

**立法會**  
**Legislative Council**

LC Paper No. CB(1)864/18-19  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/CI

**Panel on Commerce and Industry**

**Minutes of meeting**  
**held on Tuesday, 19 February 2019, at 2:30 pm**  
**in Conference Room 1 of the Legislative Council Complex**

**Members present** : Hon YIU Si-wing, BBS (Chairman)  
Hon Alvin YEUNG (Deputy Chairman)  
Hon Jeffrey LAM Kin-fung, GBS, JP  
Hon WONG Ting-kwong, GBS, JP  
Hon Steven HO Chun-yin, BBS  
Hon WU Chi-wai, MH  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK, JP  
Hon CHAN Chi-chuen  
Hon Dennis KWOK Wing-hang  
Hon Christopher CHEUNG Wah-fung, SBS, JP  
Hon Martin LIAO Cheung-kong, SBS, JP  
Dr Hon CHIANG Lai-wan, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon CHUNG Kwok-pan  
Hon CHU Hoi-dick  
Hon Jimmy NG Wing-ka, JP  
Hon SHIU Ka-fai  
Hon CHAN Chun-ying, JP  
Hon LAU Kwok-fan, MH

**Public officers attending** : Agenda item V

Commerce and Economic Development Bureau

Dr Bernard CHAN, JP  
Under Secretary for Commerce & Economic  
Development

Mr Gary POON, JP  
Deputy Secretary for Commerce & Economic  
Development (Commerce & Industry)<sup>2</sup>

Miss Alice CHOI  
Principle Assistant Secretary for Commerce &  
Economic Development (Commerce & Industry)<sup>3</sup>

Intellectual Property Department

Ms Ada LEUNG, SBS, JP  
Director of Intellectual Property

Ms Michelle CHONG  
Assistant Director of Intellectual Property  
(Advisory)

Agenda item VI

Commerce and Economic Development Bureau

Mr Edward YAU, GBS, JP  
Secretary for Commerce and Economic  
Development

Mr Kilian TUNG  
Acting Principal Assistant Secretary for Commerce  
and Economic Development (Commerce and  
Industry)<sup>2</sup>

Invest Hong Kong

Mr Stephen PHILLIPS  
Director-General of Investment Promotion

Mr Vincent TANG  
Associate Director-General of Investment  
Promotion <sup>3</sup>

Mr Kingston SUN  
Head, Market Intelligence

**Clerk in attendance** : Mr Desmond LAM  
Chief Council Secretary (1)3

**Staff in attendance** : Mr Joey LO  
Senior Council Secretary (1)8

Mr Terence LAM  
Council Secretary (1)3

Ms May LEUNG  
Legislative Assistant (1)3

Miss Zoe YIP  
Clerical Assistant (1)3

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Action

**I. Confirmation of minutes of meeting**

(LC Paper No. CB(1)550/18-19 -- Minutes of meeting held on 20 November 2018)

The minutes of meeting held on 20 November 2018 were confirmed. In response to Dr CHIANG Lai-wan's concern about the arrangement for confirming the minutes of meetings held in December 2018 and in January 2019 respectively, the Chairman directed the Clerk to follow up the matter.

Clerk

*(Post-meeting note: The minutes of meetings held on 18 December 2018 and 15 January 2019 were confirmed at the meeting on 19 March 2019.)*

**II. Information paper issued since last meeting**

(LC Paper No. CB(1)555/18-19(01) -- Administration's response to Hon CHU Hoi-dick's letter regarding his concerns over the implementation of, and effectiveness of the measures taken by Hong Kong Customs and Excise Department in law enforcement in the trade control of strategic commodities)

2. Members noted the above paper issued since the last meeting. Mr CHU Hoi-dick noted in the Administration's reply that to fully implement sanctions imposed by the United Nations Security Council ("UNSC"), the

Government would strike off alleged Hong Kong-registered companies and deny suspicious vessels' entry into Hong Kong waters. He requested the Administration to further clarify the following issues:

- (a) which government department(s) was responsible for the striking off of the alleged Hong Kong-registered companies, and the justifications for doing so, given that the responsible persons of those alleged companies were not even prosecuted for violating UNSC sanctions;
- (b) the number of alleged Hong Kong-registered companies being struck off in the past five years; and
- (c) the reasons for the Government to adopt a preventive approach by striking off the alleged Hong Kong-registered companies and denying entry of suspicious vessels into Hong Kong waters as a measure to implement UNSC sanctions in Hong Kong.

