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Panel on Commerce and Industry

Meeting on 21 April 2020

**Updated background brief on the work of Invest Hong Kong
in promoting inward investment**

Purpose

This paper provides (a) updated background information on the work of Invest Hong Kong ("InvestHK") in promoting inward investment, and (b) 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. As established in 2000, InvestHK aims to attract and retain foreign direct investment ("FDI") and promote Hong Kong as the leading international business hub. InvestHK prioritizes its investment promotion work to support government policy objectives, and adopts a sector-focused and market-oriented approach to identify and reach out to overseas and Mainland companies to set up or expand their businesses in Hong Kong.

3. According to the Administration, InvestHK partners with clients on a long-term basis and offers free, customized and confidential services from the planning stage right through to the setup, launch and expansion of their businesses in Hong Kong. A summary of the results of InvestHK's work from 2000 to 2018 is tabulated in **Appendix I**.

4. InvestHK has representatives in 30 global locations, including 17 investment promotion units¹ ("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, and 13 overseas consultants² in key locations not covered by IPUs.

5. InvestHK has been conducting annually the Survey of Companies in Hong Kong with Parent Companies Located outside Hong Kong and the Survey of Start-ups since 2000 and 2014 respectively. According to the Administration, the surveys help InvestHK better understand the needs of foreign companies in Hong Kong, tailor its promotions of Hong Kong as a leading destination for FDI, and keep track of the start-up scene with a view to creating a more robust start-up ecosystem in Hong Kong.³

Invest Hong Kong's strategy in 2019-2020

6. At the meeting on 21 May 2019, the Panel noted that according to InvestHK's strategy in 2019-2020, InvestHK would continue to proactively attract and assist overseas and Mainland companies to set up or expand their businesses in Hong Kong by capitalizing on Hong Kong's full range of advantages, including excellent geographical location, world-class professional service support and rich international experience through:

- (a) working closely with relevant government departments, "HK Inc" members and other key partners (including the Airport Authority Hong Kong, the Create Hong Kong, the Cyberport, the Hong Kong Monetary Authority, the Hong Kong Productivity Council, the Hong Kong Science and Technology Parks

¹ Investment promotion units of the Invest Hong Kong ("InvestHK") are available in the following 17 locations:

- (a) Americas: New York, San Francisco and Toronto;
- (b) Asia Pacific: Bangkok, Beijing, Chengdu, Guangzhou, Jakarta, Shanghai, Singapore, Sydney, Taipei, Tokyo and Wuhan; and
- (c) Europe and Middle East: Berlin, Brussels and London.

² InvestHK's overseas consultants are available in the following 13 locations:

- (a) Americas: Mexico City, Rio de Janeiro and Santiago;
- (b) Asia Pacific: Mumbai, Osaka and Seoul; and
- (c) Europe and Middle East: Dubai, Gothenburg, Istanbul, Jerusalem, Milan, Moscow and Paris.

³ See LC Paper No. CB(1)329/19-20(03) for the key findings of the two surveys conducted in 2019.

Corporation, the Hong Kong Tourism Board and the Hong Kong Trade Development Council);

- (b) reaching out to companies through marketing campaigns, seminars and investment promotion visits to seize the business opportunities arising from the Belt and Road Initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area");
- (c) implementing an active programme of investment promotion visits to both traditional and emerging markets;
- (d) promoting Hong Kong as a leading hub for start-ups and entrepreneurship; and
- (e) strengthening of aftercare services.

Previous discussions

7. Members' major views and concerns on the subject during the discussions with the Administration at the meetings at 20 June 2017, 17 July 2018 and 21 May 2019 are summarized as follows.

Guangdong-Hong Kong-Macao Greater Bay Area

8. At the meeting on 21 May 2019, in response to members' enquiries about the attractiveness of the Greater Bay Area to the United States ("US") and international investors, the Administration advised that in April 2019, InvestHK, together with the Guangdong and Macao authorities, jointly organized a Symposium in Tokyo to promote the business opportunities of the Greater Bay Area development to the Japanese business community. As the first joint promotion event after the promulgation of the Outline Development Plan for the Greater Bay Area in February 2019, the Symposium was attended by over 1 100 participants, of which over 700 were from the Japanese business community. InvestHK had been following up with interested companies to assist in exploring business potentials of the Greater Bay Area via Hong Kong.

Impact of the trade conflict between China and the United States

9. At the meetings on 17 July 2018 and 21 May 2019, members enquired whether InvestHK would adjust its promotion strategy in response to the unstable global trade condition. They also urged the Administration to conduct studies on the impact of the trade conflict between China and the US on Hong Kong, and to formulate corresponding measures.

10. The Administration advised that international investors would consider a wide range of factors when making investment decisions, including the width and depth of market opportunities that might lie ahead. Most of the investors as approached by InvestHK still saw Asia as the engine of global economic growth. Investors would also consider the business environment in Hong Kong, including relevant geopolitical issues. The results of InvestHK's work in 2018 showed that international investors were still interested in setting up businesses in Hong Kong and exploring business opportunities in the regional market. In the face of the rise of protectionism at the international level, InvestHK would continue to diversify its work on the global scale. On a more positive note, the Belt and Road Initiative would open up new investment opportunities. In 2018, InvestHK visited 43 countries to promote the benefits of leveraging Hong Kong's strength to penetrate the Mainland and regional markets. While keeping in view the developments of the US-China trade conflict, InvestHK's work in this aspect would continue in 2019.

11. The Administration also advised that while US enterprises were keeping an eye on the developments of the US-China trade conflict, their investment decisions were not only based on short-term factors, but also medium- to long-term considerations. The fundamental economic potentials of Asia remained a major attraction to them.

