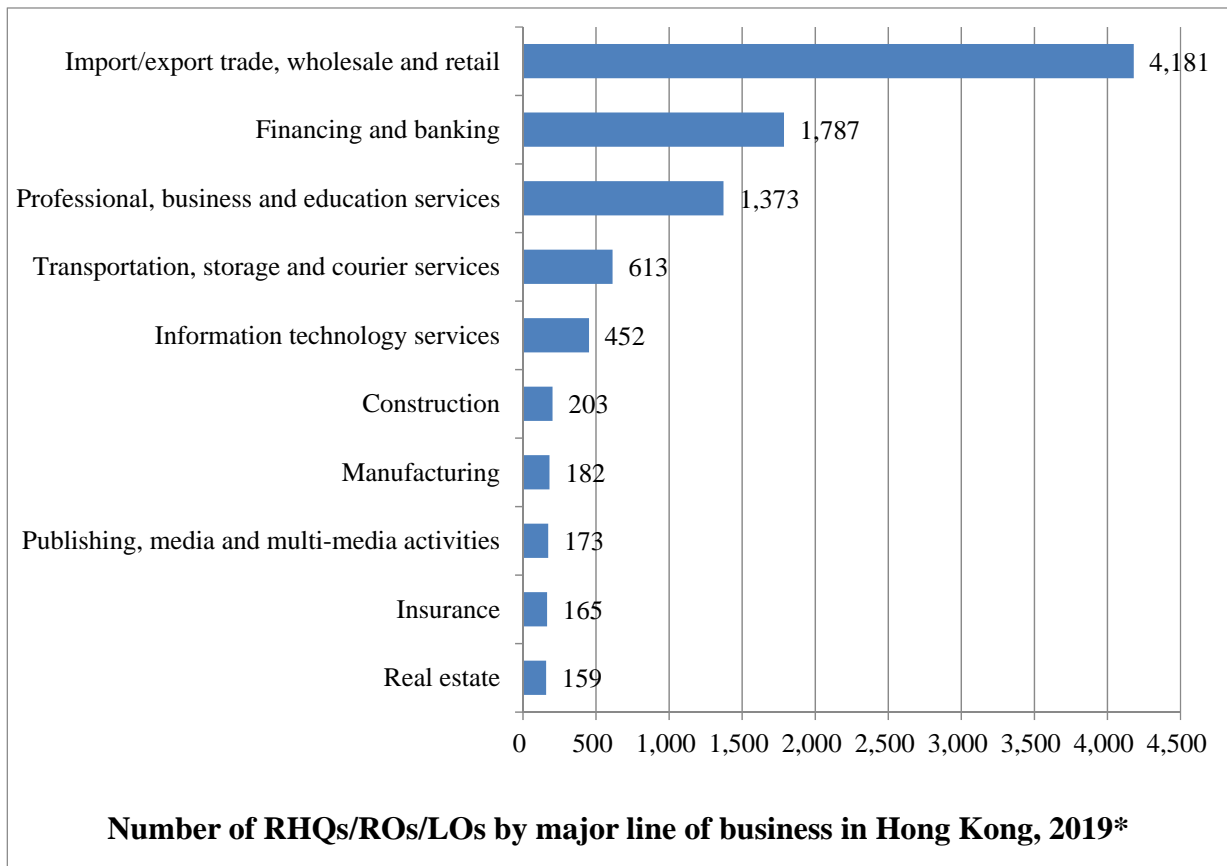
\* Figures are rounded to the nearest thousand.

4. In terms of source country/territory, the Mainland ranked first (1 799 companies), followed by Japan (1 413 companies), the United States (1 344 companies), the United Kingdom (713 companies) and Singapore (446 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.

