

# 立法會 *Legislative Council*

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## **Panel on Commerce and Industry**

**Meeting on 16 February 2016**

### **Updated background brief on promotion of inward investment**

#### **Purpose**

This paper provides background information on and the work progress of Invest Hong Kong ("InvestHK") in promoting inward investment in 2014. It also provides a summary of views and concerns expressed by members of the Panel on Commerce and Industry ("the Panel") during previous discussions on the subject.

#### **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 following the Asian financial crisis. Established in July 2000, InvestHK<sup>1</sup> provides institutional support to spearhead the work of attracting inward direct investment and improve Hong Kong's investment environment, in particular, for promoting the growth of multinational business activities. InvestHK prioritizes its investment promotion work to support Government policy objectives, and adopts a sector-focused and market-oriented approach to proactively identify and reach out to companies in target sectors in key geographical markets.

3. In 2014, InvestHK has representatives in 29 global locations, including 15 investment promotion units ("IPUs") based in the Hong Kong Economic and Trade Offices in the Mainland and overseas, the Hong Kong Economic, Trade and Cultural Office in Taipei and the Beijing Office, as well as 14 overseas consultants in locations not covered by the IPUs. A list of InvestHK's external promotion

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<sup>1</sup> Currently headed by Mr Simon GALPIN, Director-General of Investment Promotion, InvestHK is a government department which is one of the executive arms of the Commerce and Economic Development Bureau.

units in 2014 is in **Appendix I**. A summary of the results of InvestHK's work provided by the Administration from 2000 to 2014 is tabulated in **Appendix II**.

4. The Administration advised at the Panel meeting on 10 February 2015 that in 2015, InvestHK would aim to complete 370 projects and continue to accord priority to attracting targeted companies from emerging markets like the Association of South East Asian Nations ("ASEAN") and Latin America to set up or expand their business operations in Hong Kong.

### **Discussions by the Panel**

5. The Panel has been keeping a close watch on how relevant Government policies contribute to achieving the strategies on promoting inward investment to ensure that Hong Kong stays competitive in attracting foreign direct investment to drive economic growth, spur innovation and technology, and create jobs. The major concerns expressed by members are summarised in the ensuing paragraphs.

#### Strategies on promoting inward investment

6. Members called for closer collaboration among InvestHK, the relevant government bureaux and departments, and organizations such as the Hong Kong Trade Development Council and the Hong Kong Tourism Board to promote business opportunities in sectors where Hong Kong had a competitive edge, including financial services, innovation and technology, testing and certification services, green technology and creative industry sectors.

7. Members were concerned that many multinational technology companies had chosen to expand their business in other Asian economies where favourable investment incentives were offered. To avoid losing out to neighbouring competitors, members urged the Administration to consider introducing incentives, e.g. tax concessions, to attract high-growth and scalable technology companies from abroad to set up operations in Hong Kong. The Administration was also advised to formulate measures to attract more venture capital firms and angel investors to set up businesses in Hong Kong. While acknowledging the tremendous competitions from other economies, InvestHK responded that priority was given to attracting companies from information and communications technology ("ICT") and financial technology, and pointed out that it had assisted some large ICT companies to set up research and development base in Hong Kong in 2014.

8. Some members enquired about the Administration's initiatives to support overseas and local start-up entrepreneurs. InvestHK advised that it had introduced overseas start-ups to the co-work spaces or incubation programmes operated by the private sector or public sector, such as the Hong Kong Science and

Technology Parks Corporation and the Cyberport. As for the assistance to local start-up entrepreneurs, the Administration advised that to cater for innovation and technology start-ups, an interactive portal to pool stakeholders in the start-up ecosystem to promote inventions and innovations and attract funding would be launched in due course.

9. As a measure to attract inward investment, members saw it important for the Administration to render sufficient aftercare support services to overseas companies, especially in the recruitment of professionals, specialist staff and local talents. According to InvestHK, one-to-one support services ranging from advice on salary level to employment visa application were provided to overseas companies throughout their planning and implementation process to invest in Hong Kong. InvestHK would continue to provide ongoing aftercare services, e.g. arranging networking events, to foreign companies already established in Hong Kong to facilitate their growth of business in Hong Kong.

