

**For discussion  
on 18 January 2011**

**LEGISLATIVE COUNCIL  
PANEL ON COMMERCE AND INDUSTRY**

**Promotion of Inward Investment**

**PURPOSE**

This paper updates Members on the work of Invest Hong Kong (InvestHK) in 2010 and outlines the way forward for 2011.

**BACKGROUND**

2. InvestHK was set up in July 2000 to spearhead Hong Kong's efforts to attract and retain foreign direct investment (FDI). Its mission is to encourage and assist overseas, Mainland and Taiwan companies, with the potential to contribute to Hong Kong's economic development, to set up and expand their operations in Hong Kong.

**MAJOR ACTIVITIES AND ACHIEVEMENTS IN 2010**

*Organisational Restructuring to Better Align with Government's Policies*

3. InvestHK has completed an organisational restructuring in 2010 to strengthen its institutional framework and investment promotion (IP) efforts. In particular, InvestHK has restructured its IP teams from nine to eight<sup>1</sup> to better align with the Government's policy direction to develop the six growth industries<sup>2</sup> where Hong Kong has a competitive advantage. InvestHK has also redeployed resources to strengthen the management and

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<sup>1</sup> The eight sector teams are: (i) creative industries; (ii) innovation and technology; (iii) financial services; (iv) information and communications technology; (v) business and professional services; (vi) transport and industrial; (vii) tourism and hospitality; and (viii) consumer products.

<sup>2</sup> The six new growth industries are education services, medical services, testing and certification services, environmental industries, innovation and technology and cultural and creative industries

coordination of its overseas teams, intensify efforts in the delivery of aftercare services and enhance its research capabilities to cope with the development needs of the Department. With its new organisational structure, InvestHK is able to better identify and assist overseas companies in expanding their operations in Hong Kong, which include facilitating their licensing and visa applications, liaison with Government departments and publicity arrangements on completion of the expansion process. InvestHK has also strengthened its research capabilities by putting greater focus on researching into business opportunities in target sectors and industries so as to better support its strategic clients.

### ***Investment Promotion Activities to Attract Companies from Key Geographical Markets***

4. In line with Government's IP strategy and international best practices, InvestHK adopts a source-market oriented approach to attract FDI, through investment promotion units (IPUs) in 11 Hong Kong Economic and Trade Offices (ETOs) and the Beijing Office as well as overseas consultants in 14 different strategic locations not covered by IPUs. The external promotion units of the Department are listed at *Annex*.

5. In 2010, InvestHK proactively approached and met with over 5 000 target companies in key geographical markets to encourage them to set up offices in Hong Kong. In addition, InvestHK provides one-to-one advisory services and practical support to facilitate the setting up, or expansion, of companies in Hong Kong throughout their planning and implementation process.

### ***Promotion of Priority Sectors and Industries to Align with Government's Policy Direction***

6. In the past year, InvestHK has accorded priority to organising sector-focused seminars to support the Government's policy to promote priority industries such as financial services, creative industries and green technology. In collaboration with the Financial Services and the Treasury Bureau and supported by the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC), InvestHK has launched a high level integrated marketing campaign, comprising a series of conferences in leading financial centres, to promote Hong Kong as a global financial centre

and asset management hub. The first conference was held in London in November 2010 and attracted more than 250 senior financial services executives. The campaign will continue in 2011, with the second conference being planned to be held in New York in March this year.

7. Leveraging on the impact of the Shanghai Expo 2010, InvestHK conducted seminars on financial services, creative industries and green technology in Shanghai in collaboration with the Hong Kong Stock Exchange and the Shanghai Federation of Commerce and Industry to showcase Hong Kong as an international financial centre and Asia's creative hub.

8. Apart from the series of sector-focused events held overseas, InvestHK also organised sector-specific networking events to reach out to potential investors to update them on business development in the priority sectors. These include receptions for the tourism and hospitality sectors in April, the information technology sector in May, the creative industries sector in October as well as the financial services sector in November 2010. These programmes also help provide valuable networking platforms for companies in various sectors and form an integral part of our aftercare support services.

### ***Investment Promotion Efforts on the Mainland, in Taiwan and the Emerging Markets***

9. InvestHK attaches great importance to encouraging companies from the Mainland, Taiwan and target emerging markets to set up a presence in Hong Kong and use Hong Kong as a springboard to expand globally.

