The Canadian Trade Commissioner Service

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> Information and Communications Technology Sector - Hong Kong

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Information and Communications Technology Sector – Hong Kong

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1. Sector Overview

Hong Kong (HK) is one of the most liberalized Information and Communications Technology (ICT) and Telecommunications markets in the world. As a Special Administrative Region (SAR) of the mainland China, operating under the “one-country, two-system” policy, the regulatory system of ICT in HK is independent from Mainland China.

HK is an open market with no foreign ownership restrictions, and a free port with no import duties for ICT goods and services. HK continues to be at the forefront in the adoption of ICT, is a leading ICT hub in the Asia Pacific region, with a world class ICT infrastructure. Key drivers for HK’s ICT growth include highly liberalized IT and Telecom sector; HK’s open market approach; pro-consumer and pro-competition policies; a technologically savvy population; proximity to Mainland China; easy movement of people; and an excellent transportation infrastructure accessing Asia and other parts of the world.

Many multinational ICT companies have chosen HK as their Asian sales and marketing hub and as a test bed for product and market development into Mainland China and the rest of Asia. As of 2015, over forty Canadian ICT companies have established offices in HK to cover their market development in the Asian region.

The Office of Communications Authority (OFCA) is the regulatory body overseeing the broadcasting and telecommunications sectors in HK. Its pro-consumer and pro-competition policies have proven successful in delivering cutting-edge communications services in terms of capacity, speed, and prices.

The Office of the Government Chief Information Officer (OGCIO) has the responsibility for developing IT policies and strategies in HK. It takes a leadership role in providing IT services and support within HK Government departments. Under the HK Government’s Digital 21 Strategy, OGCIO’s five priorities are facilitating a digital economy, promoting innovation and advanced technology, developing HK as a hub for technology cooperation and trade, enabling the next generation of e-government services, and fostering a digitally inclusive society.

Key Hong Kong ICT Facts and Figures (July 2015):

- Four mobile network operators and twenty-five fixed network operators, all private entities, serving HK’s 7.15 million population
- A world leader in fibre-to-the-building providing broadband speed of up to 1000 Mbps
- 4G LTE has been rolled out by all mobile network operators since 2012
- High broadband penetration rate at 83% of households, and mobile penetration rate at 230% of HK population
- 40,000 public Wi-Fi access points
- Government IT expenditures in 2015-2016 are estimated to reach CAD1.095 million

2. ICT Sub-Sector Overview
Fixed Broadband: Broadband Internet services are commonly accessible in HK with speeds up to 1000 Mbps. The broadband penetration rate in commercial and residential premises in HK is among the highest in the world, its prices are the least expensive in Asia. HK is also a world leader in the deployment of fiber-to-the-home (FTTH) and fiber-to-the-building (FTTB). Operators have also been aggressively rolling out Wi-Fi networks. As of September 2015, there were more than 40,000 public Wi-Fi hot spots in the city and that number continues to grow. Free Wi-Fi hot spots are also available at most government premises in HK.

Mobile Network: Mobile network operators in HK are in intense competition. There are four mobile network operators serving HK’s population of 7.15 million. The mobile phone penetration rate in HK is one of the world’s highest at 230%, an average of over two mobile phone services per person. About two thirds of the population are 3G/4G service users. All four network operators rolled out 4G LTE in 2011-2012. HK is consistently ranked as having one of the world’s fastest mobile connection speeds and one of the world’s most competitive markets in terms of price. Such favourable speed and pricing are attributable to the HK Government’s pro-consumer and pro-competition policies. The four operators are China Mobile HK, HKT/PCCW/CSL, Hutchison 3, and SmarTone Mobile.

Data Centres: HK is a major financial and supply chain & logistics hub and is home to the regional offices of many multinational companies. The increasing adoption of cloud computing and cloud services in the private and public sectors has generated great demand for secure high-tier data centre facilities to support business growth in Mainland China and the region. To take advantage of this demand, the government has introduced measures to develop HK into a regional data centre hub by facilitating land supply to potential data centre developers. Tseung Kwan O (TKO) Industrial Estate alone now houses a dozen high-tier data centres owned by leading technology companies around the world. More large scale, high-tier data centres are expected to be completed in the coming years.

Software and Information Technology (IT) Services: Software and information technology services companies are an integral part of HK’s ICT sector and employ over 70,000. The majority are value-added resellers, software development houses, system integrators, digital marketing companies, in addition to in-house IT and software design units in a variety of other business sectors. HK IT companies, mostly SMEs, are known for expertise in system integration and service delivery particularly in the areas of banking and finance, supply chain management and logistics, retail, and transportation industries. Several locally deployed IT projects have won international recognition including the HK Smart ID Card, the Octopus payment card, and the HK International Airport RFID baggage handling system.

