

**For discussion
on 26 January 2021**

**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 from June to September 2020.

SURVEY FINDINGS

Survey of Companies in Hong Kong with Parent Companies located outside Hong Kong

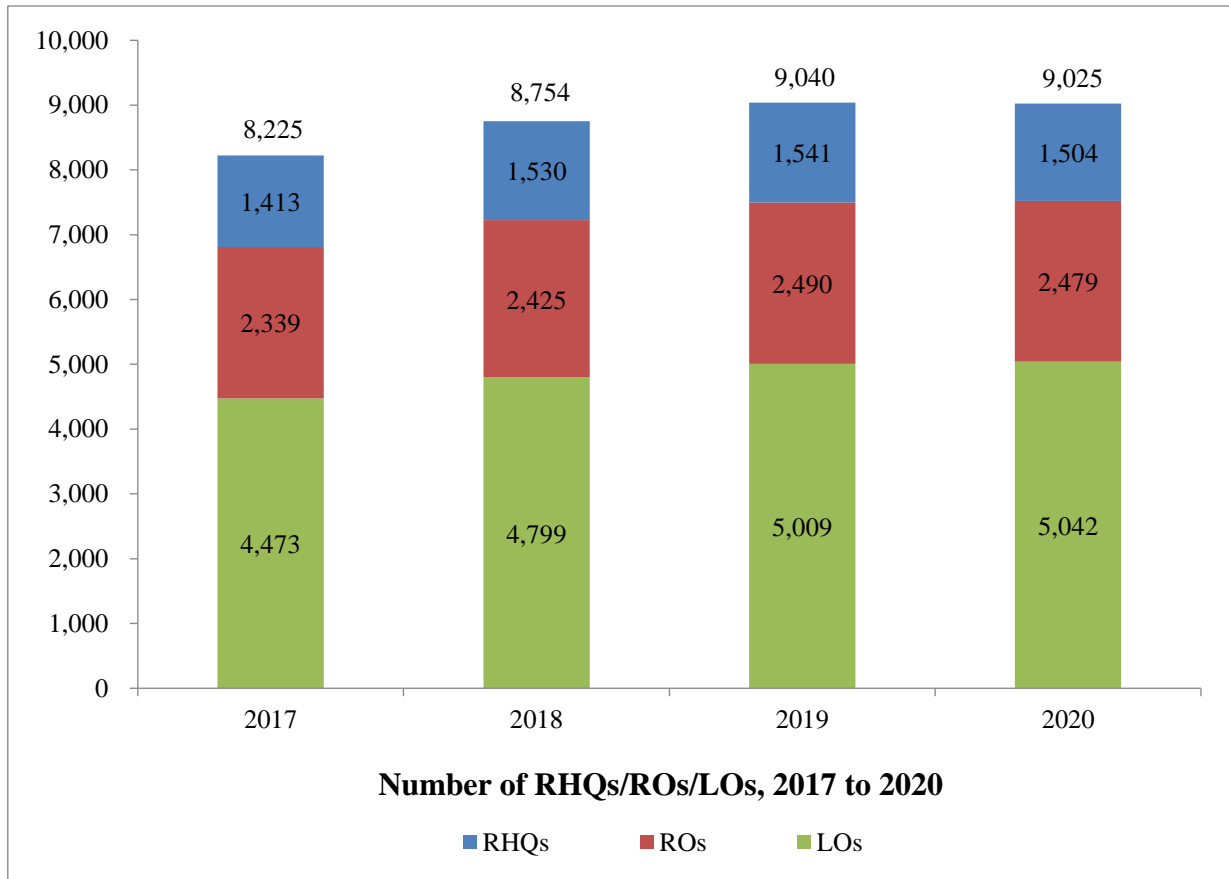
2. Since 2000, InvestHK has been collaborating with the Census and Statistics Department to conduct an annual survey, the response to which is voluntary, to enumerate companies in Hong Kong with their parent companies located outside Hong Kong, and the number which serves as a regional headquarters (RHQ)¹,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

¹ 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).

