

**For discussion
on 23 January 2013**

**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 2012 and outlines the way forward for 2013.

BACKGROUND

2. InvestHK's mission is to spearhead Hong Kong's efforts to attract and retain foreign direct investment (FDI). It prioritises its investment promotion work to support Government policy objectives, and 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 2012

Attracting Target Companies in Key Geographical Markets

3. InvestHK adopts a sector-focused and market-oriented approach to proactively reach out to companies in target sectors in key geographical markets. The Head Office of InvestHK works closely with InvestHK's representatives in 27 global locations to identify and attract investment from target companies. The external promotion units of InvestHK, including 14 investment promotion units (IPUs) based in the Hong Kong Economic and Trade Offices (ETOs), the Hong Kong Economic, Trade and Cultural Office (ETCO) in Taipei and the Beijing Office, as well as 13 overseas consultants in locations not covered by the IPUs, are listed at **Annex**.

4. Through its global network, InvestHK conducted over 5 500 meetings with target companies in various overseas and Mainland markets in 2012, with the objective of encouraging them to tap 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 support services to companies throughout their planning and implementation process. InvestHK also reaches out to strategic multinational companies which have already established their presence in Hong Kong to provide them with ongoing aftercare support, as well as to encourage them to expand their business operations and locate their global or regional headquarters in Hong Kong.

Attracting Companies in Priority Sectors to Support Government's Policy Objectives

5. In launching the sector-specific investment promotion programmes and activities, InvestHK has been collaborating closely with relevant bureaux and departments and other supporting organisations to support Government's policy directions and objectives. In 2012, InvestHK continued to accord priority to promoting the business opportunities in sectors and industries where Hong Kong has competitive edge, including in particular financial services, innovation and technology and creative industries sectors.

6. In collaboration with the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority (HKMA) as well as the Securities and Futures Commission (SFC), InvestHK has continued to launch integrated marketing campaigns in key financial markets to promote Hong Kong as China's global financial centre. The events concerned included road shows held in the US in March 2012 and in Switzerland in November 2012, attracting more than 800 senior executives from the financial services and business sectors. InvestHK has also actively participated in the Asian Financial Forum organised by the Hong Kong Trade Development Council (HKTDC) in Hong Kong. Furthermore, InvestHK also collaborated with the Hong Kong Stock Exchange in organising seminars in Chongqing in January 2012 and Changsha in August 2012, with a view to promoting Hong Kong as an ideal fund raising platform for Mainland companies.

7. To showcase Hong Kong as an innovation and technology hub and attract research and development (R&D) functions, InvestHK has organised overseas and local joint seminars together with Hong Kong Science and Technology Parks Corporation (HKSTPC), Innovation and Technology

Commission (ITC), Cyberport and Office of the Government Chief Information Officer (OGCIO). A joint visit with ITC and HKSTPC to Zurich and a joint business luncheon with Cyberport in Silicon Valley were also held in September and October 2012 respectively to promote the advantages of Hong Kong's business environment and its strengths in R&D functions for technology companies. InvestHK also held seminars in Mainland cities such as Wuhan, Guangzhou, Dongguan in March 2012 and Xian in June 2012, in partnership with the Mainland authorities, to promote Hong Kong as a platform for innovation and technology companies from the Mainland to go global.

8. To sustain the momentum in showcasing Hong Kong's position as an art and creative industries hub of the region, InvestHK has been working closely with HKTDC, Cyberport, CreateHK and Hong Kong Design Centre to organise relevant promotional events. In August 2012, InvestHK co-organised a seminar to highlight the brand building expertise of Hong Kong in partnership with HKTDC in Hangzhou as part of the "SmartHK" programme. The event has attracted over 500 participants. InvestHK also conducted a seminar in Taipei in July 2012 to promote Hong Kong's business opportunities for design companies from Taiwan. Through sponsoring the "Art Hong Kong" in May 2012 and the "Fine Art Asia" in October 2012, InvestHK has reached out to a diverse range of overseas art galleries which have the interest and potential in setting up operations in Hong Kong.

9. During the year, InvestHK has also continued to organise sector-specific events locally as an integral part of its aftercare support services. These events aimed to update companies on the developments in the priority sectors and provide them with networking opportunities.

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

10. Apart from continuing its effort in attracting investment from developed markets such as the US and Europe, InvestHK also attaches great importance to attracting more companies from the Mainland, Taiwan and key emerging markets to set up or expand business in Hong Kong, and to encouraging Mainland companies to make use of Hong Kong as a platform to go global.