3. Mr CHAN Chun-ying said that although the Administration had responded to the questions raised in Mr CHU Hoi-dick's letter, he did not object to Mr CHU's request for inviting the Administration to respond to Mr CHU's further enquiries. Mr WONG Ting-kwong considered the Administration's reply adequate because it had addressed the issues raised by Mr CHU in his letter.

4. Mr CHUNG Kwok-pan opined that the work of the Customs and Excise Department ("C&ED") had all along been recognized by the international community. He was confident in C&ED's law enforcement in the trade control of strategic commodities.

5. The Chairman decided to refer Mr CHU Hoi-dick's further enquiries in paragraph 2(a) to (c) above to the Administration for response. Depending on the content of the response by the Administration, the Chairman would further consider Mr CHU's request in his letter dated 8 January 2019 (LC Paper No. CB(1)433/18-19(01)).

### **III. Date of next meeting and items for discussion**

(LC Paper No. CB(1)562/18-19(01) -- List of outstanding items for discussion

LC Paper No. CB(1)562/18-19(02) -- List of follow-up actions)

6. Members noted that the next regular Panel meeting would be held on 19 March 2019 at 4:30 pm to discuss the proposed creation of directorate posts for

the new Guangdong-Hong Kong-Macao Greater Bay Area Development Office. Members also noted that a joint meeting of the Panel on Commerce and Industry, the Panel on Economic Development, the Panel on Financial Affairs and the Panel on Information Technology and Broadcasting would be held on the same day at 2:30 pm to discuss the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area ("Outline Development Plan").

7. Dr CHIANG Lai-wan referred to item 5 of the list of follow-up actions and requested the Administration to provide, as soon as practicable, supplementary information on details of the funding schemes under the Innovation and Technology Fund during the discussion at the Panel meeting on 15 January 2019. The Chairman directed the Clerk to follow up the matter.

*(Post-meeting note: The information provided by the Administration was circulated to members on 18 March 2019 (LC Paper No. CB(1)724/18-19(01).)*

**IV. S Rajaratnam School of International Studies and the World Trade Organization Parliamentarian Workshop on International Trade 2019**

(LC Paper No. CB(1)562/18-19(03) -- Invitation from S Rajaratnam School of International Studies ("RSIS") inviting nominations of two Legislative Council Members to join RSIS and the World Trade Organization Parliamentarian Workshop on International Trade 2019 to be held in Singapore from 11 to 13 June 2019 (Restricted to members only))

8. Members noted that the invitation was referred by the President of the Legislative Council ("LegCo") for nomination of two Members to join the RSIS and the World Trade Organization ("WTO") Parliamentarian Workshop on International Trade 2019 ("the Workshop") to be held in Singapore from 11 to 13 June 2019.

9. Noting that the Singapore Government had been actively signing free trade agreements with different economies, Mr CHUNG Kwok-pan supported the acceptance of the invitation as he considered that Members joining the Workshop would learn about Singapore's participation in international trade affairs.

10. Members noted that the theme of the Workshop fell within the terms of

reference of the Panel and agreed to accept the invitation to nominate two Members to participate in the Workshop. Members further agreed that the invitation be extended to all other LegCo Members for participation and that priority would be given to Panel members. If more than two Members had indicated interest in joining the Workshop, a ballot would be conducted by the Panel Chairman for determining the two nominations for the workshop.

11. Members also noted that endorsement of the House Committee ("HC") would be required for the nomination if so made and the expenses incurred by Members nominated to attend the Workshop would be charged to individual Members' overseas duty visit ("ODV") accounts. Participating Members were also required to provide a report to HC after returning to Hong Kong.