#### ***(a) Mainland***

10. Mainland companies remain priority targets for InvestHK. In 2010, the following activities were organised to tap into the outward investment potential of the Mainland market and to promote the combined advantages offered by the economic integration of Hong Kong and the Mainland, in particular the Pearl River Delta:

- (i) a series of promotion programmes in Guangdong and Liaoning provinces, featuring IP seminars and workshops under the

nationwide ‘On Your Marks, Get-set, Go’ marketing campaign, and 16 seminars in nine cities<sup>3</sup>, some of which were sector-focused workshops covering the electronics and the Chinese pharmaceutical industries sectors.;

- (ii) two study missions for corporations from Guangdong and Jiangsu provinces, as well as briefings for 19 incoming delegations from the Mainland on Hong Kong’s investment environment; and
- (iii) eight joint seminars in partnership with six Mainland authorities<sup>4</sup> in eight key overseas cities<sup>5</sup> were held in 2010.

11. Up to the end of 2010, InvestHK had helped about 330 Mainland companies to establish their operations in Hong Kong. In the year 2010, InvestHK completed 52 projects related to Mainland investments in Hong Kong, representing around 18% of the total number of completed projects in the year.

#### ***(b) Taiwan***

12. To capitalise on the opportunities associated with the full implementation of the “three direct links” with Taiwan and establishment of the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council, InvestHK has strengthened its IP efforts in Taiwan. Supported by public relations and advertising initiatives, InvestHK launched an integrated marketing campaign comprising a perception survey, direct mailing and telemarketing to help enhance awareness of InvestHK’s services and better understand the investment needs of Taiwanese companies. It also compiled a comprehensive database in mid-2010 on companies in Taiwan and also Taiwan companies in Hong Kong and the Mainland which provides useful reference for InvestHK to strengthen its networking with those interested in setting up or expanding their business in Hong Kong. In March 2010, InvestHK organised its first seminar in Kaohsiung, and another in Taipei in November with a focus on promoting opportunities in innovation and green

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<sup>3</sup> The nine cities were Chengdu, Shenzhen, Guangzhou, Foshan, Zhuhai, Xiamen, Shenyang, Shanghai and Kunming.

<sup>4</sup> The six Mainland authorities included Shenzhen, Guangzhou, Zhuhai, Zhongshan, Fujian and Guangdong.

<sup>5</sup> The eight key overseas cities included Boston, Philadelphia, Zurich, Venice, Tel Aviv, Munich, Düsseldorf and New Delhi.

technologies in Hong Kong. InvestHK also maintained close liaison with the Taiwan representative bodies and business associations in HK, including the organisation of a networking reception in November 2010. These promotion programmes have enabled InvestHK to reach out to a wider spectrum of companies in Taiwan as well as the Taiwan business community in Hong Kong.

***(c) Emerging markets***

13. InvestHK has stepped up its promotional efforts in key emerging markets like Russia, India, the Middle East and South America to tap the opportunities arising from the growth of these economies and their expected increase in the two-way trade and investment flows with the Mainland. In the past year, InvestHK conducted various IP visits to meet with top management of major companies with sizable international operations in the target cities of emerging markets, including Moscow in Russia, Sao Paulo and Bogota in South America, Abu Dhabi and Tel Aviv in the Middle East, as well as Mumbai and Bangalore in India to encourage the companies to establish in Hong Kong to access the business opportunities on the Mainland and in the region. It has also increased its presence in emerging markets through engaging a second consultant in India and a new consultant in Russia.

14. In September 2010, InvestHK joined the CE's official visit to Russia and reached out to senior officials and the business community in Russia to promote Hong Kong as a strategic location to access business opportunities on the Mainland and in the Asia Pacific Region. Leveraging on the CE's first official visit to India, InvestHK also organised a joint business conference in New Delhi in October 2010 in collaboration with the Guangdong Province to promote the combined business advantages offered by Hong Kong and Guangdong to Indian investors. The joint conference was very well received, attracting about 2 000 top business leaders.

***Corporate Marketing and Communications***

15. Changes in the global investment landscape after the financial crisis have enabled Asia to emerge as a significantly more attractive location for multinational companies and investors. To capture these growing opportunities and cope with increasing competition from the neighbouring

economies, InvestHK has developed and implemented an integrated marketing communications strategy, through advertising, public relations and marketing activities as well as events and publications to position Hong Kong's distinct status as a leading business location and a two-way platform between the Mainland and the international market. The 10<sup>th</sup> Anniversary of InvestHK has provided a good platform for marketing the services rendered by the professional teams in InvestHK.