(a) Mainland

11. The Mainland continues to be a priority market for InvestHK and remains the largest source for its investment projects. InvestHK has also stepped up its efforts in promoting Hong Kong as an ideal platform for Mainland companies to expand their business internationally. These efforts include -

- (i) continuing with the marketing campaign in high-growth Mainland cities such as Taiyuan, Tangshan, Nanchang, Shanghai, Changsha, Hangzhou, Hohhot, Chengdu and Xiamen, to promote Hong Kong as an ideal platform for Mainland companies to go global;
- (ii) partnering with relevant local authorities such as the provincial/municipal bureaux of commerce as well as the local industrial and commercial organisations to conduct sector-specific seminars in financial services, innovation and technology, logistics and design sectors;
- (iii) organising a large scale Going Global Seminar in Hong Kong in collaboration with the Liaison Office of the Central People's Government and the Ministry of Commerce, as well as the Consulate Generals of UK, US, Canada, Australia and New Zealand to highlight the pivotal role of Hong Kong as a platform for Mainland companies to go global, leveraging on Hong Kong's full spectrum of professional services;
- (iv) organising study missions and briefings for forty-six incoming delegations from the Mainland on Hong Kong's investment environment;
- (v) partnering with HKTDC and other supporting organisations to participate in major trade fairs and conferences held on the Mainland, including the first China International Fair for Trade in Services in Beijing, the SmartHK in Hangzhou, the China Eurasia Expo in Urumqi, the Pan-PRD Forum in Haikou, and the China International Fair for Investment and Trade in Xiamen; and
- (vi) organising joint seminars in partnership with the Guangdong, Zhuhai and Guangzhou authorities in overseas cities such as Seoul, Moscow and Bristol to promote the combined advantages offered

by the economic integration of Hong Kong and the Pearl River Delta region.

12. Up to the end of 2012, InvestHK has assisted over 450 Mainland companies in setting up their business operations in Hong Kong. In 2012, InvestHK completed 62 projects related to Mainland companies, representing around 20% of the total number of completed projects during the year.

(b) Taiwan

13. In 2012, InvestHK continued to step up its promotion efforts through its IPU at the ETCO in Taipei to attract more inward investment from Taiwan. InvestHK has also further strengthened partnership with the Taiwan business community through organising seminars and conducting company visits in various Taiwan cities.

14. In July 2012, InvestHK conducted a seminar in partnership with three different Taiwan design associations in Taipei to promote the business opportunities in the creative industries sector of Hong Kong. The seminar was well received and attracted over 160 participants from various companies.

(c) Emerging markets

15. InvestHK has continued its investment promotion work in the key emerging markets, including Southeast Asia, Russia, India, South America and the Middle East. A joint promotion event in partnership with Zhuhai was held in Moscow in August 2012. A business seminar was also held in Bangkok in November 2012. The two events attracted over 300 business executives. In addition, InvestHK has conducted various investment promotion visits during the year to meet with multinational companies in major cities of the emerging markets, including Sao Paulo, Lima, Mumbai, Moscow, Tel Aviv, Doha, Kuwait City, Kuala Lumpur, Jakarta and Bangkok. InvestHK also ran two local receptions for the Latin American and ASEAN business communities in May and September 2012 respectively.

16. To enhance the promotion efforts in South America and the Middle East, InvestHK has also strengthened its representation in the two regions by recruiting a consultant based in Sao Paulo in January 2012 and engaging a consultant based in Abu Dhabi of the United Arab Emirates in July 2012.

Corporate Marketing and Communications

17. In the face of growing competition from neighbouring economies, InvestHK has continued to adopt an integrated marketing communications strategy, through advertising, public relations, as well as events and publications to position Hong Kong as a leading international business location.

18. Apart from organising various sector-focused events held locally and overseas, InvestHK has also participated in major international and regional business forums. In 2012, InvestHK sponsored a series of major events including the Private Equity Forum, the Digital Matters and Music Matters, the Cable and Satellite Broadcasting Association of Asia Convention, the Air Cargo Forum, the World SME Expo, as well as the Business of Design Week. These events have helped raise the profile of Hong Kong, identify potential company leads and offer aftercare support to overseas companies already set up in Hong Kong.

Achievements of InvestHK

(a) Projects completed and job creation

19. Since its establishment in 2000, InvestHK has completed over 2 700 investment 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 32 000 jobs in the first year of operation or expansion of the companies.

20. In 2012, InvestHK completed a record number of 316 projects, more than tripled the number of 99 projects completed in 2001. These projects involved direct investment of more than \$7.6 billion and created over 2 900 jobs within the first year of operation or expansion of the companies. The results of InvestHK's work in recent years are summarised below -

	2008	2009	2010	2011	2012
No. of projects completed*	257	265	284	303	316
Jobs created within the first year#	2 450	2 711	3 063	2 716	2 937

* 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. These 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 of the companies were willing to disclose the data.

