

# 立法會 *Legislative Council*

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## **Panel on Commerce and Industry**

**Meeting on 20 June 2017**

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

#### **Purpose**

This paper provides updated background information on and the work progress of Invest Hong Kong ("InvestHK") in promoting inward investment in 2016. 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 2015, InvestHK has representatives in 29 global locations, including 15 investment promotion units ("IPUs") based in the Hong Kong Economic and Trade

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<sup>1</sup> Currently headed by Mr Stephen PHILLIPS, Director-General of Investment Promotion, Invest Hong Kong is a government department which is one of the executive arms of the Commerce and Economic Development Bureau.

Offices in the Mainland and overseas,<sup>2</sup> 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 IPU. A list of InvestHK's external promotion units in 2015 is in **Appendix I**. A summary of the results of InvestHK's work provided by the Administration from 2000 to 2015 is tabulated in **Appendix II**.

4. At the meeting on 25 January 2017, the Panel was briefed that in 2016, InvestHK had completed 391 Mainland, Taiwan and overseas investment projects, and continued its investment promotion work in key emerging markets, especially those along the Belt and Road, including Southeast Asia, India and Israel. Moreover, to capitalize on the opportunities developing in Hong Kong's fast-growing start-up sector, InvestHK hosted the StartmeupHK Festival 2017 from 16 to 20 January 2017, where a series of thematic conferences and pitching events covering areas in which Hong Kong had a distinct competitive advantage, such as financial technology ("fintech"), smart city and Internet of things, health technology and retail and fashion technologies, were held.

### **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 ("I&T"), and create jobs on a regular basis. The major concerns expressed by members at the meetings on 10 February 2015 and 16 February 2016 are summarised in the ensuing paragraphs.

#### Strategies to attract inward investment

6. At the meeting on 10 February 2015, members enquired about the support services provided by InvestHK to its target companies, particularly in the recruitment of professionals and specialist staff. The Administration advised that InvestHK offered one-to-one support services to companies throughout their planning and implementation process to invest in Hong Kong. At the initial planning stage, InvestHK would provide companies with market information and

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<sup>2</sup> To further enhance Hong Kong's collaboration and integration with the Association of Southeast Asian Nations ("ASEAN"), a new Hong Kong Economic and Trade Office ("ETO") was set up in Jakarta, Indonesia. The temporary office of the Jakarta ETO commenced operation on 13 June 2016. It is expected that the Jakarta ETO would officially open for full operation in the first half of 2017. Since September 2016, the Jakarta ETO represents the Hong Kong Special Administrative Region Government in matters between Hong Kong and ASEAN as a whole, and handles in particular matters between Hong Kong and Indonesia, Malaysia, Brunei Darussalam and the Philippines, while the Singapore ETO is responsible for strengthening economic ties and network between Hong Kong and Singapore, Cambodia, Laos, Myanmar, Thailand and Vietnam.

business advice. Target companies that had decided to invest in Hong Kong would be provided with assistance in practical issues, such as advice on business location, facilitation of visa applications, introduction to service providers including executive employment agents, public relations and marketing agencies.

7. At the meeting on 16 February 2016, members urged the Administration to introduce measures such as tax deduction to attract and retain high value-added technology companies to expand their business in Hong Kong to maintain Hong Kong's competitive edges. The Administration advised that instead of offering incentives tailored for individual investors, the Administration had all along maintained an open and level playing field for business investment. Moreover, the various Government funding schemes to promote I&T and research and development ("R&D") were also open to eligible overseas companies operating in Hong Kong.

#### Encouraging investments in innovation and technology

8. At both meetings, members noted that some leading I&T companies had met with difficulties in fulfilling the application requirements of the relevant funds in Hong Kong and eventually opted for in neighbouring economies such as Shanghai and Taiwan. Members called on the Administration to look into the reasons why such companies chose to expand their businesses in other places, and to propose effective measures to address the issues. Some members also commented that the new jobs created by companies assisted by InvestHK were not quality jobs which would interest young people to enter the technology sector. These members suggested that InvestHK should attract well-established multinational enterprises to set up R&D offices in Hong Kong and create quality jobs in the I&T sector, and to analyze the nature of such jobs created for a comprehensive assessment of InvestHK's effectiveness in enhancing employment opportunities.

9. At the meeting on 10 February 2015, the Administration advised that InvestHK accorded priority to attracting companies from information and communications technology and fintech sectors where Hong Kong had a competitive edge. To further promote Hong Kong as a leading hub for start-ups, InvestHK would enhance its StartmeupHK website and continue with its StartmeupHK Venture Programme in 2015. At the meeting on 16 February 2016, the Administration replied that the Administration would explore the possibility of enhancing flexibility in the existing funding support and other facilitation measures, and would continue to meet with representatives of the relevant sectors on a regular basis to understand their concerns on business development.