*(Post-meeting note: A circular (LC Paper No. CB(1)604/18-19) was issued to Panel members and copied to all other Members on 20 February 2019 inviting them for indication of interest to the Workshop. By the deadline for reply on 27 February 2019, Dr Hon Elizabeth QUAT (non-Panel Member) expressed interest in attending the Workshop. Members were informed vide LC Paper No. CB(1)649/18-19 issued on 28 February 2019 that HC's endorsement for nominating Dr QUAT to the Workshop and for the related expenses charged to the participating Member's ODV accounts would be sought at the HC meeting on 29 March 2019. The Secretariat had received no objection from Members to the above arrangement by the deadline on 4 March 2019.)*

**V. Promotion of intellectual property trading**

(LC Paper No. CB(1)562/18-19(04) -- Administration's paper on "Promotion of Intellectual Property Trading in Hong Kong"

LC Paper No. CB(1)562/18-19(05) -- Paper on promotion of intellectual property trading in Hong Kong prepared by the Legislative Council Secretariat (updated background brief))

Presentation by the Administration

12. At the invitation of the Chairman, Under Secretary for Commerce & Economic Development ("USCED") briefed members on the major progress of the measures taken to promote intellectual property ("IP") commercialization and IP trading in Hong Kong and to strengthen Hong Kong's role as an IP trading hub in the Asia-Pacific region. Details were set out in the Administration's paper (LC

Paper No. CB(1)562/18-19(04)).

Discussion

*Intellectual property commercialization and trading in Hong Kong*

13. The Chairman requested the Administration to further elaborate with statistics the achievements of IP commercialization and IP trading in Hong Kong and the effectiveness of the measures.

14. USCED replied that IP trading/management activities generally referred to the buying, selling, transferring and licensing of IP rights, and management of IP assets. Such activities also involved various IP intermediaries that facilitated and/or supported IP trading and management. Their services included legal, accounting, financial, agency, consultancy and related services. IP trading/management activities therefore had a very broad coverage, and its economic contributions could hardly be measured by any single set of indicators.

15. USCED advised that, in terms of the value of Hong Kong's exports of services related to the use of IP, it had increased from about HK\$2.8 billion in 2007 to about HK\$5.6 billion in 2017. In terms of the value of Hong Kong's imports of services related to the use of IP, it had increased from about HK\$11.7 billion to about HK\$15 billion over the same period. He stressed that the above figures only referred to charges for the use of IP rights, and could yet to be able to fully reflect the overall economic contributions of IP trading on a wider scale (e.g. the value of business created for intermediary services).

16. USCED added that the Administration had introduced various initiatives to support the small and medium enterprises to engage in IP commercialization and IP trading, and the user feedback was generally positive. The findings of user surveys showed that 98% of the users of the Free IP Consultation Service were satisfied with the consultation service. Over 70% of the respondents who had joined the IP Manager training programmes considered the training programmes very good or outstanding, and over 84% of the respondents who had attended the IP Manager Practical Workshop considered such workshop very useful. Besides, the Government took forward various measures, through Create Hong Kong ("CreateHK"), to promote further development of creative industries in Hong Kong (e.g. television, film, digital entertainment and design). CreateHK provided funding support to various initiatives that were conducive to the development of creative industries, thereby enabling the industry from producing cultural and creative productions and developing IP. With enriched IP portfolios, the cultural and creative industry related establishments would be in a better position to commercialize their IP and connect with buyers at the business matching sessions of

different IP trading events.

17. Mr CHUNG Kwok-pan pointed out that the Mainland's IP protection was one of the core issues of the trade conflicts between China and the United States. He asked whether the Administration had any strategies to promote Hong Kong's competitive edge on IP protection in the Mainland for the benefit of Hong Kong's IP related industries and for strengthening Hong Kong's role as an IP trading hub in the Asia-Pacific region. Mr CHUNG also enquired whether the Business of IP ("BIP") Asia Forum, which was attended by more than 2 600 participants from 28 countries and regions in 2018, had provided Hong Kong with any new business opportunities, and whether any of the overseas participants had actually decided to make use of Hong Kong's IP service providers to trade, protect and manage their IP rights in Hong Kong after participating in the forum.

18. USCED replied that, according to the 2018 Global Competitiveness Report released by the World Economic Forum, Hong Kong was ranked ninth out of 140 economies in terms of IP protection. Building on the strong foundations of Hong Kong which included a sound legal system and world-class professional services, the Administration had been promoting Hong Kong as an IP trading hub in the region through a wide range of initiatives, and would continue to do so. They included, for example, the BIP Asia Forum and other trade promotion events. Business matching sessions were arranged at the relevant events, so that the participants could explore opportunities for business collaboration. One of the highlights of the BIP Asia Forum 2018 was the "IPHatch Hong Kong Launch", which was a start-up competition aiming to inspire entrepreneurs to come up with new business ideas by making use of existing patents offered by the Hong Kong Applied Science and Technology Research Institute and some other institutions. Winners of the competition would be entitled to access these IP portfolios, to receive free mentorship on business planning and to participate in incubation and networking activities, connecting them with potential partners and investors.