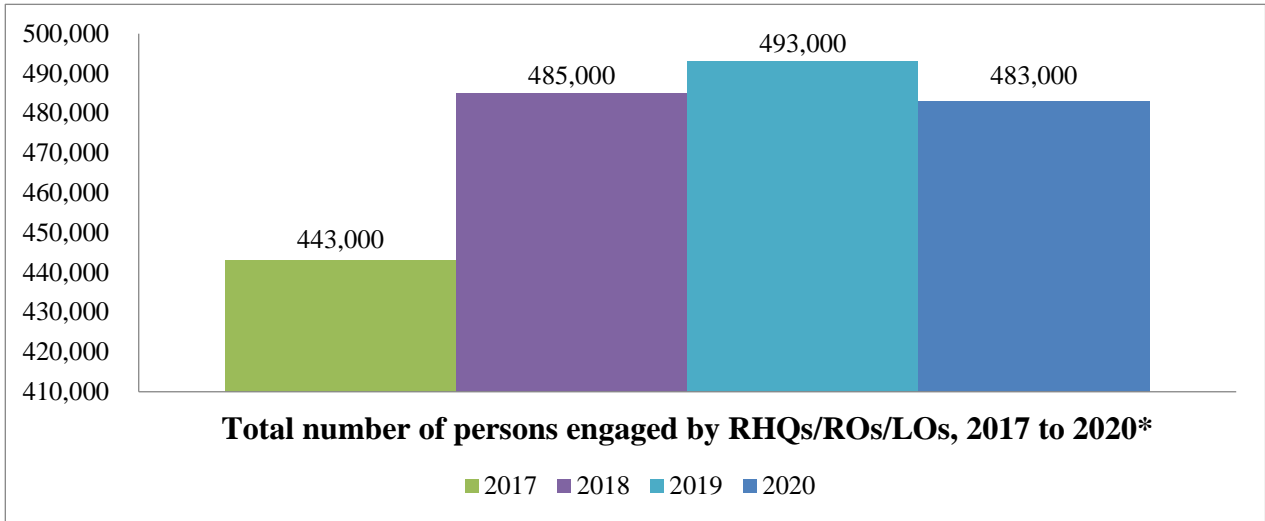
² An RO is an office with parent company located outside Hong Kong which co-ordinates offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

³ 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 2020 survey, the number of business operations in Hong Kong with parent companies overseas and in the Mainland is 9 025⁴, broadly the same as in 2019. The 9 025 companies comprise 1 504 operating as RHQs, 2 479 as ROs and 5 042 as LOs. In terms of jobs, the total number of persons engaged by these companies is 483 000. The survey results for the past four years are shown in the following charts:

