

**For discussion  
on 21 February 2012**

**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 2011 and outlines the way forward for 2012.

**BACKGROUND**

2. InvestHK's 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 or expand their business operations in Hong Kong.

**MAJOR ACTIVITIES AND ACHIEVEMENTS IN 2011**

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

3. InvestHK adopts a source-market oriented and sector-focused approach to proactively reach out to target companies in key geographical markets. Through the Head Office teams and its representatives in 27 locations worldwide, including the investment promotion units (IPUs) in the 12 Hong Kong Economic and Trade Offices (ETOs) and the Beijing Office as well as overseas consultants in 14 strategic locations not covered by the IPUs, InvestHK spearheads the drive to attract foreign direct investment (FDI) to Hong Kong. These external promotion units of InvestHK are listed at **Annex A**.

4. In 2011, InvestHK conducted over 5 400 meetings with target companies in key overseas and Mainland markets to encourage them to

access the opportunities in the Mainland and across Asia by setting up offices or expanding their business operations in Hong Kong. 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. InvestHK also conducted visits to reach out to strategic companies already established their presence in Hong Kong to encourage them to expand their operations or upgrade their business functions.

### ***Promotion of Priority Sectors and Industries***

5. In the past year, InvestHK continued to accord priority to promoting the business sectors and industries where Hong Kong has clear comparative advantages including the financial services, innovation and technology and creative industries sectors.

6. 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 continued with its integrated marketing campaign to promote Hong Kong as a global financial centre. Following the first conference of the series in London in November 2010, the second conference was held in New York in March 2011 and attracted more than 250 professionals from the financial and business sectors. The campaign also included meetings with significant global financial institutions, media interviews and publication of a dedicated pitchbook making the case for Hong Kong as a leading financial centre. Together with its campaign partners, InvestHK also hosted road shows in Zurich, Geneva and Luxembourg in November 2011, with a total number of turnout of more than 250 senior financial services executives.

7. InvestHK also organised a seminar in Edinburgh in September 2011, jointly with the Scottish Development International and the Scottish Financial Enterprise, to promote the opportunities offered by Hong Kong to companies engaging in the financial and professional services.

8. On promotion of Hong Kong as a preferred location for companies in the innovation and technology sector, InvestHK organised, in partnership with the Hong Kong Science and Technology Parks Corporation (HKSTPC), an investment promotion seminar in Tokyo in March 2011 to present the advantages of Hong Kong as a strategic base for innovation and green

technology companies to access the growing business opportunities in the Mainland and across Asia. A joint seminar co-organised with the Shenzhen Municipal People's Government targeting the innovation and technology sector was also held in Munich, Germany in June 2011. InvestHK has also actively participated in major global technology conferences and trade fairs to reach out to technology companies, including high-end regional data centres and multinational telecommunication companies, to promote Hong Kong's world class high technology infrastructure for companies in the information technology sector. In collaboration with Cyberport, InvestHK also ran two seminars in Germany in June 2011, targeting companies in the creative industries. On the promotion efforts of InvestHK in the information technology sector, a paper has earlier been submitted to Members, a copy of which is at *Annex B*.

9. During 2011, InvestHK has conducted a series of investment promotion visits in the US, Europe, Southeast Asia, Korea, Japan, Russia, India, the Middle East, South America, South Africa as well as the Mainland and Taiwan to attract companies from the target financial services, technology and creative industries sectors to set up business in Hong Kong.

10. As an integral part of its aftercare support services, InvestHK continued to organise sector-specific events locally targeting companies in key sectors, providing opportunities for networking and updates on business development in the priority sectors. These events included a series of receptions for companies in the transport and industrial, technology, creative industries, consumer products as well as tourism and hospitality sectors.

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

11. InvestHK attaches great importance to attracting more companies from the Mainland, Taiwan and target emerging markets to set up business in Hong Kong, and encouraging Mainland companies to make use of Hong Kong as a platform to go global.

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

12. The Mainland market remains the largest source market for projects and also a priority market for InvestHK. Up to the end of 2011, InvestHK had assisted some 390 Mainland companies establish their

operations in Hong Kong. In the year 2011, InvestHK completed 56 projects related to Mainland companies, representing around 18% of the total number of completed projects in the year.

13. 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 region, InvestHK organised the following activities in 2011:

- (i) organisation of marketing programmes targeting Mainland privately-owned enterprises in various Mainland cities including Shijiazhuang, Suzhou, Tianjin, Guangzhou, Qingdao, Changsha, Shantou, Xiamen, Ningbo, Beijing and Kunming;
- (ii) organisation of study missions and briefings for 42 incoming delegations from the Mainland on Hong Kong's investment environment;
- (iii) organisation of a seminar on the financial services of Hong Kong and, together with the Hong Kong Trade Development Council (HKTDC), holding an exhibition on the business advantages of Hong Kong in the China International Fair for Investment and Trade, which is a major event held annually in Xiamen;
- (iv) signing of a Memorandum of Understanding with the Investment Promotion Agency of the Ministry of Commerce to foster cooperation in the area of investment promotion; and
- (v) organisation of joint seminars in partnership with the Guangdong, Shenzhen, Zhuhai and Guangzhou authorities in five overseas cities, including Warsaw, Bogota, Sao Paulo, Munich and Taipei.