### *Intellectual property right infringement*

19. The Chairman noted that although Hong Kong was ranked ninth out of 140 economies in terms of IP protection according to the 2018 Global Competitiveness Report released by the World Economic Forum, there were still cases of IP infringement. He enquired about the change in the number of cases of IP infringement over the past five years, and sought details of the Administration's measures to further enhance the IP protection in order to maintain Hong Kong's leading position on IP protection.

20. USCED responded that the findings of the Survey on Public Awareness of Intellectual Property Right Protection 2018 commissioned by the Intellectual Property Department ("IPD") showed that Hong Kong people had raised the



awareness of the protection of IP rights. Deputy Secretary for Commerce & Economic Development (Commerce & Industry)2 ("DS(C&I)2") added that C&ED would continue to formulate and refine its enforcement strategy to cope with the latest situation. In 2017, for example, three offenders under an infringing case involving a piracy syndicate circumventing paid television channels were sentenced to imprisonment up to 27 months. The sentence, being the heaviest penalty ever for Internet piracy in Hong Kong, was a strong deterrent to similar piracy activities. The case showed C&ED's strong determination in combating Internet piracy. To step up enforcement action against on-line sale of infringing goods, C&ED had launched in 2017 the new Big Data System, which was an automatic system running round the clock to analyse mass information on different Internet platforms for effective screening and updates on infringing activities. As requested by the Chairman, the Administration undertook to provide the respective numbers of investigation cases and prosecution cases relating to IP infringement, with a breakdown by type, in the past five years.

*(Post-meeting note: The information provided by the Administration was circulated to members on 6 March 2019 (LC Paper No. CB(1)672/18-19(01).)*

*Opportunities and challenges on Hong Kong's intellectual property protection under the Guangdong-Hong Kong-Macao cooperation*

21. Mr Charles Peter MOK noted that as stated in the Outline Development Plan, one of the strategies to develop the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") into an international innovation and technology ("I&T") hub was to fully leverage the advantages of Hong Kong in IP protection and related professional services, and support the development of Hong Kong as a regional IP trading centre. He enquired whether the Guangdong-Hong Kong-Macao cooperation would bring any negative impacts on Hong Kong's international reputation on IP protection and shake the international community's confidence in Hong Kong's IP protection regime.

22. USCED replied that the objectives of the development of the Greater Bay Area were to promote coordinated economic development in the Greater Bay Area, leverage the complementary advantages of the three places, and develop an international first-class bay area for living, working and travelling. In accordance with the strategic positioning of the Greater Bay Area as a globally influential international I&T hub, section 3 of Chapter 4 of the Outline Development Plan highlighted Hong Kong's competitive edge on IP protection and expressed support to the development of Hong Kong as a regional IP trading centre. The deepened cooperation would facilitate the realization of economic values of I&T inventions and assist businesses in the Greater Bay Area to open to new markets. It would

also generate demands for Hong Kong's professional services, promote the growth of Hong Kong's I&T and creative industries, and drive the development of the Greater Bay Area as an international I&T hub.

23. Mr Charles Peter MOK observed that many Hong Kong companies had been facing problems of IP infringement (e.g. trade mark counterfeiting) in the Mainland. With the development of the Greater Bay Area and the further cooperation among Guangdong, Hong Kong and Macao, he was worried that more and more Hong Kong companies would face the similar problem in the future. He asked whether the Administration would provide assistance to Hong Kong companies in IP protection when doing businesses in the Mainland.

24. USCED said that, as IP rights were territorial in nature, Hong Kong companies might take legal actions in the Mainland or seek help from the local enforcement agencies, if their IP rights were infringed there. If necessary, the Hong Kong Economic and Trade Offices ("ETOs") in the Mainland would offer assistance as appropriate. The IP authorities of Guangdong and Hong Kong had set up the Guangdong/Hong Kong Expert Group on the Protection of Intellectual Property Rights to foster cooperation in IP protection. The IP authorities of Guangdong, Hong Kong and Macao had also jointly developed the "Intellectual Property Database for Guangdong Province, Hong Kong and Macao SAR", which covered online information sources on the IP regimes in the three places, so that members of the public could get handy access to the relevant information, including legislation, registration system and related government bodies in respect of different types of IP rights such as copyright, trade mark, patent and registered design.

