

立法會

Legislative Council

LC Paper No. CB(1)482/20-21(05)

Ref. : CB1/PL/CI

Panel on Commerce and Industry

Meeting on 26 January 2021

Updated background brief on the two annual surveys conducted by Invest Hong Kong

Purpose

This paper provides updated background information on the two annual surveys conducted by Invest Hong Kong ("InvestHK"), namely the Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong and the Survey of Startups in Hong Kong. It also provides a summary of the views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") on the key findings of the surveys conducted in 2018 and 2019.

Background

2. Established in 2000, InvestHK aims to attract and retain foreign direct investment ("FDI") and promote Hong Kong as the leading international business hub. InvestHK prioritizes its investment promotion work to support government policy objectives, and adopts a sector-focused and market-oriented approach to identify and reach out to overseas and Mainland companies to set up or expand their businesses in Hong Kong.

3. According to the Administration, InvestHK partners with clients on a long-term basis and offers free, customized and confidential services from the planning stage right through to the setup, launch and expansion of their businesses in Hong Kong. A summary of the results of InvestHK's work from 2000 to 2019 is tabulated in **Appendix I**.

4. InvestHK has representatives in 32 global locations, including 17 investment promotion units¹ ("IPUs") based in the Hong Kong Economic and Trade Offices, the Beijing Office and the Hong Kong Economic, Trade and Cultural Office in Taipei, as well as 15 overseas consultants² in key locations not covered by IPUs.

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

5. Starting from the early 1990s, the Administration has been collecting information annually on companies in Hong Kong that are regional headquarters³ ("RHQs") and regional offices⁴ ("ROs") representing their parent companies located outside Hong Kong.⁵ From 2001, the survey coverage has been extended to include companies in Hong Kong that are local offices⁶ ("LOs") representing their parent companies located outside Hong Kong. With reference to international standard, the scope of this survey has been further expanded in 2018 to cover companies with parent companies located outside Hong Kong but not representing their parent companies. As a result, this survey has been renamed as the Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong.

¹ InvestHK's IPUs are available in the following locations:

- (a) Americas: New York, San Francisco and Toronto;
- (b) Asia Pacific: Bangkok, Beijing, Chengdu, Guangzhou, Jakarta, Shanghai, Singapore, Sydney, Taipei, Tokyo and Wuhan; and
- (c) Europe and Middle East: Berlin, Brussels and London.

² InvestHK's overseas consultants are available in the following locations:

- (a) Americas: Lima, Mexico City, Rio de Janeiro and Santiago;
- (b) Asia Pacific: Mumbai, Osaka and Seoul; and
- (c) Europe and Middle East: Dubai, Gothenburg, Istanbul, Jerusalem, Milan, Moscow, Oslo and Paris.

³ 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).

⁴ An RO is an office with parent company located outside Hong Kong which coordinates offices and/or operations in the region (i.e. Hong Kong plus one other place or more).

⁵ Since the disestablishment of the ex-Industry Department in 2000, the Census and Statistics Department has been conducting the Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong to collect such information, at the request of InvestHK.

⁶ 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).

6. The purpose of this survey is to: (a) enumerate RHQs, ROs and LOs in Hong Kong with their parent companies located outside Hong Kong; (b) obtain basic information (e.g. the number of persons engaged, major line of business, country/territory where the parent company is located) of these companies; and (c) seek views from these companies on the attractiveness of Hong Kong as a location for setting up RHQs/ROs/LOs.

Survey of Startups in Hong Kong

7. In order to keep track of the startup scene with a view to creating a more robust startup ecosystem in Hong Kong, InvestHK has since 2014 conducted annually the Survey of Startups in Hong Kong in collaboration with operators of major co-work spaces, incubators and accelerators in Hong Kong. This survey enumerates the startups operating in the premises of these co-work spaces, incubators and accelerators but does not cover startups operating outside these premises.