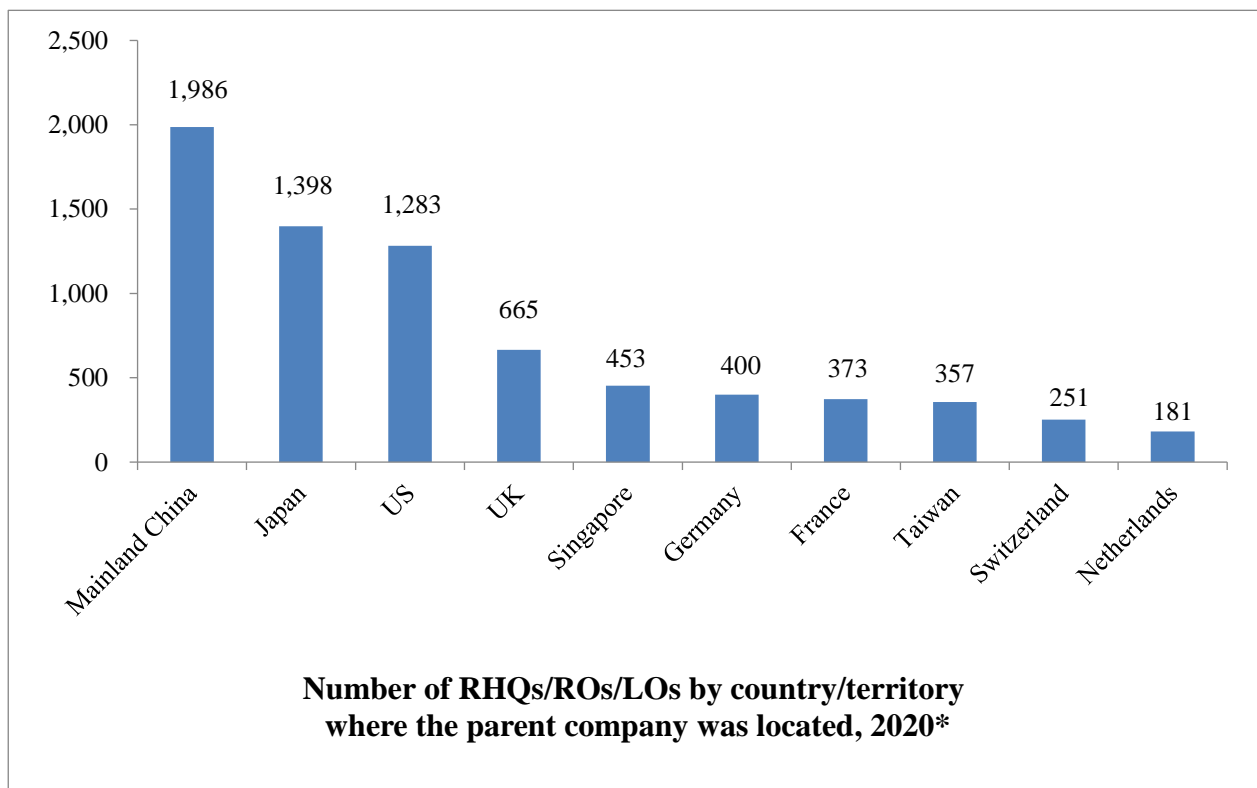


⁴ Owing to the lack of a complete sampling frame of companies covered in the survey and its voluntary nature, the numbers of RHQs, ROs and LOs enumerated in each survey round represent the best snapshot that could be taken at the time of the survey. We would continue to improve the completeness of the sampling frame of companies in order to cover all RHQs/ROs/LOs as far as possible.



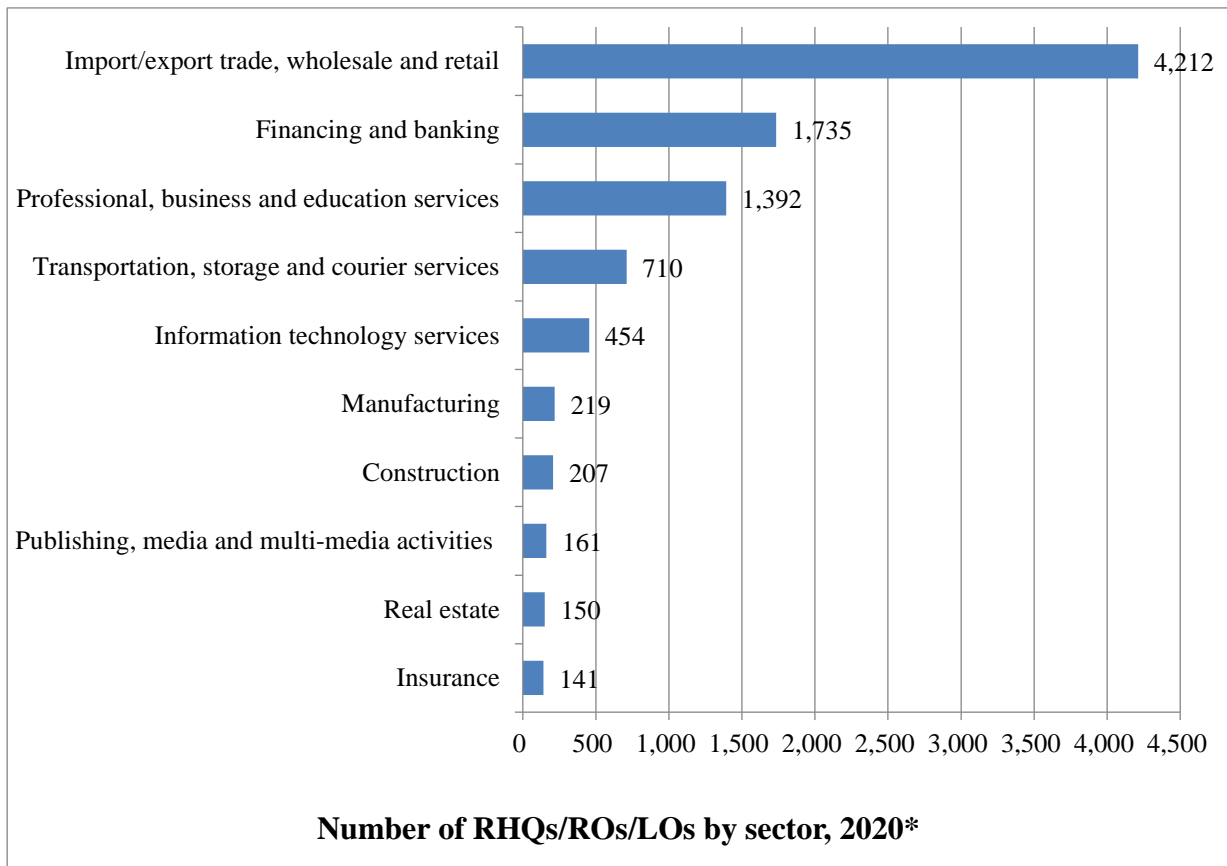
* Figures are rounded to the nearest thousand.