25. USCED added that Hong Kong and the Mainland had signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region ("the Arrangement") in January 2019. The Arrangement sought to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in civil and commercial matters which included judgments involving many types of IP rights (e.g. copyright, trade marks, designs, etc.) between the two places. The Arrangement would reduce the need for re-litigation of the same disputes in both places and offer better protection to the parties' interests. In addition, the Administration would continue to promote the resolution of IP disputes through arbitration and mediation, and encourage Hong Kong companies engaging in cross-border businesses to stipulate in their commercial contracts that the Hong Kong law be used as the governing law and that Hong Kong's dispute resolution services be used in case of any disputes arising out of or in connection with the contracts. The concerned companies might then leverage on Hong Kong's sound legal system and world-class professional services to better protect their interests.

*Amendments to the Copyright Ordinance*

26. Mr CHUNG Kwok-pan expressed concern that the existing copyright law was outdated and could not keep pace with technological and international developments to enhance copyright protection in the digital environment. Mr CHUNG recalled that there were strong objections by netizens during the scrutiny of the Copyright (Amendment) Bill 2014 ("the 2014 Bill"), and asked whether the Administration had had a clear understanding of the netizens' concerns. He called on the Administration to consider the experience of the previous two rounds of legislative exercises to amend the Copyright Ordinance (Cap. 528) ("CO") and urged the Administration to re-start the legislative exercise to amend CO as soon as possible.

27. USCED replied that the Administration had tried to amend CO on two previous occasions but had not succeeded, which reflected the controversial nature of copyright issues. The Administration noted that the positions taken on the copyright regime between major stakeholders, i.e. the copyright owners and netizens, still remained very diverse. For the time being, the Administration did not envisage that it was possible to come up with a package of proposals which could be acceptable to various stakeholders. During discussions with the major representatives of the relevant trades, they also indicated they had no intention of requesting the Administration to renew the legislative amendment exercise on the basis of the proposals set out in the 2014 Bill. Taking into account the experience of the two previous exercises, the Administration would have to be cautious and pragmatic when seeking to enhance CO. Nevertheless, the Administration would continue to enhance the IP regime to meet Hong Kong's socio-economic needs. Such initiatives included, for example, rolling out the Original Grant Patent System, implementing the international registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks as well as enhancing the copyright exceptions for persons with print disabilities in line with the standards under the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled ("Marrakesh Treaty").

28. USCED added that C&ED would also continue to take vigorous enforcement action against infringing activities. The Administration would also work in partnership with the industry in taking forward the Hong Kong Creative Industries Association's initiative of the Infringing Websites List. In this regard, IPD had issued a circular to request all government bureaux and departments not to place advertisements on the infringing websites listed therein.

29. In response to Mr CHUNG Kwok-pan's enquiry on the preconditions for re-starting the legislative exercise of CO, DS(C&I)2 advised that a consensus

among different major stakeholders was one of the crucial considerations. He said that, in the example of the current exercise of enhancing the copyright exceptions for persons with print disabilities in line with the standards under the Marrakesh Treaty, the feedbacks from the public on the proposals were generally positive, and with the Panel's support, the Administration aimed to introduce a bill to amend the relevant provisions in CO in the 2018-2019 legislative session.

30. Mr Charles Peter MOK opined that the Administration should first consider how CO should be amended in order to meet Hong Kong's needs taking into account the latest international development of the copyright law. Mr MOK observed that the exemption for the user-generated content (which was one of the major concerns of the netizens during the previous legislative exercise of CO) was no longer the major point of contention in economies with advanced copyright regime, such as the European Union. More European and American industry players now requested that the copyright law be relaxed. Those industry players coming from the Internet-related new industries might consider that a relaxed copyright environment would facilitate their growth and development whereas the traditional industries tended to support the continued enhancement of copyright protection through law enforcement on IP infringement. Mr MOK was keen to ensure that Hong Kong's international reputation on copyright protection had not been adversely commented by the international community despite the failure of the 2014 Bill.

