

**For discussion
on 20 June 2017**

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

Promotion of Inward Investment

PURPOSE

This paper briefs Members on the work of Invest Hong Kong (“InvestHK”) in 2016 and outlines its work plan for 2017-18.

BACKGROUND

2. InvestHK’s mission is to attract and retain foreign direct investment (“FDI”) and to promote Hong Kong as a leading international business hub. It prioritises investment promotion work to support Government’s policy objectives, and to encourage and assist overseas, Mainland and Taiwan companies to set up or expand their business operations in Hong Kong.

MAJOR ACTIVITIES AND RESULTS IN 2016

Attracting Target Companies in Key Geographical Markets

3. InvestHK proactively identifies and reaches out to companies in target sectors in key geographical markets. The Head Office of InvestHK works together with its 15 investment promotion units (“IPUs”) based in the Hong Kong Economic and Trade Offices (“ETOs”), the Beijing Office, the Hong Kong Economic, Trade and Cultural Office (“ETCO”) in Taipei, and 15 overseas consultants in key locations not covered by IPUs to attract investment from target companies. A list of InvestHK’s external promotion units is at [Annex A](#).

4. Through its global network, InvestHK conducted around 7 500 meetings with target companies in overseas, Mainland and Taiwan markets in 2016.

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

5. InvestHK collaborates closely with relevant bureaux and departments to support Government's policy objectives. In 2016, InvestHK accorded priority to promote business opportunities in the financial services, information and communications technology, and transport and logistics sectors.

6. To promote Hong Kong as a major asset management centre and investment platform in Asia-Pacific, InvestHK conducted in 2016 investment promotion visits in key markets such as Beijing, Berlin, London, Oslo and Stockholm. Through participating in and sponsoring international events, InvestHK reaches out to a diverse range of financial companies with the potential and interest in setting up in Hong Kong.

7. Following amendments¹ to the Inland Revenue Ordinance in June 2016 to encourage a greater level of corporate treasury activities, InvestHK stepped up efforts in promoting the latest policy to overseas and Mainland enterprises. To encourage more Mainland enterprises to establish their corporate treasury centres ("CTCs") in Hong Kong, InvestHK together with the Hong Kong Monetary Authority ("HKMA") organised seminars in Beijing and Hong Kong in October and November 2016 respectively. In addition, InvestHK and HKMA jointly published a case study booklet on a wide spectrum of corporate treasury activities being conducted in Hong Kong across different industries.

8. To showcase the strengths of Hong Kong as an information and communications technology hub, InvestHK worked with the Hong Kong Science and Technology Parks Corporation ("HKSTPC"), Cyberport and other organisations to organise and participate in various overseas and local events. For example, InvestHK partnered with the HKSTPC to participate in the Mobile World Congress in Barcelona in February 2016 and the TechCrunch Disrupt in San Francisco in September 2016. InvestHK also joined Cyberport to participate in the FinovateSpring 2016 in San Jose and Wearable World Congress in Santa Clara in May 2016.

¹ The Inland Revenue Ordinance was amended in June 2016 to allow, under specified conditions, the deduction of interest expenses in calculating profits tax for the intra-group financing business of corporations, and reduce profits tax for specified treasury activities by 50% (i.e. from 16.5% to 8.25%) for qualifying corporate treasury centres.

9. To enhance Hong Kong's status as an international maritime centre and, in particular, to spur further growth of the maritime services cluster, InvestHK worked closely with the Transport and Housing Bureau and the Hong Kong Maritime and Port Board through participating in and supporting high-profile international maritime events. For instance, InvestHK joined the Secretary for Transport and Housing's visit to Greece in June 2016 to promote Hong Kong's maritime services. InvestHK also organised business seminars on maritime in Singapore and Ningbo in July 2016 and January 2017 respectively to reach out to a diverse range of maritime companies based in those locations.

