

立法會
Legislative Council

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Panel on Commerce and Industry

Meeting on 21 February 2012

Updated background brief on promotion of inward investment

Purpose

This paper sets out the progress of the performance of Invest Hong Kong (InvestHK) in promoting inward investment and summarizes the views and concerns expressed by Members on the subject in the past session.

Background

2. Attracting external direct investment was one of the Government's major initiatives announced in the 2000-2001 Budget Speech to revive Hong Kong's economy after two years of recession following the Asian financial crisis. The establishment of InvestHK in July 2000 provided institutional support to spearhead the work of attracting inward direct investment and the improvement of Hong Kong's investment environment for promoting, in particular, the growth of multinational business activities. InvestHK adopts a targeted approach and promotes nine priority sectors¹ in which Hong Kong has comparative advantages.

3. On 3 June 2003, the Finance Committee (FC) approved the creation of a commitment of \$200 million to enable InvestHK to strengthen its investment promotion efforts over a period of five years from 2003-2004 to 2007-2008. FC further approved on 11 January 2008 an increase of \$100 million of the approved non-recurrent commitment, to be spent over three years from 2008-2009, to enable InvestHK to continue implementation of the following initiatives:

¹ These nine priority sectors include business and professional services; consumer, retail and sourcing; financial services; information technology (especially electronic and biotechnology); telecommunications; media and multi-media, technology; tourism and entertainment; and transportation.

- (a) broaden the external representation of InvestHK to markets not already included;
- (b) improve coverage in markets where InvestHK is already represented;
- (c) strengthen Investment Promotion Units targeting markets in Beijing/Tianjin and East China;
- (d) increase joint marketing activities with the Pearl River Delta municipalities and strengthen the team responsible for Mainland co-ordination in InvestHK's Head Office;
- (e) strengthen the sector teams in the Head Office to generate and handle additional projects;
- (f) support the Investment Promotion Ambassador Scheme;
- (g) improve the marketing, research, information technology and knowledge management capacity of InvestHK; and
- (h) meet the additional expenditure on advertising, event sponsorship, office rental and overseas travel, etc arising from these enhanced promotional activities.

The annual financial provision allocated to InvestHK for investment promotion from 2005-2006 to 2011-2012 is as follows:

	Operational expenses (\$ million)	General non-recurrent expenses for enhancing investment promotion work (\$ million)	Total (\$ million)
2005-2006	63.7	42.5	106.2
2006-2007	63.6	42.4	106.0
2007-2008	65.6	42.5	108.1
2008-2009	66.5	41.6	108.0
2009-2010	68.8	42.5	111.3

	Operational expenses (\$ million)	General non-recurrent expenses for enhancing investment promotion work (\$ million)	Total (\$ million)
2010-2011	83.0	25.8	108.8
2011-2012	112.1	-	112.1

According to the Administration, the increase of provision in 2011-2012 over 2010-2011 is mainly due to the increased provision to regularize the non-recurrent funding for sustaining the momentum of investment promotion work as from 2011-2012 after the non-recurrent commitment was exhausted in 2010-2011.

4. A summary of the results of the work of InvestHK provided by the Administration for the period from 2000 to 2010 is in **Appendix I**.

Previous discussions

Panel on Commerce and Industry

5. The Panel on Commerce and Industry (the Panel) has discussed issues on the promotion of inward investment since April 2003, and expressed concern about the cost-effectiveness of the work of InvestHK. Panel members were concerned about the policy on Mainland promotion and the Administration's plan to strengthen the work of InvestHK in the promotion of overseas investment in Hong Kong.

6. At the Panel meeting on 18 January 2011, the Administration briefed members on the work of InvestHK in promoting inward investment in 2010 and the way forward for 2011. Some Panel members considered it necessary to explore other markets (such as Israel) in attracting foreign direct investment (FDI) instead of over-relying on the Mainland. These members also considered it necessary to attract FDI in the information technology (IT) sector including software development, cloud computing and the development of data centres. Noting that Singapore authorities had attracted some major companies to set up data centres in Singapore, whereas InvestHK could only attract relatively smaller ones to set up their centres in Hong Kong, these members urged the Administration to step up effort in attracting large flagship companies to invest in Hong Kong by providing incentives such as the provision of land. These members also suggested that Hong Kong

should take a proactive role in forging ties with Shenzhen and Guangzhou in developing data centres to enhance Hong Kong's competitiveness in the region.

7. The Administration advised that Invest HK had been reaching out to hi-technology companies in countries such as the United States and more recently in Israel where InvestHK had engaged a promotion consultant. Invest HK would continue to promote Hong Kong as a prime location for data centres in the Asia Pacific region, and to provide customized services to interested data centre investors from the Mainland and overseas. At the Panel's request, the Administration had provided in August 2011 supplementary information on the progress in attracting FDI in the IT sector, details of which are set out in **Appendix II**.