31. USCED replied that Hong Kong had all along been enjoying a good reputation on IP protection internationally, as reflected by the high ranking accorded to Hong Kong on IP protection in the 2018 Global Competitiveness Report. The Administration would continue to keep in view the latest international developments of the copyright laws and would take into account the concerns of different stakeholders in taking forward any legislative proposal of CO. DS(C&I)2 added that the representatives from the IP Division of WTO had indeed recognized the work of Hong Kong on IP protection and affirmed Hong Kong's international status on IP protection in his remarks at the BIP Asia Forum 2018. Besides, the increasing number of participants in the BIP Asia Forum and the Hong Kong International Licensing Show, and the highly international profile of the participants, were also a strong testimony to the confidence of the international business community in Hong Kong's IP regime.

**VI. Findings of the survey of companies in Hong Kong with parent companies located outside Hong Kong and the start-up survey**

LC Paper No. CB(1)562/18-19(06) -- Administration's paper on "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"

LC Paper No. CB(1)562/18-19(07) -- Paper on promotion of inward investment prepared by the Legislative Council Secretariat (updated background brief)

LC Paper No. CB(1)562/18-19(08) -- Pamphlet entitled "Hong Kong: From Startups to Regional Headquarters – Asia's Vibrant International Business Community" provided by Invest Hong Kong

LC Paper No. CB(1)562/18-19(09) -- Pamphlet entitled "Hong Kong: Asia's Most Dynamic Startup Ecosystem" provided by Invest Hong Kong)  
(*English version only*)

Presentation by the Administration

32. At the invitation of the Chairman, Secretary for Commerce and Economic Development ("SCED") highlighted the key findings of the two annual surveys conducted in 2018 by Invest Hong Kong ("InvestHK"), i.e. the survey of companies in Hong Kong with parent companies located outside Hong Kong ("survey of companies") and the survey of start-ups in Hong Kong ("survey of start-ups"). Details of the surveys' key findings were set out in the Administration's papers (LC Paper Nos. CB(1)562/18-19(06), (08) and (09)).

Discussion

*Favourable factors of Hong Kong's attractiveness as a place for setting up business*

33. In response to the Deputy Chairman's enquiry about the comparison between this year's and last year's top favourable factors of Hong Kong's attractiveness as a place for setting up business as shown in the survey of companies, SCED said that

the top favourable factors remained largely the same. Head, Market Intelligence, Invest Hong Kong ("HMI, InvestHK") added that in the 2017 survey of companies, "simple tax system and low tax rate" remained the highest ranking factor, with 72%, 16% and less than 0.5% of the respondents regarding it as favourable, neutral and unfavourable factors respectively. In addition, the favourable ratings on "free flow of information", "free port status" and "geographical location" were 66%, 63% and 63% respectively in 2017 (62%, 59% and 59% respectively in 2018), whereas "corruption-free government" scored 60% in 2017 (55% in 2018).

34. Noting that with the introduction of profits tax reduction measures for enterprises in 2018, the percentage of respondents regarding "simple tax system and low tax rate" as a favourable factor had still dropped from 72% in 2017 to 67% in 2018, the Deputy Chairman opined that the Administration should review its strategy in promoting inward investment to assess the need for adjustment. For example, whether Hong Kong should adopt a target-oriented approach similar to the promotion strategy adopted by Singapore, one of Hong Kong's major competitors. He also enquired about InvestHK's promotion strategy focusing on the favourable factors.

35. Director-General of Investment Promotion ("DGIP") advised that in 2018-2019, InvestHK would continue to highlight to prospective overseas investors Hong Kong's unique strengths under "one country, two systems", its favourable macroeconomic environment, low tax regime and business-friendly government, advantageous geographical location and free port status, as well as the special attractions offered to overseas investors depending on the sectors/lines of business. In addition, InvestHK customized its marketing efforts in accordance with matters of interest to individual investors such as market opportunities.

36. SCED advised that while Hong Kong and Singapore might adopt different approaches in the promotion of inward investment, the positive effect of the Administration's latest tax concessionary measures in 2018 on inward investment had yet to be seen when enterprises filed their tax return in 2019 for the preceding year. While some neighbouring tax jurisdictions might offer time-limited and discriminatory tax concessionary measures to specific overseas investors, Hong Kong as a free port prided itself on its level playing field for all, and adopted a non-discriminatory approach in offering tax concessions to all overseas investors in Hong Kong. In this regard, the lowering of the profits tax rate of the first HK\$2 million of profits earned by a company by half (i.e. to 8.25%) commencing from the year of assessment 2018-2019 had made Hong Kong one of the lowest tax regimes in the world. Looking ahead, Hong Kong's low tax regime would continue to be the focus of its promotion strategy.