#### Investment promotion in emerging markets

10. At both meetings, members asked whether InvestHK would place

particular emphasis on any member countries of the Association of Southeast Asian Nations ("ASEAN"), and emerging markets such as Mexico, the Middle East, and the Belt and Road region, and the resource allocation for different markets.

11. At the meeting on 10 February 2015, the Administration advised that while the Mainland continued to be a priority market for investment projects, InvestHK had been placing more emphasis on the ASEAN market in recent years. At the meeting on 16 February 2016, the Administration advised that InvestHK would hire consultants on a need basis to analyze the potential of emerging markets and reach out to companies in the respective geographic markets which had the interest and potential to set up in Asia and encourage them to set up a company in Hong Kong.

### **Council question**

12. At the Council meeting of 29 June 2016, Hon CHAN Kin-por asked a written question about, among other things, the respective numbers of Mainland entrepreneurs, venture capital funds, and related Mainland organizations that had participated in the StartmeupHK Festival launched by InvestHK in January 2016, as well as the authorities' current measures to enhance Hong Kong's role as the springboard for fintech enterprises to enter the Mainland market.

13. The Administration advised that the StartmeupHK Festival organized by InvestHK in January 2016 had attracted over 5300 entrepreneurs, venture capitalists, and representatives from other entrepreneurship- and innovation-related organizations from Hong Kong, the Mainland and overseas. In particular, the fintech-themed programme, "Fintech Finals 2016", attracted over 700 participants. To strengthen Hong Kong's role as the fintech hub of Asia, InvestHK was setting up a dedicated fintech team to strengthen the promotion of Hong Kong's fintech sector. In addition to formulating branding strategies, InvestHK was also organising and sponsoring large-scale fintech forums, seminars and other activities in Hong Kong during the second half of 2016 and first half of 2017 to attract Mainland and overseas fintech entrepreneurs, investors and other stakeholders to gather in the city. The team would also join overseas events and organize roadshows proactively to showcase the development of the fintech sector in Hong Kong and various support measures being made available.

14. At the Council meeting of 31 May 2017, Hon WU Chi-wai asked a written question about the support provided for start-up enterprises which apply I&T. Mr WU enquired about the current support provided by InvestHK for start-up enterprises, and whether consultation services on government policies and legislation were included in its support to help start-up enterprises to operate lawfully.

15. The Administration advised that to assist foreign start-ups which had interest in setting up in Hong Kong, InvestHK would provide a wide range of professional support and practical information, including providing information on the regulatory regime for their particular business, providing guidance on visa application, signposting them to relevant Government funding schemes, providing bank contacts and introducing them to ecosystem stakeholders, etc. If InvestHK was approached by start-ups regarding Government policies or regulations, InvestHK would, depending on the circumstances of the case, seek information from the relevant Bureaux/Departments or if necessary, help line up cross-departmental meetings with the start-up concerned so that the start-up could take into account the requirements of the relevant Government policies or regulations when mapping out its business plan and implementation details. Nevertheless, it was the responsibility of the start-ups, as business operators, to ensure regulatory compliance.

### **Latest position**

16. The Administration will update the Panel on 20 June 2017 on the work of InvestHK in 2016 and outline the way forward for 2017-2018.

### **Relevant papers**

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

**InvestHK's external promotion units in 2015**

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>
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	Tijuana	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 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

<b><u>Region</u></b>	<b><u>Office Location</u></b>	<b><u>Area Covered</u></b>	<b><u>Remarks</u></b>
	Mumbai	India	Consultant Company
	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, 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 <sup>3</sup>	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 16 February 2016 ([LC Paper No. 550/15-16\(05\)](#)).]

<sup>3</sup> The consultant company concerned closed down its operation in Abu Dhabi of the United Arab Emirates in June 2015. InvestHK is in the process of identifying a new consultant.

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
<b>2015</b>	375	3 641	More than 10,100

<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
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>
16/2/2016	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment"  <a href="#">(LC Paper No. CB(1)550/15-16(05))</a></p> <p>Updated background brief prepared by the Legislative Council Secretariat  <a href="#">(LC Paper No. CB(1)550/15-16(06))</a></p> <p>Minutes of meeting  <a href="#">(LC Paper No. CB(1)890/15-16)</a></p>
29/6/2016	Council	<p>Question No. 16 on "Attracting financial technology start-up companies to develop their businesses in Hong Kong" raised by Hon CHAN Kin-por  <a href="#">(Hansard)</a> (page 12831 – 12834)</p>
31/5/2017	Council	<p>Question No. 11 on "Support provided for start-up enterprises which apply innovation and technology" raised by Hon WU Chi-wai  <a href="#">(Government press release)</a></p>