Invest Hong Kong's strategy in 2020-2021

8. The Panel noted at the meeting on 21 April 2020 that according to InvestHK's strategy in 2020-2021, InvestHK would:

- (a) flex its approach in investment promotion, taking into account the development of the pandemic;
- (b) focus in the near-term on strengthening its aftercare engagement with existing overseas and Mainland companies in Hong Kong and their parent companies;⁷ and
- (c) maintain visibility and dialogue with potential investors.

9. To further develop family office business in Hong Kong, the Chief Executive has announced in the 2020 Policy Address that InvestHK will set up a dedicated team to step up promotion of Hong Kong's advantages in local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence in Hong Kong.

⁷ In June 2018, InvestHK set up a small dedicated team to enhance its aftercare services for overseas and Mainland companies in Hong Kong. According to the Administration, the dedicated team has developed a structured and systematic outreach programme to help and support these companies to expand their presence in Hong Kong. InvestHK reaches out to key investors and holds strategic discussions to help them consider and evaluate new areas and opportunities for growth, including those arising from the Belt and Road Initiative, Guangdong-Hong Kong-Macao Greater Bay Area development and innovation and technology development.

Previous discussions

10. The Panel received briefings by the Administration on the key findings of the surveys conducted in 2018 and 2019 at its meetings on 19 February 2019 and 21 January 2020 respectively. Members' major views and concerns on the subject are set out in the ensuing paragraphs.

Promotion of research and development activities

11. 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, members urged the Administration to compile and analyze relevant statistics for formulating appropriate promotion strategies for inward investment in future.

12. The Administration advised that it had adopted a targeted approach in assisting all major Mainland/overseas innovation and technology 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.

Job creation

13. Members noted in the findings of the 2019 Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong that the total number of persons engaged by these companies had reached 493 000, but there were no details on the local employment opportunities created by individual source countries/territories with companies set up in Hong Kong. Members suggested that InvestHK should consider (a) putting up extra promotion efforts to attract more companies from the source country/territory which created the most local employment to set up business operations in Hong Kong, thereby creating more local employment; and (b) compiling statistics on the proportion of local vis-à-vis expatriate staff among the 493 000 persons engaged by the international businesses.

Setting up of regional headquarters by international businesses

14. Members also pointed out that when compared to the setting up of ROs and LOs, the setting up of RHQs by international businesses in Hong Kong would be of greater significance to Hong Kong's economy. They enquired about the measures taken by the Administration to attract more international businesses to set up RHQs in Hong Kong.

15. The Administration advised that the overall situation of the projects completed in 2019 by InvestHK largely tallied with the results of the two

surveys, with the top five source countries being Mainland China, the United States, the United Kingdom, Japan and France. Members of the Association of Southeast Asian Nations as a whole were also becoming a significant source of FDI in Hong Kong. InvestHK would continue to promote the business opportunities which Hong Kong could offer to large international and Mainland businesses in a targeted and customized approach.

Factors affecting Hong Kong's attractiveness for inward investment

Measures to attract inward investment

16. 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, members opined that the Administration should review its strategy in promoting inward investment, such as whether Hong Kong should adopt a target-oriented approach similar to the promotion strategy adopted by Singapore. They also enquired about InvestHK's promotion strategy focusing on the favourable factors.

17. The Administration 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.

18. The Administration also advised that the positive effect of the tax concessionary measures introduced 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.

19. Members noted that the top unfavourable factors of Hong Kong as a location for setting up business were all associated with costs of accommodation and staff. Given such deterrent factors, they enquired about the Administration's measures to attract direct investment from the Mainland

and overseas. They also suggested that in the Survey of Startups in Hong Kong, the favourable and unfavourable factors of Hong Kong as a destination for startups should also be identified so that more targeted strategies to attract startups could be formulated.

20. The Administration advised that when Mainland or overseas companies came to invest in Hong Kong, they were focusing on different business opportunities Hong Kong had to offer, such as opportunities offered by Hong Kong itself, or as a gateway to the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") or to Asia or to Belt and Road markets. Companies assisted by InvestHK would be asked about the factors influencing their investment decisions. InvestHK would make reference to the gathered information to develop its promotional messages for general marketing uses, and to tailor make propositions for individual investors. On the costs issue, InvestHK would discuss with companies ways to mitigate the costs of market entry in Hong Kong, for example, by making use of co-work spaces at the initial stage.