Admin 37. In response to Mr Charles Peter MOK's request, SCED undertook to provide, in tabular form, a breakdown and comparison of the favourable and unfavourable

factors, listed in paragraphs 6 and 7 of the Administration's paper (LC Paper No. CB(1)562/18-19(06)), of Hong Kong's attractiveness as a place for setting up business over the past three years.

38. Mr WU Chi-wai hoped that the Administration would adopt a more detailed classification of the line of business in future survey of companies. DGIP pointed out that while in the surveys of companies the sector classification might reflect more the traditional pillars, the survey of start-ups began to show a change in the economy's makeup with more companies coming from innovative sectors. He said InvestHK would build on this to better reflect the situation and convince overseas investors to come to Hong Kong.

39. Noting that the introduction of the enhanced research and development ("R&D") tax deduction in Hong Kong would encourage more Mainland/overseas enterprises to conduct R&D activities in Hong Kong through the use of tax incentives, Ir Dr LO Wai-kwok urged the Administration to compile and analyze the relevant statistics, the information to which should be useful in formulating appropriate promotion strategies for inward investment in future.

40. DGIP advised that the Administration adopted a targeted approach in assisting all major Mainland/overseas I&T enterprises in Hong Kong in expanding their businesses by introducing new business opportunities to them, and reaching out to those companies which had yet to set up their businesses in Hong Kong.

*Source countries of inward investment*

41. Noting that Mainland China ranked first in terms of source countries/territories of regional headquarters ("RHQ")/regional offices ("RO")/local offices ("LO") in the survey of companies in 2018, Mr Charles Peter MOK expressed concern whether Hong Kong had been overly dependent upon Mainland China as the source of inward investment. He enquired whether Hong Kong's major competitors such as Singapore had carried out similar surveys and what were the findings therein. Given that companies would be seizing business opportunities arising from the Greater Bay Area development, Mr MOK sought details of the Administration's measures to maintain Hong Kong's comparative advantages as a major hub for start-ups, and the positioning of start-ups in Hong Kong.

42. SCED advised that the overall number of business operations in Hong Kong with parent companies overseas and in the Mainland recorded a stable growth of 6.4% in 2018 compared to that in 2017, and the number of RHQs showed a robust growth of 8.3% from 2017 to 2018. Mainland China's top ranking as the source for inward investment could be explained by the Mainland enterprises' penchant for choosing Hong Kong as a destination for public listing and financing. That said,

the numbers of companies from other markets (e.g. Japan and the United States) that used Hong Kong as a base for business expansion were also comparable. SCED added that the Greater Bay Area development did not advocate a one-sided development approach favouring only the Mainland at the expense of Hong Kong, but rather a multilaterally beneficial approach for the benefit of all parties. As regards the comparative advantages of start-ups in the Greater Bay Area, it was evident from the findings of the 2018 survey of start-ups that the start-up community in Hong Kong was highly international in composition (35% from outside Hong Kong). Moreover, riding on Hong Kong's comparative strength as an international financial centre under the "one country, two systems", financial technology ("fintech") had ranked the top business sector of the start-ups. On the other hand, the Mainland's comparative strength might lie more in its I&T capabilities.

43. DGIP advised that in terms of the data pertaining to RHQs/ROs/LOs, the data analysed in the actual survey was far more detailed in the full report published on the Census and Statistics Department's website. The Administration was not aware of similar surveys on RHQs/ROs/LOs in such detail in other jurisdictions. As regards the detailed positioning/composition of the start-ups, DGIP drew members' attention to the pamphlet entitled "Hong Kong: Asia's Most Dynamic Startup Ecosystem" (LC Paper No. CB(1)562/18-19(09)) setting out the wide range of industries from fintech to biotechnology, in which the start-ups in Hong Kong were engaged.

44. Mr SHIU Ka-fai welcomed the stable growth in the number of operations in Hong Kong with parent companies overseas and in the Mainland. He sought details of the measures the Administration would take to attract more enterprises from the Association of Southeast Asian Nations ("ASEAN") region in support of the Belt and Road Initiative, and to encourage more I&T enterprises and start-ups from ASEAN to set foot in Hong Kong.