Investment Promotion Efforts in the Mainland and Emerging Markets

10. Apart from continuing its promotion efforts in attracting investment from developed markets such as the United States ("US") and Europe, InvestHK also places particular emphasis on attracting more companies from the Mainland and key emerging markets to invest in Hong Kong.

(a) The Mainland

11. To further capture the market potential in the central and western parts of the Mainland, InvestHK enhanced the staffing in its Wuhan IPU in April 2016. In collaboration with Mainland authorities and business associations, InvestHK continues its efforts in promoting Hong Kong's role as a platform for Mainland companies to "go global", leveraging on Hong Kong's full spectrum of business advantages. Specifically, InvestHK –

- (i) partners with relevant Mainland authorities such as provincial or municipal departments of commerce and Mainland industrial and commercial organisations to conduct investment promotion seminars in the Mainland, with a view to introducing to the business sector there the competitive edges of Hong Kong. In 2016, such seminars were held in major Mainland cities including Beijing, Xian, Tianjin, Chongqing, Xiamen, Wuhan, Changzhou and Baotou;
- (ii) partners with the Hong Kong Trade Development Council ("HKTDC") and other organisations to participate in major trade fairs and conferences held in the Mainland, such as the China International Fair for Investment and Trade in Xiamen; and

- (iii) organises and receives Mainland delegations to Hong Kong to help them understand more about Hong Kong’s investment environment. In 2016, InvestHK arranged two study missions for over 100 senior Mainland business executives to visit Hong Kong and conducted briefing sessions for around 40 incoming Mainland delegations.

(b) Emerging Markets

12. To better seize business opportunities arising from emerging markets such as Thailand and Israel, InvestHK has engaged a consultant in Bangkok since April 2016 and increased the consultancy days of the consultant based in Jerusalem to strengthen its investment promotion efforts. InvestHK also conducted seminars in economies along the Belt and Road (including the United Arab Emirates, Israel, India and Malaysia) to promote the business advantages of Hong Kong.

13. In addition, InvestHK signed a Memorandum of Understanding (“MOU”) with the Investment Coordinating Board of the Republic of Indonesia and the Korea Trade-Investment Promotion Agency in May 2016 and April 2017 respectively to enhance mutual co-operation on investment promotion exchanges and best practices.

Attracting Start-up Entrepreneurs and Financial Technology (“fintech”) Companies to Hong Kong

14. InvestHK continued its promotional efforts to start-ups and related stakeholders in 2016 under the StartmeupHK initiative. In January 2017, the week-long StartmeupHK Festival was held with a series of thematic conferences and pitching events covering areas in which Hong Kong has a distinct competitive advantage, such as fintech, smart city and Internet of things, health technology as well as retail and fashion technologies. The Festival attracted over 5 000 participants.

15. A dedicated fintech team was set up in September 2016 in InvestHK to appeal to overseas and Mainland fintech enterprises, investors as well as research and development (“R&D”) institutions to establish a presence in Hong Kong. To showcase Hong Kong’s unique advantages in developing fintech, the first Fintech Week was held in Hong Kong in November 2016, where various

activities such as pitching sessions, demonstrations, seminars, workshops and networking events were organised, attracting around 2 500 participants.

16. Apart from hosting major events, InvestHK also actively reached out to start-up and fintech communities overseas through attendance and sponsorship of international events, such as Paris Fintech Forum, Innovate Finance Global Summit. Since the establishment of fintech team in September 2016, InvestHK has provided assistance to around 40 fintech start-ups. InvestHK has also engaged with fintech companies and communities in Australia, Europe, the Mainland, South America and the US.

17. To track the growth of the start-up ecosystem, InvestHK conducted its third survey in 2016 to poll operators of major co-work spaces, incubators and accelerators in Hong Kong. The results showed that as at mid-2016, a total of 1 926 start-ups were operating in these premises, representing an increase of 24% (or 368 start-ups) over the past year. The number of people employed by start-ups also increased by 41% to 5 229.

