

For information

Legislative Council Panel on Commerce and Industry

Foreign Direct Investment Statistics and Progress in Attracting Foreign Investment in the Information Technology Sector

Introduction

This paper provides statistics on inward foreign direct investment (FDI) of Hong Kong and Singapore as well as information on the progress in attracting FDI in the information technology (IT) sector, as requested by Members at the meeting of 18 January 2011.

FDI Statistics of Hong Kong and Singapore

2. According to the World Investment Report 2011 (the Report) released by the United Nations Conference on Trade and Development (UNCTAD), Hong Kong was the third largest FDI recipient in the world in 2010 (up from fourth in 2009) while Singapore ranked the ninth. The respective FDI figures of Hong Kong and Singapore are set out below:

	FDI inflow (US\$ Million) ⁽¹⁾			
	2010	2009	2008	2007
Hong Kong	68,904	52,394	59,621	54,341
Singapore	38,638	15,279	8,588	37,033

(1) Source: UNCTAD

Investment Promotion Efforts of InvestHK in the IT Sector

3. Hong Kong's world class high-technology infrastructure, excellent global communication systems and internet connectivity have given us the competitive edge to attract multinational companies in the IT sector to set up or expand their operations in Hong Kong. These companies include high-end regional data centres, multinational telecommunication companies and leading

software enterprises, etc. For example, in 2010, several leading technology companies including China Telecom, Equinix, NTT Communications (NTT), Pacnet and Verizon Business announced their plans to set up or expand their data centre operations in Hong Kong. Through dedicated investment promotion (IP) efforts, Invest Hong Kong (InvestHK) seeks to encourage more IT companies to establish a presence in Hong Kong.

Reaching out to multinational companies in the IT sector

4. InvestHK adopts a sector-focused and market-oriented approach to spearhead the drive to attract FDI. Through its dedicated team specialising in the IT sector and its overseas representatives in 26 key cities worldwide, InvestHK proactively reaches out to IT companies including operators and end-users of data centres as well as potential investors in software development and cloud computing. In 2010 and 2011, InvestHK's head office team and overseas representatives met over 700 companies in the IT sector around the world to encourage them to set up their regional operations or local offices in Hong Kong. Geographically, InvestHK places particular focus on attracting companies from IT advanced countries such as USA, Israel and European countries.

5. In addition, InvestHK provides one-to-one advisory services and practical support to target IT companies to facilitate the setting-up of their Hong Kong office throughout the planning and implementation processes.

Investment promotion activities in key overseas markets

6. To promote Hong Kong as a preferred location for IT companies, InvestHK has launched a focused marketing campaign by conducting various IT sector-focused promotional and marketing activities overseas. Apart from conducting various overseas visits and meeting top management of major IT companies in target cities, InvestHK has also placed targeted advertisements in overseas magazines (such as advertisements in the technology section of the US' Site Selection magazine and in the magazine of CeBIT, which is the world's largest IT trade fair and conference) to reach out to potential IT companies.

7. Further, InvestHK has been working in collaboration with relevant government departments and organisations to promote Hong Kong as Asia's financial centre and regional hub for technology companies. In November 2010,

InvestHK and the Office of the Government Chief Information Officer (OGCIO) conducted a joint visit programme to North America, targeting particularly at data centre operators and market players in cloud computing. During the visit, InvestHK met a number of renowned IT companies and encouraged them to set up in Hong Kong.

8. As an on-going effort to reach out to high-technology companies, InvestHK will conduct a series of IP visits to Europe, Australia and Singapore in the second half of 2011. InvestHK will also continue to strengthen its promotional effort in the areas of data centres in collaboration with OGCIO, in particular its Data Centre Facilitation Unit newly launched in July 2011 to provide one-stop helpdesk service to local and overseas parties interested in setting up data centres in Hong Kong.

Participation in global and regional IT events

9. InvestHK also actively participates in major global technology conferences and trade fairs to reach out to potential investors with a view to promoting Hong Kong as a strategic platform to access the vast opportunities in the Mainland and Asian markets. InvestHK has been able to establish contact with a number of potential IT companies through participating in the CeBIT event, which was held in Germany in March 2011; as well as the CommunicAsia 2011, which was a major information and communications technology event in Asia held in Singapore in June 2011.

10. InvestHK also takes part proactively in large-scale regional technology conferences and forums held in Hong Kong. In June 2010, InvestHK participated as a supporting organisation in the Datacentre Dynamics Conference, a large-scale event for global data centre operators and end-users to showcase enhanced knowledge in the sector. InvestHK has made use of the opportunity to network with potential investors to promote Hong Kong as a prime location for operating data centres in the Asia-Pacific region. The same conference will be held in Shanghai in September this year. InvestHK's Investment Promotion Unit in Shanghai will actively participate in the event and arrange to meet with potential data centre investors on the Mainland.

Provide aftercare support services to existing IT companies in Hong Kong

11. Apart from sector-focused IP events held overseas, InvestHK also organises networking events locally, targeting at potential investors and updating them on the business development in the IT sector. Two receptions for IT companies were held in May 2010 and June 2011. These events form an integral part of InvestHK's aftercare support services and provide valuable networking platforms for technology companies in Hong Kong.

Projects of InvestHK in the IT Sector

12. In 2010, InvestHK provided assistance to a record number of 284 overseas and Mainland companies, of which 28 companies belong to the IT sector, representing some 10% of the total companies assisted in the year. Among the 28 completed cases, InvestHK has assisted UFIDA, a leading management software company, to set up its regional headquarters in Hong Kong as a strategic base to oversee its global business functions. At the moment, there are some 60 IT-related live projects to which InvestHK is providing assistance.

13. Further, InvestHK has been supporting NTT in its data centre expansion project in Hong Kong. NTT has announced its acquisition of 30,000 square metres of land in Tseung Kwan O Industrial Estate for building its second data centre to complement its existing seven-storey data centre in Tai Po. The new data centre, which will be NTT's largest data centre outside Japan, is scheduled to be in operation in 2013.

Next Steps

14. Looking ahead, InvestHK will continue to enhance its IP efforts to attract companies in the IT sector to Hong Kong and provide necessary support to facilitate these companies to set up or expand their operations in Hong Kong.

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