45. SCED advised that at present, major source countries of RHQ/RO/LO remained the traditional ones such as Mainland China, Japan and the United States. The Administration saw the importance of attracting more enterprises from the ASEAN region to set foot in Hong Kong, given Hong Kong's increasingly closer economic ties with ASEAN countries. In this regard, the overseas ETO in Bangkok, which would commence operation in February 2019, would be the third ETO established in the ASEAN region. SCED added that Hong Kong's strong foundation in import and export trade, wholesale and retail industries had attracted overseas and Mainland enterprises engaging in those lines of business to invest in Hong Kong. In keeping with Hong Kong's economic restructuring, the Administration would put more efforts in supporting overseas and Mainland I&T enterprises and start-ups to come to Hong Kong for investment.



*Other factors affecting Hong Kong's attractiveness for inward investment*

46. Mr WU Chi-wai enquired about the impact of other factors, such as press freedom, on Hong Kong's attractiveness for overseas companies as a destination for foreign direct investment.

47. SCED advised that the Administration was committed to enhancing Hong Kong's global competitiveness, and would keep in view the ranking surveys carried out by global think-tanks and similar organizations regarding various factors. In practice, there would be far more factors to consider when an enterprise decided to set foot in Hong Kong. Among these factors, operating cost which was directly affected by profits tax rate, would be the prime concern. Economic freedom was another important factor in determining a city's global competitiveness. For 25 consecutive years, Hong Kong had ranked first in the United States Heritage Foundation's Index of Economic Freedom which measured the impact of liberty and free markets around the globe. Moreover, the Fraser Institute of Canada had once again ranked Hong Kong as the freest economy in the world in the Economic Freedom of the World 2018 Annual Report. In 2018, Hong Kong ranked second globally in the World Competitiveness Yearbook compiled by the International Institute for Management Development in Lausanne, Switzerland, and ranked fourth among 190 economies in the World Bank's ease of doing business index. In the Global Financial Centres Index's 2018 ranking of the competitiveness of financial centres published by the Z/Yen Group located in the United Kingdom, Hong Kong ranked third globally and first in Asia.

48. In response to Mr WU Chi-wai's enquiry about the weighting of the I&T sector among overseas companies setting foot in Hong Kong, SCED advised that with the Administration setting its I&T priorities, Hong Kong's start-up ecosystem had grown tremendously. This was evident in the findings of the 2018 survey of start-ups, which showed that the 2 625 start-ups in Hong Kong spanned across a wide range of I&T sectors, including fintech, e-commerce/supply chain management, information, computer & technology, data analytics, Internet of Things, smart city, biotechnology and robotics, etc.

49. The Chairman enquired whether the Administration had collated any survey statistics on overseas enterprises/start-ups coming to Hong Kong to leverage its status as the gateway to Mainland China, and on Mainland enterprises and start-ups coming to Hong Kong to capitalize on its advantage as the springboard to the world.

50. DGIP advised that the vast majority (approximately 90%) of international start-ups' long term ambition in coming to Hong Kong was to penetrate the Mainland market, using Hong Kong as a test bed for their products and services. Likewise, Mainland companies from cities of different tiers were using Hong Kong as a stepping stone for their internationalization campaign. HMI, InvestHK added

that 52% of the respondents in the 2018 survey of companies ranked "business opportunities in the Mainland" as one of the favourable factors of the attractiveness of Hong Kong as a place for setting up business.

51. SCED added that in recent years, start-ups had been invited to join Hong Kong's delegation on trade visits to the Mainland and overseas countries. Riding on Hong Kong's signing of the Free Trade Agreement with ASEAN, certain start-ups based in the Hong Kong Science Park were beginning to set up subsidiaries in Southeast Asia.

52. In response to the Chairman's enquiry about the assistance provided to overseas and Mainland enterprises and start-ups facing difficulties in opening bank accounts, DGIP advised that InvestHK worked closely with the banking community and referred such cases directly to them. InvestHK also worked closely with the Hong Kong Monetary Authority which provided information on its website on the steps to be taken by overseas/Mainland enterprises when opening bank accounts in Hong Kong. The problem was improving in general, although it remained a challenge particularly with start-ups and fintech companies.

## **VII. Any other business**

53. There being no other business, the meeting ended at 4:30 pm.