Corporate Marketing and Communications

18. InvestHK adopts an integrated marketing communications strategy, through advertising, social media, public relations, as well as events and publications to position Hong Kong as a prime international business location.

19. In 2016, InvestHK sponsored and participated in a series of major international events and regional business forums, such as the Art Basel, Lloyd's List Business Briefing, HOFEX, Mines & Money, Super Return China, World FinTech Forum, 15th Asia-Pacific Conference of German Business, Cosmoprof, World SME Expo, "Think Asia, Think Hong Kong", RISE Hong Kong, etc., to identify potential investors and to promote the advantages of investing in Hong Kong as well as the supporting services available for prospective investors.

Results in 2016

(a) Projects completed and jobs created

20. Since its establishment in 2000, InvestHK has completed over 4 210 investment projects, supporting companies from overseas, Mainland and Taiwan to set up or expand their business operations in Hong Kong. These projects

have created more than 45 100 jobs in the first year of operation or expansion of the companies.

21. In 2016, InvestHK completed a record number of 391 projects. These projects involved direct investment of more than \$16.3 billion and were able to create over 3 900 jobs within the first year of operation or expansion of the companies. The results of InvestHK’s work in the past three years are summarised below –

	2014	2015	2016
No. of projects completed*	355	375	391
Jobs to be created within the first year#	2 681	3 641	3 968

* 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.

A breakdown of completed projects by sector is at **Annex B**.

22. The Mainland remains the largest single source of investment projects of InvestHK. In 2016, InvestHK completed 82 projects related to Mainland companies, representing 21% of the total number of projects completed in the year. The total number of Mainland projects completed by InvestHK since 2000 stands over 750.

23. As a follow-up action to the previous discussion of the Legislative Council Panel on Commerce and Industry on 16 February 2016, InvestHK started to collect in mid-2016 information on the employment opportunities brought about by companies which have set up or expanded their business operations in Hong Kong, including the number and types of jobs created. Thus far, 90 companies (involving 972 jobs created within the first year of operation/expansion) were willing to provide the required information. Of these 972 jobs, 670 (or 69%) of them were reported by the companies concerned as top management and professional jobs.

24. In order to follow up with companies that InvestHK has assisted in setting up or expanding in Hong Kong, InvestHK contacted 616 companies in 2016 from the 1 067 projects completed by InvestHK between 2013 and 2015². Among the 616 contacted, 538 projects (or 87%) are still in operation. The number of staff employed by these companies at the time of contact was 9 980³.

(b) *Hong Kong as an ideal destination for FDI*

25. With Hong Kong's position in the heart of Asia and as a two-way platform for business between the Mainland and the rest of the world, Hong Kong continues to be a preferred destination for FDI. According to the *World Investment Report 2016* released by the United Nations Conference on Trade and Development, Hong Kong was the second largest FDI recipient in the world in 2015, only after the US but ahead of Mainland China. Partly as a result of some major corporate reconfiguration exercises, FDI inflow to Hong Kong increased by 53.5% from US\$114 billion in 2014 to US\$175 billion in 2015.

26. Hong Kong continues to be an attractive business destination for companies to have operations. According to the *2016 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 7 986 overseas, Mainland and Taiwan companies as of June 2016. Together, these 7 986 companies engaged some 435 000 persons, representing around 15% of the total number of persons engaged in major economic sectors in Hong Kong as of June 2016.

² InvestHK has an established programme to conduct aftercare contacts with investors who have previously been supported by InvestHK and other strategic multinational companies already set up in Hong Kong to keep track of their developments and to facilitate expansion of their businesses in Hong Kong. The first aftercare contacts will be conducted within 12 to 18 months after the completion of projects, while the second aftercare contacts will be conducted within 30 to 36 months after the completion of projects.

³ The figure excludes 56 companies that were unwilling to disclose the number of staff employed.

NEXT STEPS

27. In 2017-18, InvestHK will continue with its investment promotion efforts in attracting overseas, Mainland and Taiwan companies to set up or expand their business in Hong Kong.