Guangdong-Hong Kong-Macao Greater Bay Area

21. Members enquired whether the Administration had collated any statistics on overseas enterprises/startups coming to Hong Kong to leverage its status as the gateway to the Mainland, in particular the Greater Bay Area, and on Mainland enterprises/startups coming to Hong Kong to capitalize on its advantage as the springboard to the world.

22. The Administration advised that approximately 90% of international startups' 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 were using Hong Kong as a stepping stone for their internationalization campaign. Startups had also been invited in recent years to join Hong Kong's delegation on trade visits to the Mainland and overseas countries.

23. The Administration also advised that InvestHK had begun to collect data on how many of the companies which InvestHK had worked with were looking for opportunities in the Greater Bay Area in particular. Among the projects completed by InvestHK in 2019, around 47% and 36% of the companies concerned considered access to the Greater Bay Area and Belt and Road markets respectively as one of the factors in their investment/expansion decisions.

24. Some members enquired about the impact of other factors, such as press freedom and ratings of Hong Kong by international credit rating agencies, on Hong Kong's attractiveness for overseas companies as a destination for FDI.

The Administration advised that it had 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. In practice, there would be far more factors to consider when an enterprise decided to set foot in Hong Kong. Besides looking at credit ratings and findings of surveys on business environment which were relatively minor factors, international investors would consider, most of all, business opportunities on offer and revenue generation when making investment decisions.

Latest position

25. The Administration will brief the Panel on 26 January 2021 on the key findings of the 2020 Annual Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong and Survey of Startups in Hong Kong.

Relevant papers

26. A list of relevant papers is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
19 January 2021

Summary of results of Invest Hong Kong's work[^]

Year	No. of projects completed*	Jobs created within the first year of operation or expansion of the companies [#]	Investment amount (HK\$ million)
2000 (Jul – Dec)	35	347	506
2001	99	1 504	3,500
2002	117	2 075	1,360
2003	142	2 456	2,493
2004	205	3 008	4,658
2005	232	2 517	8,895
2006	246	3 092	10,243
2007	253	3 130	8,387
2008	257	2 450	4,608
2009	265	2 711	4,360
2010	284	3 063	8,130
2011	303	2 716	5,060
2012	316	2 937	over 7,600
2013	337	2 897	over 12,500
2014	355	2 681	over 8,900
2015	375	3 641	more than 10,100
2016	391	3 968	more than 16,300
2017	402	5 098	more than 16,600
2018	436	5 268	more than 22,900
2019	487	6 009	more than 52,300

[^] Compiled from Administration's papers and website of Invest Hong Kong ("InvestHK") (<http://www.investhk.gov.hk>).

* A completed project refers to one where an overseas, a Mainland or Taiwan company has established a presence or undergone 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.

[#] As reported by the companies assisted by InvestHK themselves. Not all of the companies are willing to disclose the data.

List of relevant papers

Date of meeting	Meeting	Papers
19/2/2019	Panel on Commerce and Industry	<p>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(06))</p> <p>Updated background brief on promotion of inward investment prepared by the Legislative Council Secretariat (LC Paper No. CB(1)562/18-19(07))</p> <p>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(08))</p> <p>Pamphlet entitled "Hong Kong: Asia's most dynamic startup ecosystem" provided by Invest Hong Kong (LC Paper No. CB(1)562/18-19(09)) (English version only)</p> <p>Administration's follow-up paper (LC Paper No. CB(1)1067/18-19(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)864/18-19)</p>

Date of meeting	Meeting	Papers
21/1/2020	Panel on Commerce and Industry	<p>Administration's paper on "Findings of the Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong and the Survey of Startups in Hong Kong" (LC Paper No. CB(1)329/19-20(03))</p> <p>Background brief on the two annual surveys conducted by Invest Hong Kong prepared by the Legislative Council Secretariat (LC Paper No. CB(1)329/19-20(04))</p> <p>Administration's follow-up paper (LC Paper No. CB(1)446/19-20(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)444/19-20)</p>