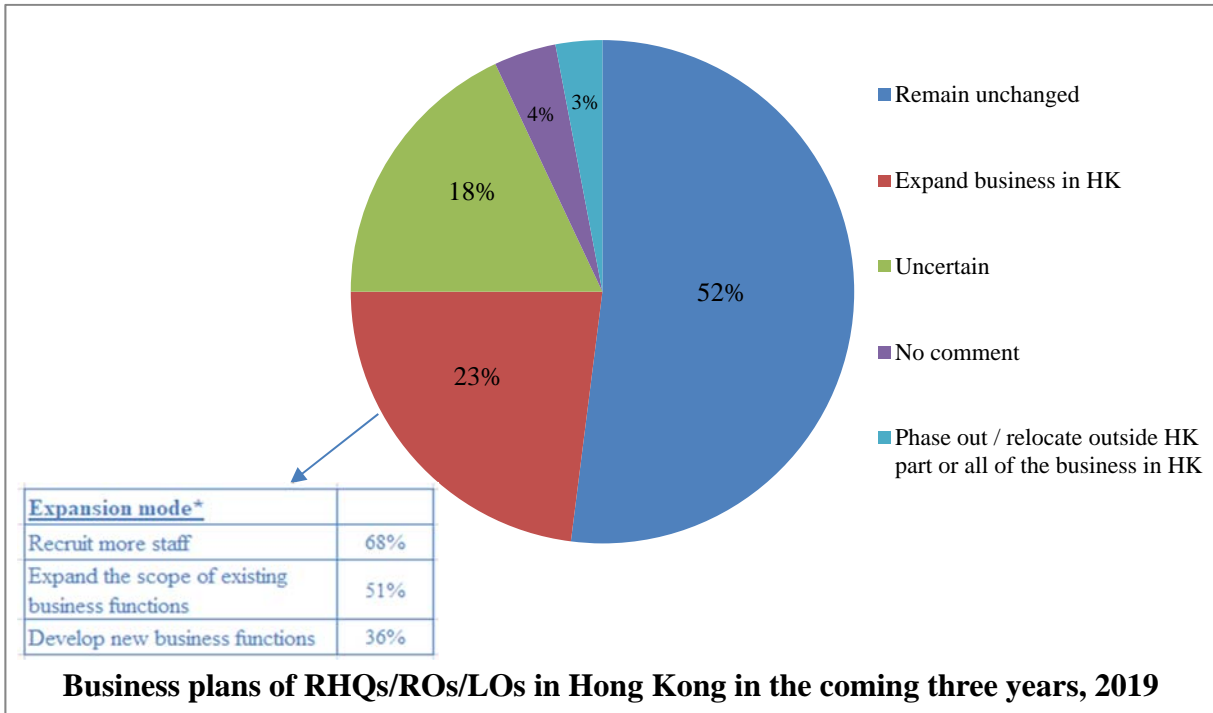
5. By business sector, import/export trade, wholesale and retail topped the list (4 181 companies), followed by financing and banking (1 787 companies), and professional, business and education services (1 373 companies). The top ten business sectors of RHQs/ROs/LOs are shown in the following chart:



\* 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 include Hong Kong’s “simple tax system and low tax rate” (71%), “free flow of information” (63%) and “geographical location” (61%). On the other hand, top unfavourable factors identified in the survey are “availability and cost of residential accommodation” (42%), “availability and cost of business accommodation” (39%) and “availability and cost of staff” (16%).

7. 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 23% planned to expand their business in Hong Kong, of which 68% indicated that they would recruit more staff, while 51% and 36% would expand their scope of existing business functions and develop new business functions respectively.



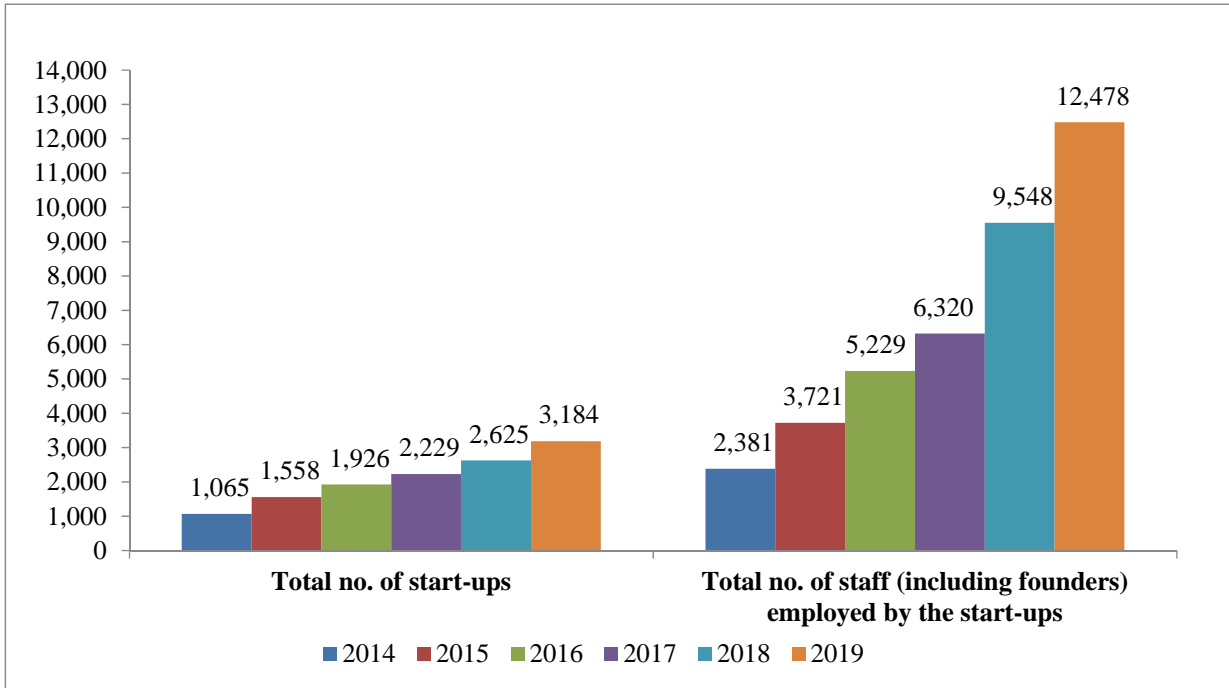
\* There may be more than one expansion mode by one RHQ/RO/LO.