Broadcasting: Currently there are three domestic free-to-air TV service providers, namely Asia Television Ltd., HK Television Entertainment Company Ltd. and Television Broadcasts Ltd., and three pay-TV service providers, namely Hong Kong Cable Television Limited, PCCW Media Ltd. and TVB Network Vision Ltd., providing programs through different transmission modes including hybrid fiber coaxial cable, microwave, satellite, and broadband networks using ADSL technology, etc. Digital Terrestrial Television was successfully launched in 2007 and coverage now reaches 99% of HK households.


There are 13 local analogue radio channels serving the Hong Kong listeners. Seven of them are operated by the public service broadcaster - RTHK. The remaining six channels are operated by two commercial broadcasters, namely Hong Kong Commercial Broadcasting Company Ltd. and Metro Broadcast Corporation Ltd., each broadcasting three channels.


Local Fixed Line: The fixed line market in HK has been fully liberalized. There is no limit on the number of licenses granted or specific requirements of network investment. Telephone numbers are fully portable from one operator to another. As of October 2015, there were 25 companies licensed to provide fixed line services. Each household can choose from two to three fixed line service providers depending on locations. Fixed-line users can make unlimited local calls for a fixed monthly fee. As broadband and mobile networks have become increasingly popular, there has been a slow drop in fixed line subscriptions.

External Communications: HK has adopted an open policy in regulating the provisioning of external communications services and facilities through satellite and submarine cables. There is no limit on the number of external communications licenses to be issued by the HK Government. As a major telecom and internet hub in Asia, HK currently has seven submarine cable landing stations, and is connected to nine regional and transpacific submarine cable systems and three overland cable systems of all three mainland China telecom operators. While HK remains a key communications hub, in light of the surge in demand for bandwidth, other countries in the region are catching up and aggressively developing new facilities allowing more direct
3. Market Strengths

- A mature and highly liberalized ICT market: no import duties, no entry barriers.
- A highly transparent and predictable regulatory framework to facilitate informed investment decisions.
- World-class ICT infrastructure and a technologically savvy population with high disposable income.
- A service-oriented economy with an ICT market comprised predominantly of service providers. Hardware or equipment manufacturing is limited due to HK’s high land and labor costs, making HK a natural export market for hardware and equipment that cater for network infrastructure and consumer devices.
- A small market, yet mature enough for new ICT product demonstration.
- Close proximity to China with opportunities arising from Mainland China and the HK Closer Economic Partnership Arrangement (CEPA). Under the CEPA, HK service companies are allowed to apply for qualifications certification for system integration and to set up wholly-owned enterprises in China. HK companies can also establish joint ventures, with shareholding not exceeding 50%, to operate six types of value-added telecommunications services in mainland China. Foreign investors can partner with HK companies to form wholly-owned enterprises in mainland China to carry out various types of ICT services.

4. Market Weaknesses / Sector Challenges

- The market is highly competitive. Many ICT MNEs are well-established in HK and competition is fierce.
- Equipment manufacturers from neighboring mainland China are offering increasingly advanced and price-competitive products. Many also have strong relationships with service providers in HK.
- HK ICT buyers tend to prefer working with companies with a local presence for pre and after-sales support.
- Foreign companies may have the misconception that HK has the same regulatory system as mainland China.
- Foreign companies may regard HK’s population of 7.15 million as a small market when compared to other major cities in mainland China.

5. Market Opportunities

In reference to Canadian ICT capabilities, the market trends and market demands in Hong Kong, the Canadian Trade Commissioner Service has identified opportunities in the following areas:

- **Mobile Media**: Mobile device manufacturers have consistently chosen tech savvy HK as one of the first markets in Asia to launch their latest models. Mobile media has emerged as the preferred channel for product promotion and advertising in HK. Innovative tools and technologies that can help developers create applications for digital branding and marketing purposes, mobile learning, mobile health, and mobile security would have good opportunities in HK.

- **NextGen Networks / 4G LTE**: Data consumption on mobile devices is expected to increase exponentially. Any innovative technologies that can help operators enhance service quality, ensure consistent coverage/speed, increase efficiency, reduce cost, and/or generate revenue streams would have good market potential.