10. While in support of continual effort in promoting Hong Kong as an ideal platform for Mainland companies to "go global", some members expressed concern on whether organising joint overseas investment promotion activities with Mainland cities would undermine Hong Kong's role as an intermediary for Mainland companies, and whether Hong Kong and Mainland cities would compete with each other when attracting foreign direct investment.

11. To maintain Hong Kong's competitiveness, some members were of the view that the Administration should devise an open and fair mechanism to provide sufficient incentives for potential investors and avoid the transfer of benefits to any specific private companies. InvestHK stated that Hong Kong was committed to providing a level playing field for all companies, and that the rule of law and a relatively simple and low tax regime were the fundamental strengths of Hong Kong.

#### InvestHK's completed projects

12. Noting that a number of InvestHK's completed projects were related to Mainland companies and that the Mainland market would remain the target of future investment promotion efforts, some members enquired whether InvestHK would focus on any member countries of the ASEAN. InvestHK was also requested to include the breakdown of the completed projects by different sectors and industries in the next report to the Panel. InvestHK replied that it would step up investment promotion efforts in ASEAN countries with rising potential investors, such as Malaysia, Indonesia, Thailand and the Philippines.

### Effectiveness of investment promotion work

13. To monitor the effectiveness of promotion efforts, members suggested that InvestHK should keep track of the business development of the companies newly established in Hong Kong to collect follow-up information, such as subsequent business expansion, additional number of jobs created, and post-start-up investment during their initial three to five years of operation in Hong Kong.

14. With a vast geographical area under the purview of overseas IPUs, some members were concerned that InvestHK might not have sufficient manpower to effectively take forward the investment promotion work, and advised InvestHK to consider engaging industry stakeholders in its promotion work to give first-hand information on the business environment of related industries in Hong Kong to overseas companies. The Administration responded that InvestHK had been working in partnership with the private sector to engage professional support in its promotion work, an example of which was Investment Promotion Ambassadors. Some prominent business leaders were engaged to serve as mentors to potential overseas investors who aspired to set up their business base in Hong Kong. In addition, local service providers were also invited to attend seminars in the Mainland to provide advice and support for potential investors.

### Concerns of foreign investors

15. To meet the pressing demand by foreign investors for sufficient international school places, members suggested the Administration to give priority to non-local students in admission to international schools and increase the intake ratio of non-local students for new international schools. Closer coordination among various government bureaux and departments was also called for to resolve the problem. The Administration advised that the international business community's concern had been relayed to the Education Bureau. Also, InvestHK had assigned a dedicated team to assist overseas education institutions to set up international schools in Hong Kong and advise local international schools on expansion plans.

16. Members expressed that rising business operation costs caused by the high rental and acquisition costs of office accommodation remained the concern of some overseas companies and urged the Administration to tackle the problem. InvestHK responded that effort had been made to explain to overseas companies that Hong Kong offered a wide range of office accommodation options at different price levels. Co-work spaces and incubators in different locations were also available to start-ups.

### Other related concerns

17. Members also urged the Administration to take note of the concerns about a strong Hong Kong dollar, the impact of the occupy movement on transport, tourism and socio-economic situation of Hong Kong, as well as frequent policy changes, all of which might discourage inward investment. The Administration noted that a strong Hong Kong dollar pegged to the US dollar might be a challenge in attracting foreign inward investment but it remained cautiously optimistic about meeting the annual target of projects to be completed in 2015.

### **Latest position**

18. The Administration will update the Panel on 16 February 2016 on the work of InvestHK in 2015 and outline the way forward for 2016.