### Survey of Startups

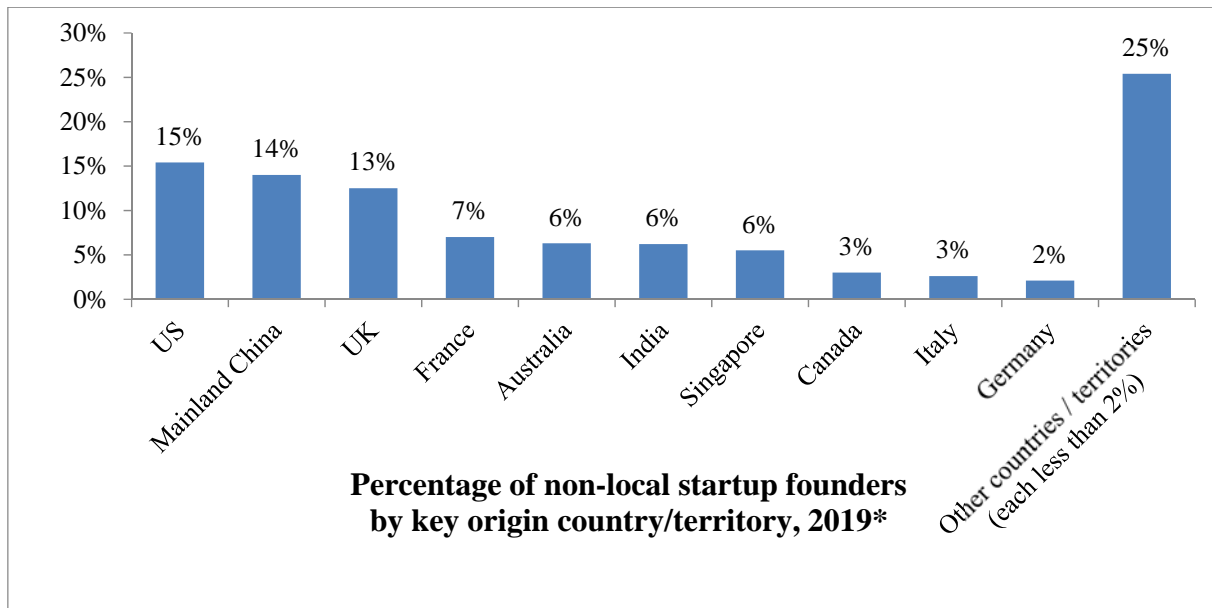
8. InvestHK has been conducting an annual survey with the operators of major co-work spaces, incubators and accelerators in Hong Kong on startups operating in their premises since 2014<sup>5</sup>. The survey helps us keep track of the startup scene with a view to creating a more robust startup ecosystem 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 2014 to 2019 surveys were 27, 30, 38, 47, 48 and 54 respectively.

9. According to the 2019 survey, a total of 3 184 startups operated in the above premises, representing an increase of 42.8% (or 955 startups) over 2017. The number of people employed by the startups also increased significantly by 97.4% to 12 478. This growth is evidence of the vibrant environment of Hong Kong as a leading hub for startups. The survey results for the past six years are shown in the following chart:

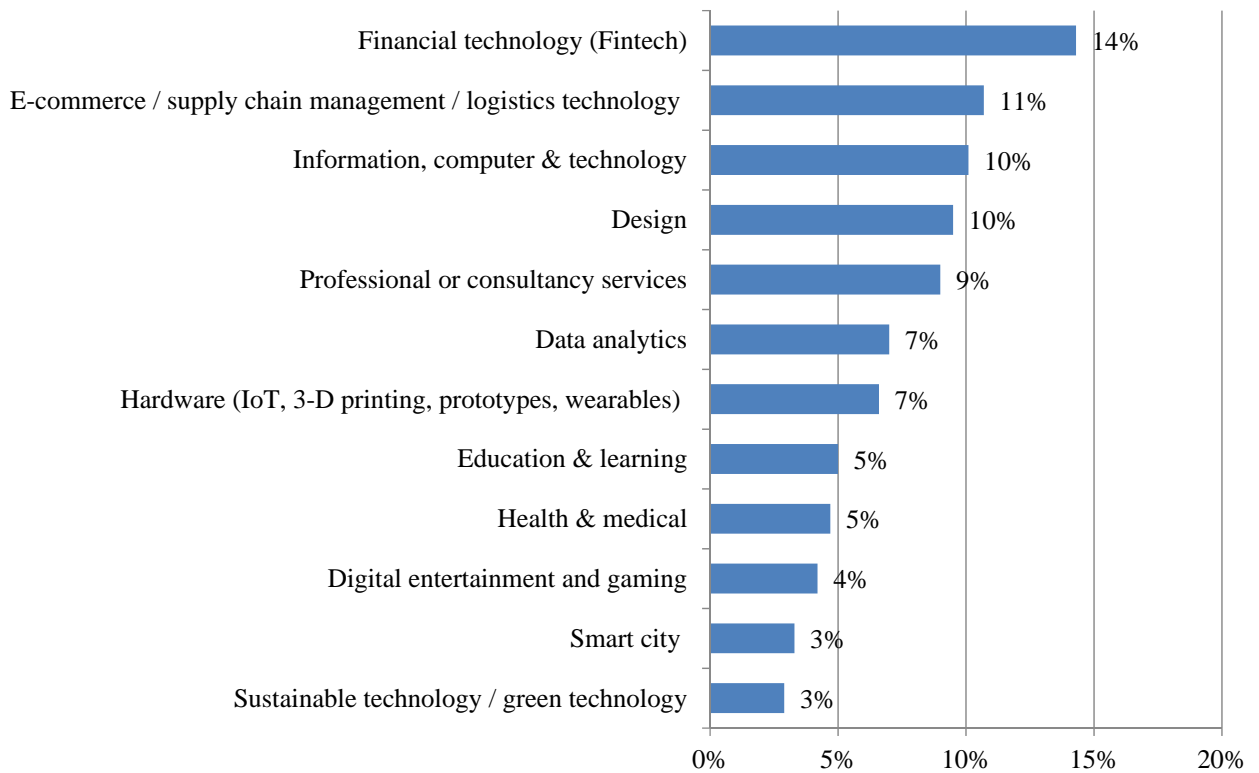


10. It is worth noting that the startup community is highly international. While 59% of the startup founders were from Hong Kong and 7% were Hong Kong returnees, 34% came from outside Hong Kong and among them, the United States (15%), the Mainland (14%), the United Kingdom (13%) and France (7%) were the key origins of the startup founders, demonstrating that entrepreneurs and talents from different parts of the world are attracted to Hong Kong. The diverse mix of origins of startup founders are shown in the following chart:



\* Based on available information.

11. The main sectors of the startups include financial technology (fintech) (14%), e-commerce/supply chain management/logistics technology (11%), information, computer and technology (10%) and design (10%). The major business sectors engaged by the startups are shown in the following chart:



Percentage of startups by key business sector, 2019

## CONCLUSION

12. The positive 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. The findings are also borne out by the day-to-day work of InvestHK, which completed an all-time high total of 487 investment projects<sup>6</sup> in 2019. These projects will create 6 009 jobs in the first year of operation or expansion.

13. As most of the fieldwork of the two surveys was conducted around June to August 2019, the survey findings may not have fully reflected the latest development in Hong Kong. The social unrest in Hong Kong in the past months has seriously affected the city's international image and undermined its attractiveness to some investors. According to InvestHK's conversations with prospective investors around the world, it is noted that some investors had put their investment plans on hold, or postponed their visits to Hong Kong, while some proceeded with their plans.

14. However, the fundamentals and core strengths of Hong Kong remain strong. We remain an open and cosmopolitan society and an internationally connected and dynamic economy. Investment decisions are based on many factors including market potential, tax system, legal system, ease of doing business, access to information, transport connections, innovation and technology infrastructure and availability of talent. Hong Kong stacks up very well in all these aspects and is a highly competitive, global hub for financial and business services, legal and professional services, as well as trade, logistics, air cargo and maritime services. The development of the Guangdong-Hong Kong-Macau Greater Bay Area and the Belt and Road Initiative will also create new opportunities in the medium and long run.

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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.



15. InvestHK is reaching out to its partners and clients to explain the situation in Hong Kong and promote our enduring advantages and business opportunities. We will also step up efforts in all channels to proactively attract and assist overseas and Mainland companies to set up or expand their businesses in Hong Kong, by engaging 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 proceed full steam ahead to provide one-stop services to global startups and to encourage them to use Hong Kong as a launch pad to grow their businesses. With concerted efforts, we believe investors' confidence will be fully restored with the passage of time.

#### **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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