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Panel on Commerce and Industry

Meeting on 18 May 2021

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

Purpose

This paper provides updated background information on the work of Invest Hong Kong ("InvestHK") in promoting inward investment. 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. Established in 2000, InvestHK aims to attract and retain foreign direct investment ("FDI") and promote Hong Kong as a 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 2020 is tabulated in **Appendix I**.

4. InvestHK has representatives in 32 global locations, including 17 investment promotion units¹ ("IPUs") based in the Hong Kong Economic and Trade Offices, the Beijing Office and the Hong Kong Economic, Trade and Cultural Office in Taipei, as well as 15 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 2020-2021

6. The Panel noted at the meeting on 21 April 2020 that according to InvestHK's strategy in 2020-2021, InvestHK would:

- (a) flex its approach in investment promotion, taking into account the development of the pandemic;
- (b) focus in the near-term on strengthening its aftercare engagement with existing overseas and Mainland companies in Hong Kong and their parent companies; and
- (c) maintain visibility and dialogue with potential investors.

¹ InvestHK's IPUs are available in the following 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 locations:

- (a) Americas: Lima, 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, Oslo and Paris.

³ See LC Paper No. CB(1)482/20-21(04) for the key findings of the two surveys conducted in 2020.

Guangdong-Hong Kong-Macao Greater Bay Area

7. The Chief Executive ("CE") has announced in the 2020 Policy Address the establishment of the Pan-Greater Bay Area Inward Investment Liaison Group. This set-up will enable InvestHK and its counterparts in other cities in the Guangdong-Hong Kong-Macao Greater Bay Area ("Greater Bay Area") to develop holistic and joint inward investment propositions with a view to enhancing synergy.

Family office business

8. To further develop family office business in Hong Kong, CE has also announced in the 2020 Policy Address that InvestHK will set up a dedicated team to step up promotion of Hong Kong's advantages in local and other major markets, and offer one-stop support services to family offices which are interested in establishing a presence in Hong Kong.

Previous discussions

9. Members' major views and concerns on the subject during the discussions with the Administration at the meetings on 21 May 2019, 21 April 2020 and 26 January 2021 are summarized below.

Investment promotion in the time of Coronavirus Disease-2019

10. Members enquired how InvestHK maximized FDI inflows in 2020 and what sort of investment promotion activities had been organized amid travel restrictions and quarantine requirements, as well as lockdowns imposed on certain places.

11. The Administration advised that InvestHK had dynamically adjusted its strategies by leveraging digital platforms to attract and assist companies from both traditional and emerging markets to set up their businesses in Hong Kong. For example, the StartmeupHK Festival 2020 which went virtual for the first time attracted over 181 000 attendees from 97 countries/territories. InvestHK had also organized various industry-specific or investment promotion online events and business webinars. While unable to travel abroad to meet potential clients in person, senior management of InvestHK worked with its overseas colleagues to have one-to-one meetings with potential foreign investors through digital platforms.

Guangdong-Hong Kong-Macao Greater Bay Area

12. Some members suggested that as the United States ("US"), European countries and the Belt and Road economies were struggling with the combatting of the Coronavirus Disease-2019 pandemic, InvestHK should suitably adjust downwards its overseas promotion budget and focus resources on the Greater Bay Area.

13. The Administration advised that as the Greater Bay Area development remained the focus of attention of overseas investors, it would continue to form an integral part of InvestHK's work in the coming year. It added that given the length of an investment decision cycle spanned typically 12 to over 36 months, it was the time for redoubling rather than pulling back InvestHK's promotion effort in competing for FDI. Hence, InvestHK had no plans to trim back its resource allocation with regard to the US and Europe vis-à-vis the Asian region.

14. In response to members' enquiries about the attractiveness of the Greater Bay Area to the 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

15. Members enquired how InvestHK would adjust its promotion strategy in response to the unstable global trade condition. They 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.

16. 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. In 2018,

InvestHK visited 43 countries to promote the benefits of leveraging Hong Kong's strength to penetrate the Mainland and regional markets.

17. 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 Invest Hong Kong

StartmeupHK team

18. Members enquired 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.

Aftercare services

19. On members' concern 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. According to follow-up surveys, 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.

20. Members sought details 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.

Development of family office business

21. Regarding InvestHK's plan on promoting Hong Kong as a place for setting up family offices, members enquired about the target geographical markets and the collaborations between InvestHK and related industries.

22. The Administration advised that InvestHK had kicked off setting up a dedicated team to connect stakeholders in the industry and catalyze further the development of family office business in Hong Kong. InvestHK would station family office team members in Guangzhou, Beijing, Brussels, cities in the Middle East and the US to attract high net worth individuals and financial companies to set up family offices in Hong Kong. InvestHK would also work closely with the Financial Services and the Treasury Bureau, regulators like the Hong Kong Monetary Authority and the Securities and Futures Commission, and industry stakeholders including lawyers, private wealth management and family offices associations in Hong Kong, the Mainland and Asia to offer one-stop services to family offices interested in establishing a presence in Hong Kong.

Council question

23. At the Council meeting of 24 February 2021, Mr CHAN Kin-por asked a written question on the Administration's measures to attract multinational companies to set up regional headquarters ("RHQ") in Hong Kong; and to retain foreign companies which were planning to terminate their business in Hong Kong.

24. The Administration advised that InvestHK was committed to promoting Hong Kong as a prime investment destination and encouraging overseas and Mainland companies to establish operations, in particular RHQs and regional offices, in Hong Kong. To this end, InvestHK would continue to (a) strengthen global investment promotion efforts by focusing on business opportunities arising from the Association of Southeast Asian Nations, the Greater Bay Area development and the Belt and Road Initiative; (b) strengthen aftercare services for overseas and Mainland companies in Hong Kong to facilitate expansion; and (c) focus on priority sectors such as financial services, family offices, transport and logistics, innovation and technology ("I&T") as well as creative industries.

25. The Administration also advised that InvestHK had a dedicated team to enhance the provision of aftercare services for overseas and Mainland companies in Hong Kong. The team had developed a programme to reach out to companies in a structured and systematic manner. The programme included

holding strategic discussions with key personnel to help them consider and evaluate new areas and opportunities for growth, particularly those arising from the Greater Bay Area development, the Belt and Road Initiative and I&T development. InvestHK's aftercare programme also extended to meetings with the headquarters of its client companies. Such meetings affirmed Hong Kong's commitment to supporting investors from outside Hong Kong and to give the senior management of the companies concerned the confidence to continue doing business in Hong Kong.

Latest position

26. The Administration will brief the Panel on 18 May 2021 on the work of InvestHK in 2020 and outline the way forward for 2021-2022.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
11 May 2021

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
2019	487	6 009	more than 52,300
2020	317	about 8 000	more than 18,100

[^] Compiled from Administration's papers, Administration's replies to written questions on the draft Estimates of Expenditure 2021-2022 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
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>
21/4/2020	Panel on Commerce and Industry	<p>Administration's paper on "Promotion of inward investment" (LC Paper No. CB(1)535/19-20(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)535/19-20(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)780/19-20)</p>
24/2/2021	Council	<p>Question No. 7 on "Foreign companies' regional headquarters and offices in Hong Kong" raised by Hon CHAN Kin-por (Government press release)</p>