Work of the Invest Hong Kong

12. At the meeting on 21 May 2019, some members suggested that InvestHK should provide information on the performance of new entrants to the relevant industries to prospective investors when undertaking promotion work in the Mainland and overseas countries. The Administration advised that InvestHK would in its sector-specific promotional events share with potential investors detailed information on market conditions of the relevant industry sectors, and case studies of how companies had leveraged Hong Kong as a base to develop their businesses in the Mainland and in Asia.

13. In response to members' enquiries about the effort of InvestHK's StartmeupHK team in assisting start-ups from overseas to set up or expand their businesses in Hong Kong, the Administration advised that comprehensive support measures were provided for start-ups investing in Hong Kong, including multifarious funding schemes under the Innovation and Technology Fund, tax reduction for research and development ("R&D") expenditure and admission schemes for outside talents, professionals and entrepreneurs. InvestHK would help these start-ups gain access to available funding schemes and support, and work with the Hong Kong Science Park and Cyberport, as well as other private sector operators of accelerators, incubators and co-working spaces to support the development of start-ups. InvestHK had also been

proactively discussing with both traditional pharmaceutical companies and biotechnology companies globally on the possibilities of setting up R&D and small scale production facilities in Hong Kong

Support services

14. At the meetings on 20 June 2017 and 17 July 2018, members pointed out that some companies, which had set up their business operations in Hong Kong, such as Uber, had encountered problems relating to legal and operational issues. They opined that apart from contributing actively to the work of investment promotion, the Administration should remove any regulatory or legal hurdles facing foreign technology companies looking to set foot in Hong Kong.

15. The Administration advised that InvestHK had been offering proactive, one-to-one support services to such companies throughout their planning and implementation process to invest in Hong Kong. InvestHK would act as a conduit of communication between overseas companies and policy bureaux/regulatory authorities. The dialogue in this regard had taken great strides over the previous year. InvestHK would advise potential investors to seek their own independent legal advice when in need, and point them in the right direction when they actually did so.

Aftercare services

16. At the meetings on 20 June 2017 and 21 May 2019, in response to members' enquiries about the performance of investment projects completed by InvestHK, the Administration advised that InvestHK operated an active programme of aftercare services for overseas and Mainland companies which InvestHK had helped set up in Hong Kong. Follow-up surveys revealed that 90% of the companies concerned continued to operate profitably in Hong Kong. At the time of contact, the number of staff actually employed by the companies was largely the same as the number they had originally projected.

17. During the discussion at the meeting on 21 May 2019, members also enquired about the nature of the 5 268 jobs created by the projects completed by InvestHK in 2018. The Administration advised that such jobs ranged from junior to senior levels, and a majority (61%) of these were top management and professional jobs. InvestHK would reflect to the relevant authorities any manpower shortages in the relevant segments of the labour market identified in their exchanges with overseas and Mainland companies for follow-up actions.

Provision of additional information in future reports of the Invest Hong Kong

18. At the meeting on 21 May 2019, in response to members' suggestions, the Administration undertook to provide in its next report to the Panel information on (a) the investment project completed by InvestHK which involved the largest direct investment by an overseas or Mainland company, and details of the business nature concerned; (b) breakdown of jobs created and difficulties faced by companies in recruiting and retaining staff; and (c) the amount of direct investment which the overseas or Mainland companies concerned had projected to bring in vis-à-vis the amount of direct investment such companies actually made. Some members also suggested that for the sake of better presentation, InvestHK should provide, in its future reports to the Panel, information on the top eight to 10 source markets of investment projects completed in the past five years, instead of the top five source markets.

Latest position

19. The Administration will brief the Panel on 21 April 2020 on the work of InvestHK in 2019 and outline the way forward for 2020-2021.

Relevant papers

20. A list of relevant papers is in **Appendix II**.

Appendix I

Summary of results of Invest Hong Kong's work[^]

Year	No. of projects completed*	Jobs created within the first year of operation or expansion of the companies [#]	Investment amount (HK\$ million)
2000 (Jul – Dec)	35	347	506
2001	99	1 504	3,500
2002	117	2 075	1,360
2003	142	2 456	2,493
2004	205	3 008	4,658
2005	232	2 517	8,895
2006	246	3 092	10,243
2007	253	3 130	8,387
2008	257	2 450	4,608
2009	265	2 711	4,360
2010	284	3 063	8,130
2011	303	2 716	5,060
2012	316	2 937	over 7,600
2013	337	2 897	over 12,500
2014	355	2 681	over 8,900
2015	375	3 641	more than 10,100
2016	391	3 968	more than 16,300
2017	402	5 098	more than 16,600
2018	436	5 268	more than 22,900

[^] Compiled from Administration's papers and website of Invest Hong Kong ("InvestHK") (<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 with the assistance of InvestHK. The figures 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 are willing to disclose the data.

List of relevant papers

Date of meeting	Meeting	Papers
20/6/2017	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment" (LC Paper No. CB(1)1144/16-17(05))</p> <p>Updated background brief on promotion of inward investment prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1144/16-17(06))</p> <p>Administration's follow-up paper (LC Paper No. CB(1)1414/16-17(01))</p> <p>Minutes of meeting (LC Paper No. CB(1)1382/16-17)</p>
17/7/2018	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment" (LC Paper No. CB(1)1238/17-18(06))</p> <p>Updated background brief on promotion of inward investment prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1238/17-18(07))</p> <p>Minutes of meeting (LC Paper No. CB(1)1402/17-18)</p>
21/5/2019	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment" (LC Paper No. CB(1)1046/18-19(05))</p> <p>Updated background brief on the work of Invest Hong Kong in promoting inward investment prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1046/18-19(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)1248/18-19)</p>