Playing an Active Role in Major Initiatives

28. InvestHK will refine further the overall Hong Kong proposition to highlight Hong Kong's particular and unique strengths, and as an investment destination to capitalise on new business opportunities arising from initiatives such as the Belt and Road Initiative and the Guangdong-Hong Kong-Macao Greater Bay Area ("Bay Area").

(a) Belt and Road Initiative

29. A high priority will be placed on identifying and inviting specific Mainland/overseas investors in target sectors to "go global" by making use of Hong Kong as a base. The depth and breadth of expertise in Hong Kong to structure, design, build and finance Belt and Road Initiative projects is a major strength. Moreover, in sectors such as logistics, education, e-commerce and healthcare, where Hong Kong has clear advantages, new ventures can be established to capitalise on these emerging opportunities. InvestHK will work closely with key partners including the Belt and Road Office, Infrastructure Financing Facilitation Office of the HKMA, the ETOs and HKTDC on this.

(b) Bay Area

30. As the "global city" within the Bay Area, Hong Kong will have an enhanced role both for internationalising companies from the Mainland and for companies from the rest of the world which will want to access the opportunities of one of the most economically vibrant city clusters in the world.

Priority Sectors

31. InvestHK will continue to adopt a sector-focused approach in attracting overseas, Mainland and Taiwan companies in priority sectors where Hong Kong has a clear competitive edge through its global network of IPU's and overseas consultants. Specific priority sectors include financial services, transport and

logistics as well as innovation and technology. InvestHK will also continue to organise sector-focused receptions and sponsor major local and overseas events, with a view to promoting the business opportunities in these priority sectors.

32. In respect of fintech, InvestHK will continue efforts to showcase Hong Kong's unique advantages in developing fintech as well as providing Mainland and overseas fintech companies with a fertile ground to develop their applications and businesses. In addition to attracting more fintech enterprises, relevant organisations, investors and talents to Hong Kong, we will continue to organise fintech events like the Fintech Week and sponsor fintech events such as the Fintech Finals 2018 (FF18) conference and start-up competition. The second Hong Kong Fintech Week will be held in October 2017. InvestHK will also join overseas events and organise roadshows overseas proactively to showcase the development of the fintech sector in Hong Kong.

33. The Government introduced a bill to the Legislative Council in March 2017 to amend the Inland Revenue Ordinance to give profits tax concessions to qualifying aircraft lessors and qualifying aircraft leasing managers, with a view to enhancing Hong Kong's competitiveness on development of aircraft leasing business. InvestHK will actively identify and attract aircraft leasing companies to set up or expand in Hong Kong through sponsoring and participating in international events. For example, InvestHK and the Hong Kong Aircraft Leasing and Aviation Finance Association jointly organised a seminar in March 2017 in London. InvestHK also participated in the Asia's Financial Skies, the International Society of Transport Aircraft Trading Asia, the China Airfinance Conference, etc.

34. To showcase the vibrant environment of Hong Kong as a leading hub for start-ups, InvestHK will continue to organise the StartmeupHK Festival in January 2018 to promote the key start-up sectors where Hong Kong has distinct competitive advantages, such as financial services, information and communications technology. InvestHK also plans to stage or sponsor start-up events in Lisbon, London, San Francisco, Singapore and Vienna to reach out to potential entrepreneurs. Tying in to the innovation agenda, InvestHK will continue to work closely with HKSTPC, Cyberport and other organisations to promote Hong Kong as a major start-up hub, paying particular attention to the promotion of the Hong Kong/Shenzhen Innovation and Technology Park at the Lok Ma Chau Loop.

35. To enhance Hong Kong's profile in the global maritime industry, InvestHK will continue to participate in major international maritime conferences and exhibitions locally and overseas, and collaborate closely with the Hong Kong Maritime and Port Board, HKTDC and Hong Kong Shipowners Association on joint promotions. InvestHK also plans to engage a consulting firm for outreaching, lead generation, acquiring market intelligence, as well as supporting maritime-related investment promotion initiatives.