16. Apart from various sector-focused events, InvestHK also participated in major international and regional business forums. In 2010, InvestHK sponsored major events including Superreturn Asia; the Hong Kong Rugby Sevens; Society of Publishers in Asia Awards; the Cable and Satellite Broadcasting Association of Asia Annual Convention; World SME Expo; Music Matters; Mobile Asia Congress; Private Equity Forum as well as Forbes Asia's "Best under A Billion" Award Ceremony. These programmes are helpful in raising the profile of Hong Kong, identifying potential leads and offering aftercare support to overseas companies already established here.

### ***Achievements of InvestHK***

#### ***(a) Projects completed and job creation***

17. Since its establishment in 2000, InvestHK has completed over 2 100 projects with the creation of over 26 000 jobs. Also, InvestHK has doubled the number of completed investment projects<sup>6</sup> that it facilitates annually, from 142 in 2003 to 284 in 2010.

18. In 2010, InvestHK has completed 284 projects involving direct investment of some \$8.1 billion and the creation of around 3 000 new jobs within the first year of operation or expansion of the companies. The results of InvestHK's work in recent years are summarised below:

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<sup>6</sup> A "completed" project is one where a foreign, Mainland or Taiwan company has established a presence or undergone a significant expansion in Hong Kong.

	2006	2007	2008	2009	2010
No. of projects completed*	246	253	257	265	284
Jobs created within the first year#	3 092	3 130	2 450	2 711	3 063
jobs created/ to be created within the first two years #	7 835	8 134	7 881	6 033	5 926

\* *These represent companies assisted by InvestHK, and do not include companies set up in Hong Kong without such assistance.*

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

**(b) *International recognition of Hong Kong as an ideal destination for regional operations and FDI***

19. Hong Kong's status as one of the leading destinations of FDI in the world and in the Asia Pacific region has been reaffirmed by the World Investment Report released by the United Nations Conference on Trade and Development (UNCTAD) in July 2010. According to the report, Hong Kong was the fourth largest FDI recipient in the world in 2009 (up from seventh position in 2008) with an FDI inflow of HK\$376 billion<sup>7</sup>, and second in Asia after Mainland China for the 12<sup>th</sup> consecutive year. The high ratio of the stock of inward direct investment to Hong Kong's GDP at 445% has continued to underline Hong Kong's status as a regional business hub.

20. According to the results of the 2010 *Annual Survey of Companies in Hong Kong Representing Parent Companies Located outside Hong Kong* conducted by the Census & Statistics Department in collaboration with InvestHK, Hong Kong was host to some 6 561 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong as of June 2010. This represented an increase of 2.6% when compared with the figure in 2009 and also a vote of confidence in Hong Kong's enduring advantages. Together, these companies engaged some 352 000 persons (around 10.1% of Hong Kong's overall employment). Of these companies, 3 638 served as regional headquarters or regional offices. This is also a signal of investors' preference for Hong Kong as a base in Asia from which to oversee their regional operations. In terms of sectors, the

<sup>7</sup> According to the figures provided by Census & Statistics Department.

finance and banking sector demonstrated the most robust growth which reinforced Hong Kong's status as a leading international finance centre.

21. In recognition of its dedication to promoting environmental friendly projects, UNCTAD granted to InvestHK the Investment Promotion Award in September 2010, together with the Shenzhen Municipal Government, for collaborative investment promotion efforts in attracting green FDI into Hong Kong and the Greater Pearl River Delta Region.

## **NEXT STEPS**

22. Looking ahead, with the shift of the global investment landscape to Asian markets after the financial crisis in 2008, InvestHK will continue to strengthen its investment promotion efforts, with a particular focus on encouraging companies from the Mainland, Taiwan and key emerging markets such as India, the Middle East, Russia and South America to set up operations in Hong Kong.

23. On promotion in the Mainland market, InvestHK will continue to strengthen collaboration with the Mainland authorities and business associations and reach out to the privately-owned enterprises in the high-growth cities like Guangzhou, Suzhou, Ningbo, Tianjin, Wuhan, Dalian and the Greater Pearl River Delta region. More sector-specific workshops will be held and designed to meet the needs of the companies and economic development of these regions. It will also provide better aftercare services to assist Mainland companies already established in Hong Kong to expand their businesses here.

24. To build on the positive outcome of the integrated marketing campaign in Taiwan, InvestHK will continue to reach out to a wider spectrum of the Taiwan business community. It will continue to explore opportunities of organising seminars or IP visits in different cities in Taiwan like Keelung, Taipei, Taichung, Tainan, and Kaohsiung.

