

MEDIA RELEASE

FOR IMMEDIATE RELEASE

The Hong Kong Computer Society Announces Results of
"Survey on Hong Kong IT Industry Investment in Greater Bay Area "

67.92% is investing in GBA and mainly in Guangzhou and Shenzhen.

60.19% have no new investment plan in GBA next year; Regulations and tax issues is major concern.

Over 40% have confidence in the investment prospects of GBA.

November 6, 2018 · Hong Kong—The Hong Kong Computer Society (“HKCS”) conducted a "Survey on Hong Kong IT Industry Investment in Greater Bay Area " with Hong Kong ICT enterprises before holding Hong Kong International Computer Conference 2018 (HKICC 2018). According to survey, it was found that 67.92% of the respondents are currently investing in the Greater Bay Area (GBA). The major investment projects are research and development, marketing and promotion (including agency products and online sales) and consulting services. Among them, 63.89% of the investment amount is less than HK\$50 million, while 25% are investing over HK\$100 million. The major cities in which being invested are Guangzhou, Shenzhen and Zhuhai, followed by Macau and Dongguan.

106 questionnaires were collected by HKCS. The interviewees are high representable, including senior management of large scale local as well as multinational ICT corporations, CIO of conglomerates, Small and Medium size ICT entrepreneurs and so on.

Question: Does your company have investments in the Bay Area (excluding Hong Kong)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Yes	72	67.92%
No	34	32.08%
Total	106	100%

Question: What is your company’s current investment status (choose more than one if applicable)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Manufacturing factory/factories (software and hardware)	4	9.09%
Research and development	12	27.27%
Marketing and promotion (including agency products and online sales)	12	27.27%
Consulting services	10	22.73%
Angel fund or venture capital investment(s)	0	0.00%
Others	6	13.64%
Total	44	100%

To be continued...

HKCS Announces Results of Survey on Hong Kong IT Industry Investment in Greater Bay Area (Page 2)

The main reasons for Hong Kong's IT companies to invest in the Greater Bay Area are, in sequential order, the huge market and business opportunities (23.44%), sufficient supply of professional and technical talents (23.44%) and reasonable costs (18.75%), while in follow of the policies of parent companies (12.25%) and strong research and development capability (10.94%) also demonstrated certain effect.

Question: Why is your company investing in the Bay Area (choose more than one if applicable)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Huge market and business opportunities	15	23.44%
Sufficient supply of low-skilled labor	3	4.69%
Sufficient supply of professional and technical talents	15	23.44%
Strong research and development capability	7	10.94%
Reasonable costs	12	18.75%
Preferential policies	3	4.69%
Follow the policy of parent company	8	12.50%
Other	1	1.56%
Total	64	100%

Ir. Ted Suen, President of the Hong Kong Computer Society pointed out that, among all, market opportunities, human resources supply and reasonable cost level are the main considerations for Hong Kong corporates during their investment decisions. Stepping into Industry 4.0 era, there are currently only about 9% of the local companies from the manufacturing industry are investing in the Greater Bay Area, according to the survey. There are even hardly any from the group of angel funds or venture capital which are investing in the region. It demonstrates that the GBA authorities should further promote the development of high-end manufacturing industry in the region. They should make good use of the competitive edges of Hong Kong's financial system and fund-raising advantages, and encourage local IT companies to seek out start-ups with high potentials for investment, thus to promote symbiosis of the companies with the region.

Ir Ted Sun further pointed out that, it is still only those traditional big industrial and commercial cities within the GBA possess the advantages in attracting IT investments. Whereas in fact, cities such as Foshan, Zhongshan, Zhaoqing, Huizhou and Jiangmen, also have very good development potential, with decent human resources supply and preferential policies support. It is believed that more tours to those cities should be arranged for Hong Kong IT companies and allows the companies to have a deeper understanding of the area's investment environment and preferential policy support.

A total of approximately 40% of the companies indicated that they will be engaged in new investment projects in the GBA in the coming year. The companies are involved in businesses, including consulting services (33.71%), research and development (24.72%) and marketing and promotion (including agency products and online sale) (19.10%). Nearly half of the companies will invest less than HK\$50 million, and 15.38% plan to invest more than HK\$100 million.

To be continued...

Question: Does your company have plan(s) to make new investments in the Bay Area in the coming year?