4. In terms of source country/territory, the Mainland ranks first (1 986 companies), followed by Japan (1 398 companies), the United States (1 283 companies), the United Kingdom (665 companies) and Singapore (453 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.

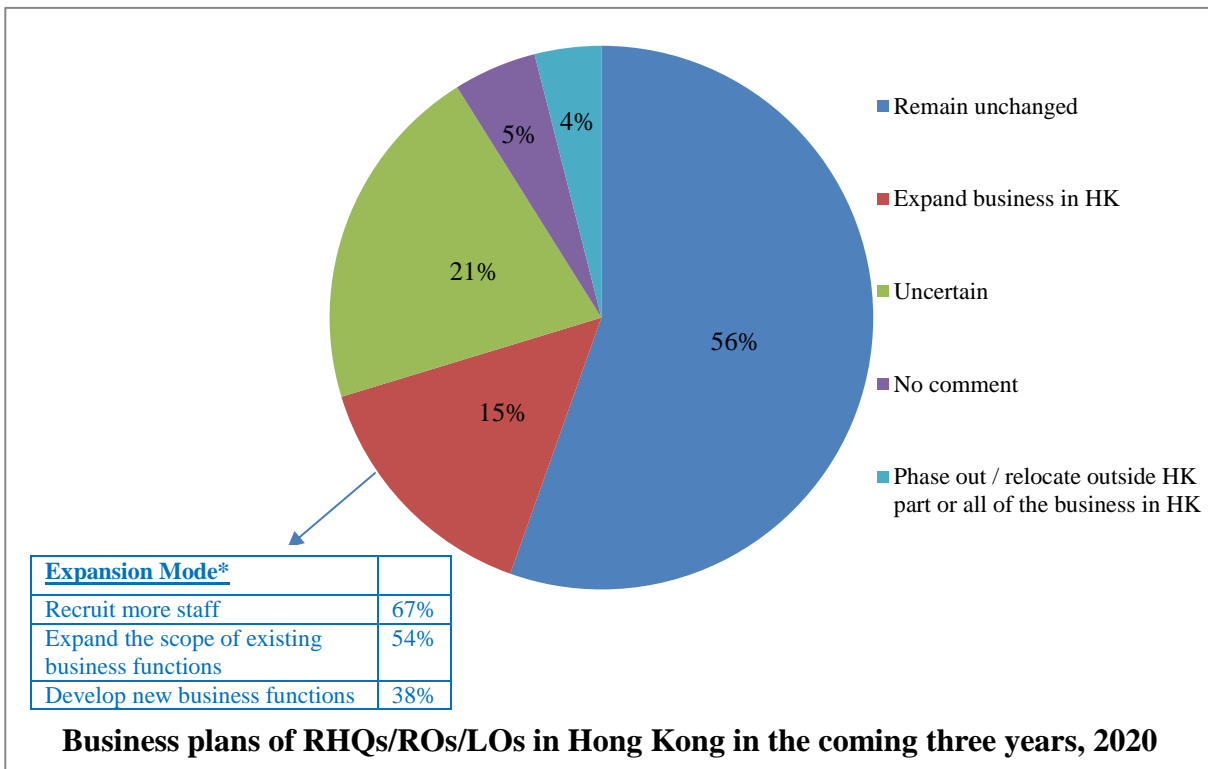
5. By business sector, import/export trade, wholesale and retail tops the list (4 212 companies), followed by financing and banking (1 735 companies), and professional, business and education services (1 392 companies). The top ten business sectors of RHQs/ROs/LOs are shown in the following chart:



* 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” (68%), “geographical location” (61%) and “free flow of information” (58%). On the other hand, top unfavourable factors identified in the survey are “availability and cost of residential accommodation” (40%) and “availability and cost of business accommodation” (37%).

7. Respondents were also asked about their business plans in Hong Kong in the coming three years. 56% indicated that their business plans would remain unchanged, while 15% planned to expand their businesses in Hong Kong, of which 67% indicated that they would recruit more staff, while 54% and 38% would expand their scope of existing business functions and develop new business functions respectively.



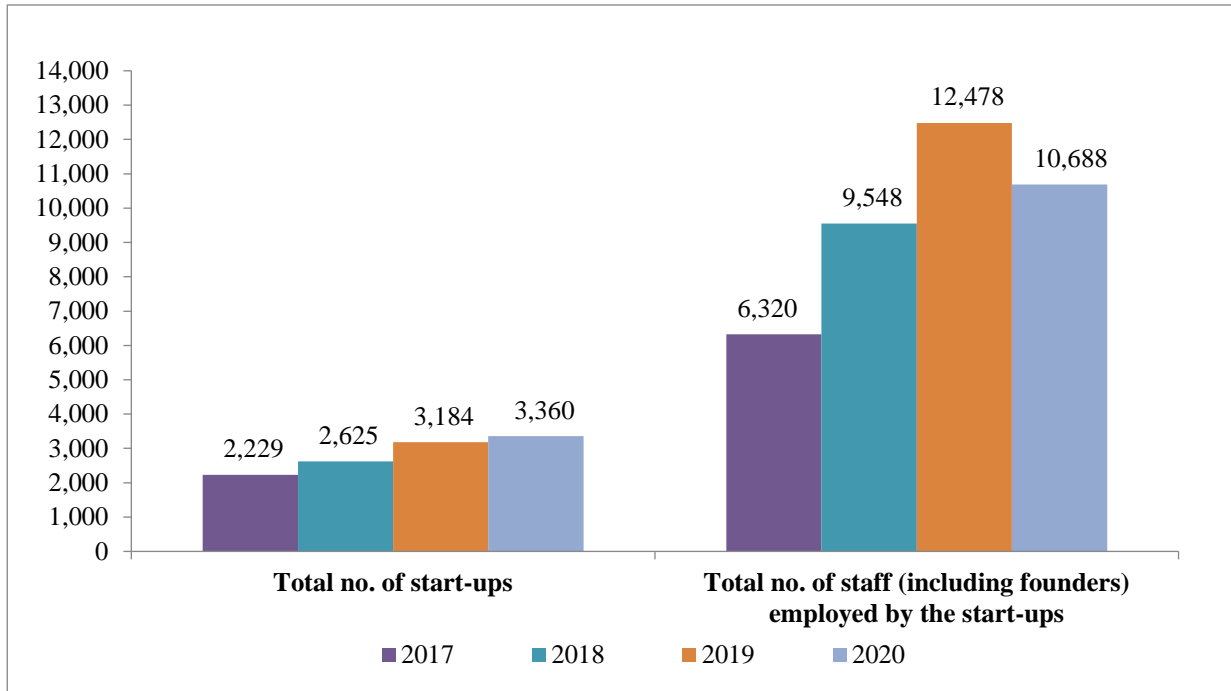
* There may be more than one expansion mode by one RHQ/RO/LO.