25. On promotion in target services sectors, InvestHK will continue organising integrated marketing campaigns comprising seminars and dedicated marketing materials with an emphasis on financial services, creative industries as well as innovation and technology sectors which present immense opportunities and potential. Following the financial

services conference in London held in November 2010 as set out in paragraph 6, a similar high level conference will be held in New York in March 2011 as part of the integrated campaign to promote Hong Kong as 'China's International Financial Centre'. The conference in New York will showcase the potential that Hong Kong offers for the asset management industries as well as the opportunities brought about by the gradual internationalisation of Renminbi.

26. In addition, InvestHK will continue to strengthen cooperation with other organisations responsible for promoting Hong Kong overseas including the Hong Kong Trade Development Council (HKTDC), Hong Kong Tourism Board, Hong Kong Science and Technology Parks and Cyberport as well as ETOs to maximise the effects of promoting Hong Kong as a strategic location to access business opportunities on the Mainland and in the Asia-Pacific region. Further, InvestHK will continue to participate or advertise in the major international exhibitions/trade shows as well as other overseas and Mainland events organised by HKTDC to attract potential international companies to Hong Kong.

27. With sound fundamentals, a strong regulatory framework and a free and open economy, Hong Kong has enjoyed unique advantages as a natural gateway to the Mainland. Global investors can use Hong Kong as a platform to access the world's economic growth engine in the Mainland and tap into opportunities in Asia and the world. As the global economic outlook improves, InvestHK aims to increase its target of completed projects from 270 in 2010 to 290 in 2011.

## **ADVICE SOUGHT**

28. Members are invited to note the investment promotion work of InvestHK and the progress and achievements to date.

**Invest Hong Kong**  
**Commerce and Economic Development Bureau**  
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## Annex

### InvestHK's External Promotion Units

<u>Region</u>	<u>Office Location</u>	<u>Area Covered</u>	<u>Remarks</u>
North America	New York	US East & Central	Based in New York ETO
	San Francisco	US West	Based in San Francisco ETO
	Toronto	Canada	Based in Toronto ETO
South America	Bogota	South America	Consultant Company
Europe	Brussels	Belgium, Bulgaria, Croatia, Cyprus, Greece, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Romania and Spain	Based in Brussels ETO
	Berlin	Austria, Germany (11 states including Hamburg, Schleswig-Holstein, Mecklenburg-West Pomerania, Brandenburg, Berlin, Saxony-Anhalt, Saxony, Thuringia, Hesse, Baden-Württemberg, Bavaria), Czech Republic, Hungary, Poland, Slovak Republic, Slovenia and Switzerland	Based in Berlin ETO
	Paris	France	Consultant Company
	Düsseldorf	Germany (Bremen, lower Saxony, North Rhine Westphalia, Rhineland Palatinate and Saarland)	Consultant Company
	Milan	Italy	Consultant Company
	Gothenburg	Nordics (Denmark, Finland, Iceland, Norway and Sweden)	Consultant Company
	London	UK, Estonia, Latvia and Lithuania	Based in London ETO
	Moscow	Russia	Consultant Company
Asia/ Australasia	Tokyo	East Japan	Based in Tokyo ETO
	Osaka	West Japan	Consultant Company
	Singapore	Singapore and the ASEAN countries	Consultant Company
	Seoul	Korea	Consultant Company
	Mumbai	North West India	Consultant Company

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>
	Bangalore	South East India	Consultant Company
	Istanbul	Turkey	Consultant Company
	Tel Aviv	Israel	Consultant Company
	Sydney	Australia and New Zealand	Based in Sydney ETO
Mainland and Taiwan	Guangzhou	Guangdong and four Pan-PRD provinces namely Fujian, Jiangxi, Guangxi and Hainan	Based in Guangdong ETO
	Beijing	Beijing, Tianjin, Hebei, Shandong, Liaoning, Heilongjiang, Jilin, Henan, Shanxi, Gansu, Qinghai, Xinjiang, Xizang (Tibet), Ningxia, and Inner Mongolia	Based in Beijing Office
	Chengdu	Chongqing, Sichuan, Yunnan, Guizhou, Hunan, and Shaanxi	Based in Chengdu ETO
	Shanghai	Shanghai, Jiangsu, Zhejiang, Anhui, and Hubei	Based in Shanghai ETO
	Taipei	Taiwan	Consultant Company