Optional Items	Hong Kong IT industry future investment plan in GBA	
	Quantity	%
Yes	41	39.81%
No	62	60.19%
Total	103	100%

Question: In what business(es) does your company plan to invest (please choose more than one if applicable):

Optional Items	Hong Kong IT industry future investment plan in GBA	
	Quantity	%
Manufacturing factory/factories (software and hardware)	7	7.87%
Research and development	22	24.72%
Marketing and promotion (including agency products and online sales)	17	19.10%
Consulting services	30	33.71%
Angel fund or venture capital investment(s)	1	1.12%
Others	12	13.48%
Total	89	100%

At the same time, there are nearly 60% of the companies surveyed do not have investment plans in the Greater Bay Area for the next year, mainly due to regulations and tax issues (20.69%), in follow of parent company policies (17.24%), lack of preferential policy (14.66%), cost issues (12.07%) as well as market openness concern (11.21%).

Question: Why is your company not planning to make new investments in the Bay Area in the coming year (choose more than one if applicable, then go to Question 10)?

Optional Items	The reasons of Hong Kong IT industry not making new investment in GBA	
	Quantity	%
The market is not open enough	13	11.21%
Insufficient supply of talents	7	6.03%
Regulations and tax issues	24	20.69%
Research and development capability issues	11	9.48%
Cost issues	14	12.07%
Lack of preferential policy	17	14.66%
Follow the policy of parent company	20	17.24%
Other	10	8.62%
Total	116	100%

To be continued...

HKCS Announces Results of Survey on Hong Kong IT Industry Investment in Greater Bay Area (Page 4)

Ir Ted Sun said, "It is very natural that the investment intentions of the multinational technology companies in Hong Kong are affected by the parent company's policies; however, it is worth the attention of the authorities of the Greater Bay Area, as many companies still have doubts about the domestic regulations and tax issues, as well as lack of preferential policy, cost issues and market openness of the Mainland, etc., that hinder their investment decisions."

On the level of confidence in the investment prospects of the Greater Bay Area, more than 40% of respondents expressed their confidence, and nearly 15% of the respondents said they are highly confident. Whereas, there are also 15.84% of the respondents indicated that they do not have confidence in the investment prospects of the region; while the remaining 42.57% of the respondents expressed no opinion.

Question: Does your company have confidence in the investment prospects of the Bay Area?

Optional Items	Hong Kong IT industry investment confidence in GBA	
	Quantity	%
Very confident	15	14.85%
Confident	27	26.73%
No opinion	43	42.57%
Unconfident	11	10.89%
Very unconfident	5	4.95%
Total	101	100%

Ir Ted Sun said, "The Greater Bay Area is comprised of Hong Kong, Macau and nine Guangdong cities including Guangzhou and Shenzhen. This represents a population of 67 million people with a combined GDP that is 12% of the national economy. This provides enormous opportunities for collaboration and business synergies among the eleven cities as well as a united force to world markets. It is believed that the development of the Bay Area will be able to provide a wide range of exciting opportunities for the IT industry. As the demand for digital and business transformation in the Greater Bay Area continues to grow, there will be enormous potential for IT professionals to explore in the region."

Ir Ted Sun continued: "However, as the Greater Bay Area still remains as a new concept that many Hong Kong IT companies have yet been in close contact with, therefore they still only have little understanding of its development prospects. Therefore, it is necessary to step up publicity and conduct more tours to the region to let Hong Kong's IT companies have a better understanding of the cities in the Greater Bay Area and their development potential."

Ir Ted Sun said, the Hong Kong Computer Society is hosting its Hong Kong International Computer Conference 2018 (HKICC 2018) at the Hong Kong Convention and Exhibition Centre during November 6-7 this year, and this year's theme is "Building a Smarter Bay Area through Technology Leadership". The focus of the conference is to highlight the tremendous opportunities for technology and digitalization in the GBA region and beyond. During the conference, discussions will be made around four main areas, including "Artificial Intelligence", "Risk and Regtech", "Shared Economy" and "Cross Border Opportunities". The conference is to gather a wide variety of participants, including internationally renowned ICT professionals, business leaders, academics, and senior government officers to exchange ideas and share their insights on various issues, which is set to be highly beneficial to the attendees.

To be continued...

HKCS Announces Results of Survey on Hong Kong IT Industry Investment in Greater Bay Area (Page 5)

Ir Ted Sun said: "The HKCS, as the most well-established and the largest professional organisation in Hong Kong, acting as a bridge to promote mutual understanding, will strengthen cooperation with Mainland's IT units such as the Chinese Computer Federation in the future."