Survey of Startups

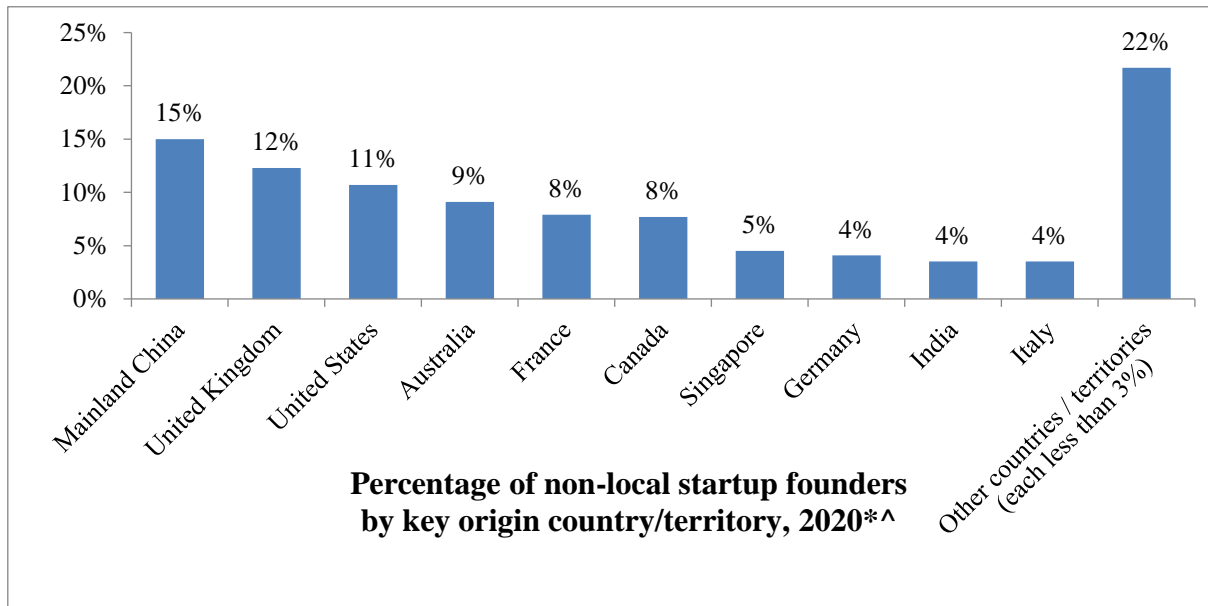
8. InvestHK has been conducting an annual survey with the operators of major co-work spaces, incubators and accelerators in Hong Kong on startups operating in their premises since 2014⁵. The survey helps us keep track of the startup scene with a view to creating a more robust startup ecosystem in Hong Kong.

⁵ 64 operators of major co-work spaces, incubators and accelerators in Hong Kong took part in the 2020 survey.

9. According to the 2020 survey, a total of 3 360 startups operate in the above premises, representing an increase of 5.5% over 2019. The continued growth in the number of startups over the years is evidence of the vibrant environment of Hong Kong as a leading hub for startups. The survey results for the past four years are shown in the following chart:



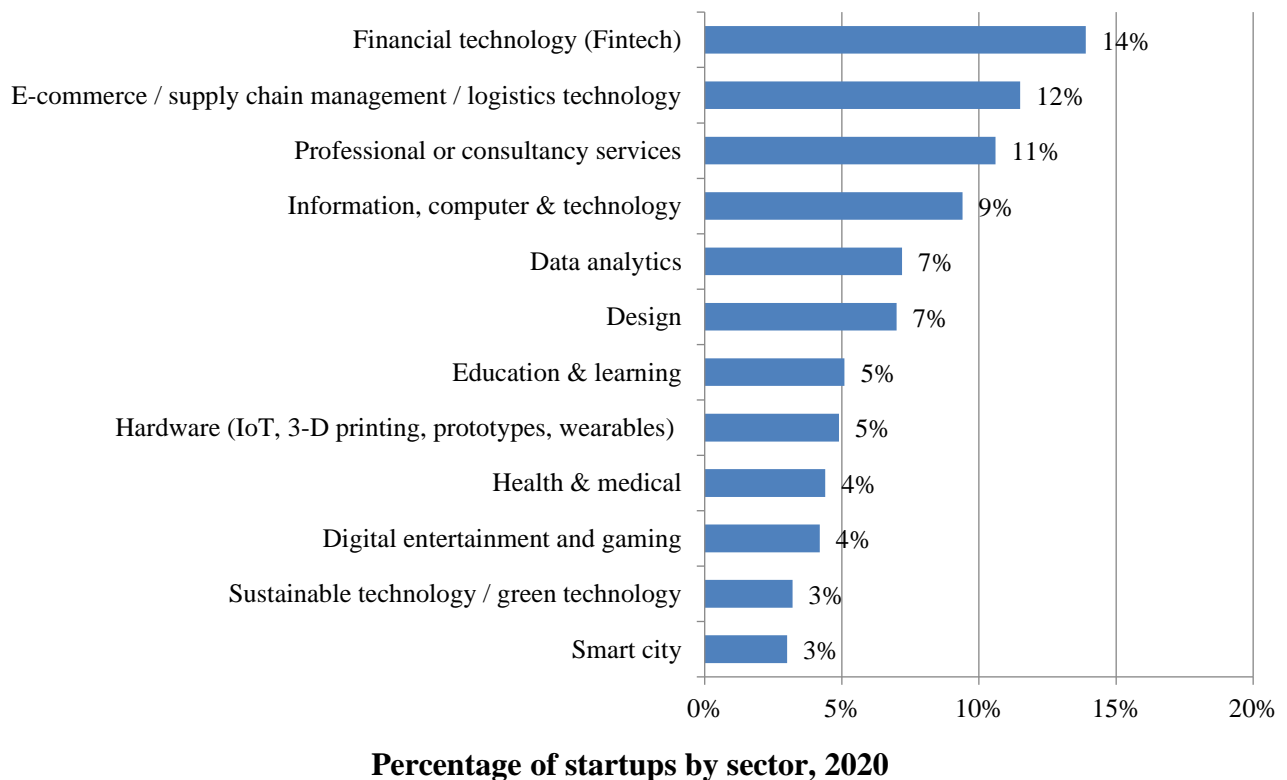
10. It is worth noting that the startup community is highly international. While 69% of the startup founders are from Hong Kong and 5% are Hong Kong returnees, 26% comes from outside Hong Kong and among them, the Mainland (15%), the United Kingdom (12%), the United States (11%) and Australia (9%) are 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.

^ Individual percentage figures do not add up exactly to 100% due to rounding.

11. The main sectors of the startups include financial technology (fintech) (14%), e-commerce/supply chain management/logistics technology (12%), professional or consultancy services (11%) and information, computer and technology (9%). The major business sectors engaged by the startups are shown in the following chart:



12. In response to Members' suggestion, views on favourable factors of Hong Kong as a place for setting up startups were also collected in the 2020 survey. Top favourable factors identified include Hong Kong's "simple tax system and low tax rate" (76%), "business opportunity in Mainland China" (69%) and "access to international / regional market" (66%).

CONCLUSION

13. Findings of the above two surveys demonstrate that a steady number of multinationals and startups continue to choose Hong Kong as the location to set up and grow their businesses.

14. The local business sector has been facing various challenges over the past year, from the US-China trade conflict to social unrest in Hong Kong, and more recently the COVID-19 pandemic. Among them, the surge of COVID-19 cases in various parts of the world has negative impact on global businesses, due to the tightening of travel restrictions and quarantine requirements, as well as lockdowns imposed on certain places. These cast a shadow over investment sentiments and global economic development. Notwithstanding the above, the fundamentals and core strengths of Hong Kong remain solid and strong as evident by the results of the above two surveys. The sustained number of foreign companies and startups in Hong Kong is attributable to our enduring business advantages such as its strategic gateway position in the region as well as its role as a global hub in the context of the Guangdong-Hong Kong-Macao Greater Bay Area development and the Belt and Road Initiative.

15. InvestHK will continue to actively reach out to its partners and clients to update them on the latest situation in Hong Kong and promote our advantages and business opportunities. We will dynamically adjust our strategies by leveraging digital platforms to proactively attract and assist companies from both traditional and emerging markets to set up or expand their businesses in Hong Kong. InvestHK's StartmeupHK programme will also proceed full steam ahead to provide one-stop services to global startups and encourage them to use Hong Kong as a launch pad to grow their businesses.

ADVICE SOUGHT

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

**Commerce and Economic Development Bureau
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