36. InvestHK will also strengthen its efforts to provide ongoing aftercare support to companies it has previously assisted, as well as strategic multinational companies to encourage them to expand their businesses and to locate their regional headquarters and other strategic functions such as R&D and treasury management functions in Hong Kong.

Key Geographical Markets

37. To forge closer economic ties with the Association of Southeast Asian Nations ("ASEAN") and tap into its market, the Government has been taking forward initiatives such as negotiating a free trade agreement with ASEAN. To this end, InvestHK is stepping up its investment promotion efforts in the ASEAN market and plans to set up an IPU under the Jakarta ETO in 2017. With the new office set up, InvestHK's overseas representation will cover a total of 31 locations worldwide.

38. Apart from the above, InvestHK will continue to conduct a series of investment promotion visits to different markets to underline Hong Kong's business advantages and to attract more companies to set up business in Hong Kong. InvestHK will continue to collaborate with overseas ETOs on business seminars and events to be held in overseas markets, including Tallinn in May 2017, Oslo in June 2017, Kuala Lumpur in August 2017 as well as Auckland in November 2017.

Collaboration with Relevant Organisations

39. InvestHK will continue to forge close partnership with other organisations responsible for promoting Hong Kong overseas, including the ETOs, the HKTDC, Hong Kong Tourism Board, HKSTPC, Cyberport and Create Hong Kong through regular meetings and joint promotion events. Locally, InvestHK will also step up our collaboration with overseas chambers/consulates

in Hong Kong to further our reach to foreign businesses, as well as working closely with financial and professional service providers, including banks, law firms and accountancy firms.

Publicity and Marketing Efforts

40. InvestHK's current website was launched in 2012. The department is in the process of revamping the website to keep up with the latest digital marketing trends to appeal to our potential investors. The new website aims to create a more seamless way to promote Hong Kong as a preferred business location, including updated marketing information about priority sectors, upcoming events organised/ supported by InvestHK, etc. It will be a fully responsive and mobile-friendly design. The new website will be launched in March 2018.

ADVICE SOUGHT

41. Members are invited to note the work of InvestHK and the progress and results to date.

**Invest Hong Kong
Commerce and Economic Development Bureau
June 2017**

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
Central America	Mexico City	Central America and Mexico	Consultant Company
South America	Bogota	South America (except Brazil)	Consultant Company
	Rio de Janeiro	Brazil	Consultant Company
Europe	Berlin	Austria, Czech Republic, Germany, 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, 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

<u>Region</u>	<u>Office Location</u>	<u>Area Covered</u>	<u>Remarks</u>
Asia/ Australasia	Bangkok	Thailand	Consultant Company
	Kuala Lumpur	Malaysia and Indonesia	Consultant Company
	Mumbai	India	Consultant Company
	Osaka	West Japan	Consultant Company
	Seoul	Korea	Consultant Company
	Singapore	ASEAN (except Indonesia, Malaysia and Thailand)	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, 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	Dubai	Middle East (Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen), and North Africa (Algeria, Egypt, Libya, Morocco and Tunisia)	Consultant Company
	Jerusalem	Israel	Consultant Company

Breakdown of completed projects by sector

Sector	Number of projects completed		
	2014	2015	2016
Business and professional services (including legal services, business consulting, education and training)	41	44	47
Creative industries (including multimedia, arts, culture and sports, design services)	36	38	40
Consumer products (including garments, footwear and fashion accessories)	41	43	45
Financial services (including banking support services, asset management, insurance)	46	48	50
Innovation and technology (including electronics, environmental technology and services, medical services and equipment)	48	51	53
Information and communications technology (including software solutions, IT services, telecommunications)	38	40	42
Tourism and hospitality (including food and beverage trading and manufacturing, travel and cruise)	54	57	56
Transport and industrial (including logistics, transport, supply chain management industries)	51	54	58
Total	355	375	391