### **Relevant papers**

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

## InvestHK's external promotion units in 2014

<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
Central America South America	Tijuana	Central America and Mexico	Consultant Company
	Bogota	South America (except Brazil)	Consultant Company
	Sao Paulo	Brazil	Consultant Company
Europe	Berlin	Austria, Germany, Czech Republic, Hungary, Poland, Slovak Republic, Slovenia and Switzerland	Based in Berlin ETO
	Brussels	Belgium, Bulgaria, Croatia, Cyprus, Greece, Ireland, Luxembourg, Malta, the Netherlands, Portugal, Romania and Spain	Based in Brussels ETO
	Gothenburg	Nordics (Denmark, Finland, Iceland, Norway and Sweden)	Consultant Company
	Istanbul	Turkey	Consultant Company
	London	UK	Based in London ETO
	Milan	Italy	Consultant Company
	Moscow	Russia and Commonwealth of Independent States (Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan) and the Baltic States (Estonia, Latvia, and Lithuania)	Consultant Company
	Paris	France	Consultant Company
	Asia/ Australasia	Kuala Lumpur	Malaysia and Indonesia
Mumbai		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>
	Osaka	West Japan	Consultant Company
	Seoul	Korea	Consultant Company
	Singapore	ASEAN (except Malaysia and Indonesia)	Based in Singapore ETO
	Sydney	Australia and New Zealand	Based in Sydney ETO
	Tokyo	East Japan	Based in Tokyo ETO
Mainland and Taiwan	Beijing	Beijing, Tianjin, Hebei, Liaoning, Heilongjiang, Jilin, Gansu, Qinghai, Xinjiang, Ningxia and Inner Mongolia	Based in Beijing Office
	Chengdu	Chongqing, Sichuan, Guizhou, Xizang (Tibet), Shaanxi and Qinghai	Based in Chengdu ETO
	Guangzhou	Guangdong, Fujian, Guangxi, Hainan and Yunnan	Based in Guangdong ETO
	Shanghai	Shanghai, Jiangsu, Zhejiang, Anhui and Shandong	Based in Shanghai ETO
	Wuhan	Hubei, Hunan, Henan, Jiangxi and Shanxi	Based in Wuhan 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

[Source: Annex of the Administration's paper on "Promotion of inward investment" for the meeting of the Panel on Commerce and Industry on 10 February 2015 ([LC Paper No. CB\(1\)512/14-15\(03\)](#)).]

Summary of results of InvestHK's work<sup>^</sup>

Year	No. of projects completed*	Jobs created within the first year <sup>#</sup>	Investment amount (\$ million)
<b>2000</b> (Jul – Dec)	35	347	506
<b>2001</b>	99	1 504	3,500
<b>2002</b>	117	2 075	1,360
<b>2003</b>	142	2 456	2,493
<b>2004</b>	205	3 008	4,658
<b>2005</b>	232	2 517	8,895
<b>2006</b>	246	3 092	10,243
<b>2007</b>	253	3 130	8,387
<b>2008</b>	257	2 450	4,608
<b>2009</b>	265	2 711	4,360
<b>2010</b>	284	3 063	8,130
<b>2011</b>	303	2 716	5,060
<b>2012</b>	316	2 937	over 7,600
<b>2013</b>	337	2 897	over 12,500
<b>2014</b>	355	2 681	over 8,900

<sup>^</sup> Compiled from Administration's papers and website of Invest Hong Kong (<http://www.investhk.gov.hk>).

\* A completed project refers to one where an overseas, a Mainland or Taiwan company has established a presence or undergone a significant expansion in Hong Kong. The figures represent companies assisted by InvestHK, and do not include companies set up in Hong Kong without such assistance.

<sup>#</sup> As reported by the companies assisted by InvestHK themselves. Not all are willing to disclose the data.



## Promotion of inward investment

## List of relevant papers

Date of meeting	Meeting	Papers
21/2/2012	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)1077/11-12(03))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)1077/11-12(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1547/11-12)</a></p> <p>Administration's follow-up paper  <a href="#">(LC Paper No. CB(1)1879/11-12(01))</a></p>
23/1/2013	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)436/12-13(05))</a></p> <p>Updated background prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)436/12-13(06))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)694/12-13)</a></p>
18/3/2014	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)1072-13-14(03))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)1072/13-14(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)1418/13-14)</a></p> <p>Administration's follow-up paper  <a href="#">(LC Paper No. CB(1)2023/13-14(01))</a></p>

Date of meeting	Meeting	Papers
10/2/2015	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)512/14-15(03))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)512/14-15(04))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)730/14-15)</a></p>