(b) Hong Kong as an ideal destination for FDI and regional operations

21. With Hong Kong’s position in the heart of Asia and as a two-way platform for business between Mainland China and the rest of the world, it continues to be a preferred destination for FDI. According to the World Investment Report 2012 released by the United Nations Conference on Trade and Development (UNCTAD), Hong Kong was the fourth largest FDI recipient in the world in 2011, and the second in Asia after Mainland China. The ratio of the stock of inward direct investment to Hong Kong’s GDP stood at 433% in 2011, reflecting Hong Kong’s status as a leading business hub.

22. Hong Kong continues to be an attractive business destination for companies to base their operations in Asia. According to the results of the *2012 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 home to a record number of 7 250 overseas, Mainland and Taiwan companies as of June 2012. This figure represented an increase of around 4.3% when compared with the figure in 2011. Together, these companies engaged some 388 000 persons, representing around 11% of Hong Kong’s overall employment. Of these companies, 3 883 served as regional headquarters or regional offices, underlining investors’ preference for Hong Kong as a base in Asia to oversee their global or regional operations.

NEXT STEPS

23. Looking ahead, InvestHK will continue its investment promotion efforts in attracting companies to set up or expand their business in Hong Kong, with particular focus on the Mainland, Taiwan and key emerging markets.

24. InvestHK will continue to target and attract overseas and Mainland companies in the priority sectors to Hong Kong through its global network of IPUs and overseas consultants, with an emphasis on the financial services, creative industries as well as innovation and technology sectors. For example, InvestHK is planning a series of events to promote Hong Kong as China's global financial centre in Southeast Asia and Korea in collaboration with FSTB, HKMA and SFC. Promotion events targeting the innovation and technology sector (including the biotechnology sector) will also be held in the Mainland and Taiwan.

25. InvestHK will also continue its efforts in promoting Hong Kong as an ideal platform for Mainland companies to go global and expand their business overseas. In 2013, InvestHK will continue to work closely with the Ministry of Commerce and its representative office in Hong Kong in organising seminars, targeting the fast-growing cities in the inland and coastal provinces. InvestHK will also launch advertising programmes in the Mainland, with particular focus on its one-to-one services that could be provided to companies.

26. With the support of the IPU in the ETCO in Taipei, InvestHK will further enhance its promotion efforts in Taiwan, including fostering closer liaison with the Taiwan business community through investment promotion visits, meetings and events.

27. Furthermore, InvestHK will continue to strengthen cooperation and forge closer partnership with other organisations responsible for promoting Hong Kong overseas, including the ETOs, HKTDC, Hong Kong Tourism Board, Cyberport, HKSTPC and CreateHK, etc., through regular meetings and joint promotion campaigns. The closer cooperation and partnership will help maximise the effort and impact of promoting Hong Kong's key advantages as a leading international business hub.

28. Locally, InvestHK will work closely with the representatives of the overseas business community in Hong Kong, including the chambers of

commerce and consulate generals. InvestHK will also strengthen its efforts to provide ongoing aftercare support to strategic multinational companies to encourage them to expand their business and locate their regional/global headquarters and other strategic functions such as R&D and treasury management functions in Hong Kong.

29. It should be noted that the sovereign debt crisis in Europe remains a threat to the global economy. Despite the challenges ahead, with Hong Kong's sound fundamentals which continue to underpin its competitiveness as a global financial centre and its unique position as a platform to access opportunities on the Mainland, we hope to see a sustained increase in the number of companies setting up in Hong Kong. Having regard to the current trend of potential investment projects, InvestHK aims to further increase its target of completed projects from 310 in 2012 to 330 in 2013.

ADVICE SOUGHT

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

InvestHK
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 (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, Czech Republic, Hungary, Poland, Slovak Republic, Slovenia and Switzerland	Based in Berlin ETO
	Paris	France	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 and Commonwealth of Independent States	Consultant Company
	Asia/ Australasia	Tokyo	East Japan
Osaka		West Japan	Consultant Company
Singapore		Singapore	Based in Singapore ETO
Kuala Lumpur		ASEAN countries (excluding Singapore)	Consultant Company
Seoul		Korea	Consultant Company
Mumbai		India	Consultant Company
Istanbul		Turkey	Consultant Company
Sydney		Australia and New Zealand	Based in Sydney ETO

<u>Region</u>	<u>Office Location</u>	<u>Area Covered</u>	<u>Remarks</u>
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	Based in Taipei HKETCO
Middle East and North Africa	Abu Dhabi	Middle East (Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen), and North Africa (Algeria, Egypt, Libya, Morocco, Tunisia)	Consultant Company
	Jerusalem	Israel	Consultant Company