***(b) Taiwan***

14. InvestHK has continued to step up its promotion efforts in attracting more inward investment from Taiwan through advertising, organising seminars and conducting company visits in Taiwan. InvestHK has also strengthened partnership with Taiwan representative bodies and business associations in Hong Kong.

15. In March 2011, InvestHK conducted a seminar on the business environment of Hong Kong in Taichung. In August 2011, InvestHK conducted another seminar in Taipei in partnership with Guangzhou Municipal Government to promote the combined business advantages offered by the economic integration of the two places. The seminar was well received with participants of over 250 senior business executives. A networking reception was also held by InvestHK in November 2011 to reach out to a wider spectrum of Taiwan companies and business organisations in Hong Kong.

*(c) Emerging markets*

16. Emerging markets targeted by InvestHK include Russia, India, South America, the Middle East and Southeast Asia. In May 2011, two joint promotion events in South America were organised, including one in collaboration with Zhuhai in Bogota, Colombia and another one in collaboration with Zhuhai and Macau in Sao Paulo, Brazil. The two joint promotion events were well received, each attracting around 200 business executives.

17. During the year, InvestHK has also conducted various investment promotion visits to meet with senior management of key companies in major cities of the emerging markets, including Moscow, St Petersburg, Sao Paulo, Rio de Janeiro, Bogota, Mumbai, Bangalore, New Delhi, Dubai, Kuala Lumpur and Jakarta. InvestHK has also signed a Memorandum of Understanding with the investment promotion agencies of Rio de Janeiro of Brazil and Chile respectively to foster closer cooperation in the area of investment promotion between InvestHK and the agencies.

18. With a view to strengthening its presence in Southeast Asia, InvestHK has engaged a consultant in Malaysia in early 2011 and appointed an investment promotion officer in Singapore in November 2011. A consultant based in Sao Paulo was also recruited in January 2012 to strengthen InvestHK's promotion efforts in the South American region.

*Corporate Marketing and Communications*

19. In response to the challenging economic conditions and to cope with increasing competition from our neighbouring economies, InvestHK has

adopted an integrated marketing communications strategy, through advertising, public relations, as well as events and publications to position Hong Kong as a leading business location and a two-way platform between the Mainland and the international market.

20. Apart from various sector-focused events, InvestHK has also participated in major international and regional business forums. In 2011, InvestHK sponsored various major events including Air Freight Asia; the Hong Kong Rugby Sevens; ArtHK; the Cable and Satellite Broadcasting Association of Asia Convention; World SME Expo; Digital Matters and Music Matters; Mobile Asia Congress; Private Equity Forum as well as Business of Design Week. These event sponsorships helped raise the profile of Hong Kong, identify potential company leads and offer aftercare support to overseas companies already established here.

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

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

21. Since its establishment in 2000, InvestHK has completed over 2 400 projects, supporting companies from overseas, the Mainland and Taiwan to set up or expand their business operations in Hong Kong. These projects have created more than 29 000 jobs in the first year of operation or expansion of the companies. In addition, InvestHK has more than tripled the number of completed investment projects<sup>1</sup> that it facilitates annually, from 99 in 2001 to 303 in 2011.

22. In 2011, InvestHK completed a record number of 303 projects, involving direct investment of more than \$5 billion and the creation of over 2 700 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>1</sup> A "completed" project is one where an overseas, a Mainland or Taiwan company has established a presence or undergone a significant expansion in Hong Kong.

	2007	2008	2009	2010	2011
No. of projects completed*	253	257	265	284	303
Jobs created within the first year#	3 130	2 450	2 711	3 063	2 716

\* *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***

23. Hong Kong continues to be a preferred destination for FDI. According to the World Investment Report 2011 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 the fourth position in 2009), and second in Asia after Mainland China. The ratio of the stock of inward direct investment to Hong Kong's GDP at 486% has continued to underline Hong Kong's status as a leading business hub.

24. According to results of the *2011 Annual Survey of Companies in Hong Kong Representing Parent Companies Located outside Hong Kong* conducted by the Census and Statistics Department in collaboration with InvestHK, Hong Kong was host to a record number of 6 948 overseas, Mainland and Taiwan companies representing their parent companies located outside Hong Kong as of June 2011. This represented an increase of around 6% when compared with the figure in 2010 and reflected investors' confidence in Hong Kong's enduring advantages. Together, these companies engaged some 368 000 persons representing around 10% of Hong Kong's overall employment. Of these companies, 3 752 served as regional headquarters or regional offices, signifying investors' preference for Hong Kong as a base in Asia from which to oversee their regional operations.