About the Hong Kong Computer Society (HKCS)

Founded in 1970, the Hong Kong Computer Society (HKCS) is a recognised non-profit professional organisation focused on developing Hong Kong's Information Technology (IT) profession and industry. Their members come from a broad spectrum of Hong Kong's IT community, from corporations to like-minded individuals, all coming together to raise the profile and standards of the IT profession and industry. As a well-established IT professional body, the Society is committed to professional and industry development as well as community services to ensure the IT sector continues to make a positive impact on peoples' lives with three main goals, namely, 1) talent cultivation and professional development, 2) industry development and collaboration, and 3) the effective use of IT in our community.

For more details, please visit <http://www.hkcs.org.hk>.

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Appendix 1: "Survey on Hong Kong IT Industry Investment in Greater Bay Area "

Appendix 1: "Survey on Hong Kong IT Industry Investment in Greater Bay Area " ("GBA")
(excluding Hong Kong; Effective Questionnaires Received: 43 English, 63 Chinese, 106 in total)

1. Does your company have investments in the Bay Area (excluding Hong Kong)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Yes	72	67.92%
No (Go to question 6)	34	32.08%
Total	106	100%

2. What is your company's current investment status (choose more than one if applicable)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Manufacturing factory/factories (software and hardware)	4	9.09%
Research and development	12	27.27%
Marketing and promotion (including agency products and online sales)	12	27.27%
Consulting services	10	22.73%
Angel fund or venture capital investment(s)	0	0.00%
Others	6	13.64%
Total	44	100%

3. What is the current investment amount of your company?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Less than HK\$50,000,000	23	63.89%
HK\$50,000,001 to HK\$100,000,000	4	11.11%
HK\$100,000,001 or above	9	25.00%
Total	36	100%

4. In which district(s) your company is currently investing in the Bay Area (choose more than one if applicable):

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Macau	8	13.56%
Guangzhou	15	25.42%
Shenzhen	12	20.34%
Zhuhai	11	18.64%
Foshan	2	3.39%
Zhongshan	3	5.08%
Dongguan	7	11.86%
Zhaoqing	0	0.00%
Huizhou	0	0.00%
Jiangmen	1	1.69%
Total	59	100%

5. Why is your company investing in the Bay Area (choose more than one if applicable)?

Optional Items	Hong Kong IT industry current investment in GBA	
	Quantity	%
Huge market and business opportunities	15	23.44%
Sufficient supply of low-skilled labor	3	4.69%
Sufficient supply of professional and technical talents	15	23.44%
Strong research and development capability	7	10.94%
Reasonable costs	12	18.75%
Preferential policies	3	4.69%
Follow the policy of parent company	8	12.50%
Other	1	1.56%
Total	64	100%

6. Does your company have plan(s) to make new investments in the Bay Area in the coming year?

Optional Items	Hong Kong IT industry future investment plan in GBA	
	Quantity	%
Yes (Go to question 8)	41	39.81%
No	62	60.19%
Total	103	100%

7. Why is your company not planning to make new investments in the Bay Area in the coming year (choose more than one if applicable, then go to Question 10)?

Optional Items	The reasons of Hong Kong IT industry not making new investment in GBA	
	Quantity	%
The market is not open enough	13	11.21%
Insufficient supply of talents	7	6.03%
Regulations and tax issues	24	20.69%
Research and development capability issues	11	9.48%
Cost issues	14	12.07%
Lack of preferential policy	17	14.66%
Follow the policy of parent company	20	17.24%
Other	10	8.62%
Total	116	100%

8. In what business(es) does your company plan to invest (please choose more than one if applicable):

Optional Items	Hong Kong IT industry future investment plan in GBA	
	Quantity	%
Manufacturing factory/factories (software and hardware)	7	7.87%
Research and development	22	24.72%
Marketing and promotion (including agency products and online sales)	17	19.10%
Consulting services	30	33.71%
Angel fund or venture capital investment(s)	1	1.12%
Others	12	13.48%
Total	89	100%

9. What is the amount your company plans to invest?

Optional Items	Hong Kong IT industry future investment plan in GBA	
	Quantity	%
Less than HK\$50,000,000	49	75.38%
HK\$50,000,001 to HK\$100,000,000	6	9.23%
HK\$100,000,001 or above	10	15.38%
Total	65	100%

10. Does your company have confidence in the investment prospects of the Bay Area?

Optional Items	Hong Kong IT industry investment confidence in GBA	
	Quantity	%
Very confident	15	14.85%
Confident	27	26.73%
No opinion	43	42.57%
Unconfident	11	10.89%
Very unconfident	5	4.95%
Total	101	100%

- End of the Survey -