

**Answers from the Secretary for Commerce, Industry and Technology
to the Questions raised by the Hon Sin Chung-kai**

Q.(1) The Chief Executive said in paragraph 19 of the Policy Address that “after much soul searching and a review of the successes and failures of our governance, my colleagues and I have taken stock of experience gained and lessons learnt”. Would the Secretary inform this Council that within your policy portfolio, which five policies have lessons to learn and how these policies can be improved?

A.(1) As pointed out by the Chief Executive in the 2005 Policy Address, following economic revival, our principal mission is to further consolidate our achievements and accelerate economic restructuring. In formulating the economic and trade policies of the Hong Kong Special Administrative Region Government, we have always adhered to the established principle of maintaining Hong Kong’s status as a free market and its capability to create wealth. In the light of the ever-changing environment and the views of the community, we have always kept our policies under review to see whether they are in the right direction; whether they can be implemented effectively and smoothly; whether they can meet our policy objectives and whether they can promote the further development of our economy. As I said at the meeting of the LegCo Panel on Commerce and Industry on 18 January 2005, the Commerce, Industry and Technology Bureau has

implemented a number of new initiatives in the past few years and we have seen steady progress in them. We will continue to spare no efforts in strengthening our communication with the Legislative Council, the trades and members of the public in order to improve our work and to consolidate the achievements of our initiatives for supporting the long term development of Hong Kong's economy.

Q.(2) The Administration said that it would step up promotional efforts to attract Mainland enterprises to invest in Hong Kong. What are the details of the work involved? What is the progress in the discussions with the Central People's Government on Qualified Domestic Institutional Investors (QDII)?

A.(2) Our work in respect of stepping up promotional efforts to attract Mainland enterprises to invest in Hong Kong has been set out in paragraphs 3 and 4 of the LegCo Paper No. CB(1)690/04-05(03). The free one-stop services introduced by InvestHK for handling investment enquiries include the following four areas –

- (i) Invest Hong Kong Hotline: setting up an investment hotline, providing a nation-wide toll-free 800 hotline to answer enquiries about investing in Hong Kong from Mainland investors;

- (ii) Investment Service Centre: setting up a new investment service centre with a rich database about investing in Hong Kong, and an enquiry service provided by the experts of InvestHK with regard to investing in Hong Kong;

- (iii) Invest Hong Kong Guidebook: producing an information kit to highlight the information that Mainland investors need to know about investing in Hong Kong, including procedures for setting up business operations in Hong Kong, funding schemes, visa requirements, taxation etc; and

- (iv) Step-by-step Guide: InvestHK and the Ministry of Commerce (MOC), for the first time, jointly produced a detailed guidebook in early December 2004, setting out in detail the procedures in the Mainland for their enterprises to apply for investing in Hong Kong as well as the key points of the approval procedures in both the Mainland and Hong Kong and the documents required. The second edition of the Guide, with even more details, is being prepared.

In 2005, InvestHK will continue to organise a series of promotion roadshows and visits targeting relevant Mainland authorities in major provinces and cities to promote MOC's new measures for facilitating investment in Hong Kong. InvestHK will also

conduct promotion visits to enterprises in Northern China, Eastern China, North-eastern China, Fujian, Xian, Sichuan, etc with the capability of ‘going out’.

InvestHK will liaise with provinces and cities to organize study missions to Hong Kong with the objective of further promoting Hong Kong as an investment platform. Examples are the study mission from Fujian with over 170 delegates that has been held recently and the study mission led by MOC to be held in early 2005.

InvestHK will also strengthen cooperation with the Pan-Pearl River Delta region, such as an overseas joint investment with Fujian in Europe tentatively scheduled for the third quarter of 2005.

With regard to the question about QDII, as we understand it, QDII concerns investment in the financial markets but not setting up business operations in Hong Kong by Mainland enterprises. In other words, whether Mainland enterprises are attracted to set up business operations in Hong Kong does not hinge on the implementation of QDII. Moreover, MOC has clearly stated that the new investment facilitation policy does not cover the financial sector.

Q.(3) What have been the concrete achievements in attracting, together with the Pearl River Delta municipalities, more overseas enterprises to invest in Hong Kong?

A.(3) InvestHK has been organizing a number of joint investment promotion activities with the Pearl River Delta (PRD) authorities since September 2002. The primary objective of these missions is to help foreign companies better appreciate the Hong Kong-PRD interaction and better understand the advantages which make the Greater PRD an ideal place for overseas investment. Foreign companies are encouraged to set up operations (regional headquarters or offices) in Hong Kong and carry out manufacturing activities in the Greater PRD including Hong Kong where appropriate. Following Hong Kong's signing of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), InvestHK has also highlighted the new investment opportunities arising from CEPA in their joint promotional activities.

Out of these promotional activities, InvestHK has identified a number of potential foreign investors, and has been proactively following up with them. According to the preliminary results, up to end-December 2004, 15 investment projects have been successfully completed, and another 57 are being pursued.

Enhancing the awareness of the Greater PRD region as an investment destination is a long term process which requires ongoing promotional efforts. From our experience, it normally takes some 18 to 24 months before an investment project could be finalized and launched in Hong Kong. Hence, we consider that the effectiveness of these joint promotional activities could only be more accurately assessed in due course.