## NEXT STEPS

25. Looking ahead, InvestHK will continue to strengthen its investment promotion efforts, in particular in the Mainland, Taiwan and key emerging markets.

26. InvestHK will continue to attract overseas and Mainland companies in the priority sectors to Hong Kong and organise integrated marketing campaigns with an emphasis on the financial services sector. To sustain the momentum, InvestHK will stage events in Chicago and New York in March and London in the second half of 2012 to promote Hong Kong as China's global financial centre as well as the opportunities brought about by the liberalisation of Renminbi. Given the significance of data centres in the long-term growth of Hong Kong as a knowledge-based economy and with the announcement of additional measures<sup>2</sup> by the Financial Secretary to support the development of data centres, InvestHK will continue to collaborate closely with the Office of the Government Chief Information Officer (OGCIO) to assist its promotional efforts in the areas of data centre development in Hong Kong.

27. To align with the series of policy measures announced by Mr LI Keqiang, Vice Premier of the State Council, in August 2011 to support our economic, trade and financial co-operation with the Mainland, InvestHK will step up its efforts in promoting Hong Kong's advantages on which Mainland companies can leverage for expanding their overseas operations. In collaboration with the Mainland authorities and business associations, InvestHK will organise investment promotion seminars in high-growth cities like Wuhan, Shanghai, Chongqing, Tangshan, Xi'an, Xiamen, Nanchang and the Pearl River Delta region to showcase Hong Kong as an ideal platform for the Mainland enterprises to go global. It will also continue to provide aftercare services to assist Mainland companies which have already established their local presence to expand their businesses in Hong Kong.

28. With the newly set up Investment Promotion Unit in the Hong Kong Economic, Trade and Cultural Office in Taipei, InvestHK will

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<sup>2</sup> The Government will implement two new measures this year to encourage the development of data centres in existing industrial buildings and on industrial sites. The Government will exempt the "waiver fee" for converting parts of industrial buildings aged 15 years or above into data centre use whereas the existing waiver-fee policy applies only to conversion of the entire industrial building. Further, where lease modification is required for the development of an industrial site into a high-tier data centre, the Government will assess the premium required on the basis of its use as a high-tier data centre instead of optimal use. These incentives will enhance the attractiveness for conversion of industrial buildings for data centre development.

strengthen its promotion efforts in Taiwan and continue to maintain close liaison with the Taiwan business community through organising seminars in different cities in Taiwan as well as conducting investment promotion visits and meetings with Taiwanese enterprises, particularly in the financial services as well as the innovation and technology sectors.

29. Through its enhanced representation in the target emerging markets, InvestHK will try to identify more potential investors in these markets, with key focus on Southeast Asia, Russia, India, the Middle East and South America. InvestHK will also explore opportunities to organise joint promotion events in partnership with the Mainland cities in target markets in Russia, India and Southeast Asia this year.

30. In addition, InvestHK will strengthen cooperation with other organisations responsible for promoting Hong Kong overseas, including the ETOs, the HKTDC, the HKSTPC as well as Cyberport to maximise the effects of promoting Hong Kong as an international business hub. Locally, InvestHK will continue to communicate closely with the chambers of commerce and the consulate generals in Hong Kong on issues relating to investment promotion. Furthermore, InvestHK will strengthen its aftercare support to companies already established in Hong Kong and reach out to strategic companies to encourage them to upgrade their business functions as well as to expand their operations globally.

31. Looking forward, in the wake of the deepening debt crisis in the eurozone and the stalling recovery in the developed economies, the external environment has become increasingly difficult. Despite the challenges ahead amidst an uncertain economic outlook, with Hong Kong's sound fundamentals and unique position as the springboard to the Mainland and international market, we hope to see a continued increase in the number of high-growth companies in Hong Kong. Having regard to the current trend of potential investment projects, InvestHK aims to further increase its target of completed projects from 290 in 2011 to 310 in 2012.

## **ADVICE SOUGHT**

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

**InvestHK**  
**Commerce and Economic Development Bureau**  
**February 2012**

## Annex A

### **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 (excluding Brazil)	Consultant Company	
	Sao Paulo	Brazil	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	Based in Singapore ETO	

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>
	Kuala Lumpur	ASEAN countries (excluding Singapore)	Consultant Company
	Seoul	Korea	Consultant Company
	Mumbai	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, 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

**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:

	<b>FDI inflow (US\$ Million) <sup>(1)</sup></b>			
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Hong Kong</b>	68,904	52,394	59,621	54,341
<b>Singapore</b>	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.

**Invest Hong Kong**  
**Commerce and Economic Development Bureau**  
**August 2011**