8. Some Panel members opined that different government bureaux/departments should co-operate to address issues which cut across different policy areas, such as the provision of affordable land for attracting FDI in the environmental industry. The Administration advised that InvestHK had been playing an increasing role of advocacy and worked with various government departments/bureaux to provide the various types of support to existing and potential investors. The Administration would provide information on examples of and its responses to the proposals to attract FDI put forward by the international business community in its next report to the Panel.

9. Some Panel members urged the Administration to provide more incentives to attract FDI in green technology, especially waste recycling, and to explore the development of eco-technology such as water treatment technology. According to InvestHK, the focus of overseas promotional campaign for 2011 would be on green technology and a substantial part of the expansion of the Hong Kong Science Park would be devoted to the hosting of green technology companies. InvestHK also marketed the EcoPark as a project for FDI in recycling and environmental industry.

Special Finance Committee meeting

10. At the special FC meeting to examine the Estimates of Expenditure 2011-2012 on 21 March 2011, some Members pointed out that the Administration should not be complacent as Hong Kong was losing its competitive edge, whilst Hong Kong's neighbouring economies were offering an array of incentives for foreign investors to set up regional bases in their countries. These Members asked about the measures put in place in attracting inward investment to maintain Hong Kong's competitiveness.

11. The Administration advised that InvestHK aimed 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. Hong Kong had its advantages in terms of its geographical location and competitive tax regime. Hong Kong was also attractive to foreign companies which wished to set up operations covering the entire East Asian region.

Latest position

12. The Administration will brief the Panel on 21 February 2012 on the work of InvestHK in promoting inward investment in 2011 and the way forward.

Relevant papers

13. A list of relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
15 February 2012

Summary of Results of the Work of InvestHK

	No. of projects completed*	Jobs created within the first year [#]	Jobs created/to be created within the first two years [#]	Investment amount (\$ million) [#]
2000 (Jul – Dec)	35	347	347	506
2001	99	1 504	1 504	3,500
2002	117	2 075	2 075	1,360
2003	142	2 456	7 634	2,493
2004	205	3 008	7 696	4,658
2005	232	2 517	7 924	8,895
2006	246	3 092	7 835	10,243
2007	253	3 130	8 134	8,387
2008	257	2 450	7 881	4,608
2009	265	2 711	6 033	4,360
2010	284	3 063	5 926	8,130

* *The figures 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.

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.

Invest Hong Kong
Commerce and Economic Development Bureau
August 2011

List of relevant papers

Committee	Paper	LC Paper No.
Meeting of Panel on Commerce and Industry (CI Panel) on 14 April 2003	Administration's paper : "Briefing on measures to enhance investment promotion" Minutes of meeting	CB(1)1410/02-03(03) CB(1)1823/02-03
Meeting of CI Panel on 8 March 2004	Administration's paper : "Briefing on the work of Invest Hong Kong" Minutes of meeting	CB(1)1191/03-04(03) CB(1)1688/03-04
Meeting of CI Panel on 17 May 2005	Administration's paper : "Promotion of Inward Investment" Background brief on "Work of Invest Hong Kong" Minutes of meeting	CB(1)1496/04-05(05) CB(1)1498/04-05 CB(1)1794/04-05
Meeting of CI Panel on 18 April 2006	Administration's paper : "Promotion of Inward Investment" Minutes of meeting	CB(1)1287/05-06(03) CB(1)1463/05-06
Meeting of CI Panel on 13 February 2007	Administration's paper : "Promotion of Inward Investment" Minutes of meeting	CB(1)905/06-07(05) CB(1)1089/06-07
Meeting of CI Panel on 18 December 2007	Administration's paper : "Promotion of Inward Investment" Background brief on "Promotion of Inward Investment" Minutes of meeting	CB(1)435/07-08(03) CB(1)435/07-08(04) CB(1)780/07-08
Meeting of CI Panel on 13 January 2009	Administration's paper : "Promotion of Inward Investment"	CB(1)520/08-09(09)

Committee	Paper	LC Paper No.
	Updated background brief on "Promotion of Inward Investment" Minutes of meeting	CB(1)520/08-09(10) CB(1)2176/08-09
Meeting of CI Panel on 19 January 2010	Administration's paper : "Promotion of Inward Investment" Updated background brief on "Promotion of Inward Investment" Minutes of meeting Follow-up paper	CB(1)865/09-10(30) CB(1)865/09-10(31) CB(1)1570/09-10 CB(1)2768/09-10(01)
Meeting of CI Panel on 18 January 2011	Administration's paper : "Promotion of Inward Investment" Updated background brief on "Promotion of Inward Investment" Minutes of meeting Follow-up paper	CB(1)1050/10-11(03) CB(1)1050/10-11(04) CB(1)1529/10-11 CB(1)2931/10-11(01)
Special Finance Committee meeting on 21 March 2011	Minutes of meeting (Chapter V : Commerce, Industry and Tourism)	Report on the examination of the Estimates of Expenditure 2011-2012