- **Cloud / Big Data / IoT**: The HK Government is committed to delivering e-Government services to the general public, as well as providing shared IT services to government bureaus and departments on cloud platforms. Large institutions and internet service providers in HK have built their own data centres and many MNEs have selected HK as the preferred location for their data centers in the region. Cloud services offered by internet service providers to private sector clients are on the rise and the take-up of cloud services among SMEs is expected to grow. Canadian companies offering cloud-based services, security solutions for cloud services, data analytics tools, secured data storage, green technologies for data center operations would have good market potential.

END-USE INDUSTRIES for above listed opportunities: Telecom & Communications - Physical Security - Financial Services - Intelligent Transport - Retail - Health IT.

Additionally, Canadian companies selling technologically advanced and innovative products, solutions or services to any of the subsectors listed in Section 2 of this report may also find opportunities in HK and Macao.
6. Market Entry Strategy

- HK has one of the most advanced Telecom and IT infrastructure in Asia. Companies are advised to conduct a market potential assessment prior to pursuing the market.
- HK has a technologically savvy population willing to try new gadgets. They are however also brand-conscious and price sensitive. Identifying competitors, knowing your product's edge, and developing a good pricing and marketing strategy are important for market entry.
- Your solutions may be applicable to a wide range of industries, narrowing down your targets to a few areas of strength or a few key prospects will help you stay focused and land a project more quickly.
- Ensure you are viewed as being a customer-oriented company. Project implementation and data migration are complex processes. Consumers, enterprise customers, and operators expect prompt customer services. Having a local presence would be seen by customers as a strong commitment to the market.
- If a local office is not feasible, selecting a suitable local partner is important. Know where your specific needs are in serving your prospective customers (e.g., customer base, localization/customization, sales and marketing, etc.) and focus on those needs when identifying a local partner.

7. Event

**International ICT Expo**
Date: April 13-16 (annual event)
Venue: Hong Kong

**CommunicaAsia**
Date: June 17-20 (annual event)
Venue: Singapore

8. Useful Internet Sites

**Canada**

**Canadian Trade Commissioner Service (TCS)**
With offices in more than 150 cities across Canada and abroad, the TCS helps Canadian companies prepare for international markets, gain market intelligence, and uncover opportunities in foreign markets.

**Export Development Canada (EDC)**
EDC, Canada's export credit agency, supports and develops Canada's export trade by providing insurance and financial services, bonding products and small business solutions to Canadian exporters and investors and their international buyers.

**Hong Kong**

**Digital 21 Strategy, HKSAR Government**
Published by the HKSAR Government, Digital 21 Strategy sets out the blueprint of ICT development in HK.

**Office of Government Chief Information Officer (OGCIO) HKSAR Government**
OGCIO is responsible for developing ICT policies and strategies in HK. It also takes a leadership role in providing IT services and support within the Hong Kong Government's bureaus and departments.

**Office of Communications Authority, HKSAR Government (OFCA)**
OFCA is the statutory body responsible for regulating the broadcasting and telecom industry in HK.

**Innovation and Technology Commission, HKSAR Government (ITC)**
ITC promotes applied research and development, and facilitates the development of HK's technology infrastructure through the Innovation and Technology Fund.

**Invest Hong Kong, HKSAR Government**
Invest HK works with overseas entrepreneurs, SMEs and multinationals that wish to set up an office, or expand their existing business in HK, offering free advice and services to support companies from the planning stage right through to the launch and expansion of their business.

**Hong Kong Cyberport**
With a vision to establish itself as a leading ICT hub in the Asia-Pacific region, Cyberport, equipped with an array of state-of-the-art ICT facilities, has established five interdependent centers to facilitate ICT industry start-ups and entrepreneurs collaboration and accelerate ICT adoption.

**HK Science and Technology Parks Corporation (HKSTPC)**
A statutory body set up by the HKSAR Government enabling science and technology companies to nurture ideas, innovate and grow, supported by HKSTPC's R&D facilities, infrastructure, services and programs across five technology clusters: Biotechnology, Electronics, Green Technology, Information Technology and Telecommunications, and Precision Engineering.

**HK Applied Science and Technology Research Institute Co., Ltd. (ASTRI)**
Founded by the HKSAR Government with a mission of enhancing HK's competitiveness in technology-based industries through applied research in five main technological areas: Communications Technologies, Enterprise and Consumer Electronics, IC Design, Material and Packaging Technologies, and Biomedical Electronics

**Hong Kong Trade Development Council (HKTDC)**
HKTDC is a statutory body responsible for trade promotion of goods and services to and from HK.

**Data Centre Development in Hong Kong**
The thematic portal maintained by OGCIO to provide information and assistance in the development of data centers in HK.

4. 1CAD = 5.8823 as of November 23, 2015

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