

Head 79 — INVEST HONG KONG

Controlling officer: the Director-General of Investment Promotion will account for expenditure under this Head.

Estimate 2005–06	\$106.2m
Establishment ceiling 2005–06 (notional annual mid-point salary value) representing an estimated 34 non-directorate posts as at 31 March 2005 reducing by one post to 33 posts as at 31 March 2006...	\$14.6m
In addition, there will be an estimated two directorate posts as at 31 March 2005 and as at 31 March 2006.	
Commitment balance	\$134.0m

Controlling Officer's Report

Programmes

Programme (1) Investment Promotion
Programme (2) Economic Relaunch

These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).

Detail

Programme (1): Investment Promotion

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	93.3	110.7	106.2 (-4.1%)	106.2 (—)
				(or -4.1% on 2004–05 Original)

Aim

2 The aim is to attract and retain foreign direct investment and to maintain and develop Hong Kong as the leading international business location in Asia.

Brief Description

3 Invest Hong Kong was set up on 1 July 2000 to spearhead Hong Kong's efforts to attract foreign direct investment. It offers solution-oriented investment promotion, facilitation, and aftercare services to ensure that external investors have all the support required to establish or expand operations in Hong Kong. Invest Hong Kong adopts a proactive investment promotion strategy by focusing on business sectors where Hong Kong has an edge over other Asian cities and by taking a proactive marketing approach with specific target companies. In addition, it is strengthening its aftercare service with a view to retaining and expanding investments already made, and fostering product development to increase Hong Kong's attractiveness and competitiveness, particularly in targeted sectors. Currently, the targeted sectors are financial services, trade related services, transportation, telecommunications, media and multi-media, business and professional services, information technology, technology (especially electronics and biotechnology), and tourism and entertainment.

4 In 2004, Invest Hong Kong broadened external representation to cover new markets (in Victoria and South Australia, West Japan, India, Korea, Middle East, Nordics, Singapore and Central United States) and strengthened the representation in markets already covered; strengthened the Mainland Investment Promotion Units and services offered to Mainland investors, including a "One-Stop Service" facility; increased joint marketing activities with Pearl River Delta cities and Guangdong Province in North America, Europe and Asia; expanded the Investment Promotion Ambassador programme; established a division to substantially improve the marketing, research, information technology and knowledge management capacities of the Department; continued to arrange visits overseas and to the Mainland to call on companies with an interest in Hong Kong; hosted and participated in major international events to promote inward investment, such as BusinessWeek's Asia Leadership Forum and the Forbes Global CEO Conference; organised or participated in targeted overseas seminars and events to raise Hong Kong's profile, inform potential investors about Hong Kong's advantages - especially the benefits associated with the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) - in order to promote Hong Kong as an investment destination; produced or updated general publications, including "The Greater Pearl River Delta" and "CEPA Benefits" and placed articles or advertised in major sector-specific media reaching target industries and markets.

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5 The key performance measures are:

Indicators

	2001 (Actual)	2002 (Actual)φ	2003 (Actual)
in-flow of foreign direct investment into Hong Kong amount at market value (\$ billion)	185.4	75.5#	106.3#
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%)	24.4	11.2	14.0
	2003 (Actual)	2004 (Actual)	2005 (Estimate)
no. of projects pursued.....	522	807	1 142
no. of projects completed^.....	142	205	220

φ The figures have been updated after the preparation of the 2004–05 Estimates.

The drop in 2002 was the reflection of the general fall in foreign direct investment worldwide. The volume of Hong Kong's foreign direct investment has increased in 2003, which is in line with development in the Asia-Pacific region.

^ A completed project refers to an investment project resulting in a foreign/Mainland company setting up or expanding its business in Hong Kong. Only those companies which have acknowledged in writing the assistance rendered by Invest Hong Kong in the investment process are included.

Matters Requiring Special Attention in 2005–06

6 During 2005–06, Invest Hong Kong will:

- continue to promote the corporate identity and image of the Department through various public relations opportunities and activities;
- implement various business plans in co-operation with the Hong Kong Economic and Trade Offices and Hong Kong Trade Development Council's offices outside Hong Kong;
- increase activities on investment promotion both internationally and in the Mainland; and
- increase joint overseas marketing activities with Pearl River Delta cities; and increase promotion of CEPA in overseas markets.

Programme (2): Economic Relaunch

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	545.1	123.0	104.6 (–15.0%)	—

Aim

7 The aim is to undertake a comprehensive campaign locally, internationally and in the Mainland to restore Hong Kong's reputation and get the economy moving again in the wake of the outbreak of Severe Acute Respiratory Syndrome (SARS).

Brief Description

8 The outbreak of SARS in March 2003 dealt a serious blow to the local economy. The Chief Executive announced on 23 April 2003 a package of relief measures amounting to \$11.8 billion to help the community tide over the difficulties and revive the economy. Of this amount, \$1 billion was set aside to launch large-scale publicity and promotions locally, internationally and in the Mainland to help bring various economic activities back to normal.

9 The Financial Secretary set up two ad hoc bodies, namely, the Economic Relaunch Working Group (ERWG), comprising government officials, and the Economic Relaunch Strategy Group, which comprises the same government officials plus members of the business community, academics and various think-tanks, to advise on and help oversee the implementation of the economic relaunch activities.

10 On 30 May 2003, the Finance Committee approved the creation of a new commitment of \$1 billion for the implementation of the economic relaunch campaign. The Director-General of Investment Promotion is the Controlling Officer responsible for administering the \$1 billion commitment in accordance with the decision of ERWG.

11 The ERWG considered a total of 95 funding proposals for relaunch activities and approved 84 of them. Two projects were subsequently cancelled. Most of the projects were completed in 2003–04 and ten projects have been carried forward with actual completion date within 2004–05.

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Matters Requiring Special Attention in 2005–06

12 The whole economic relaunch campaign will be wrapped up upon completion of the few ongoing projects. Invest Hong Kong will monitor the proper closure of accounts and evaluation of the outstanding projects by the subject bureaux/departments concerned. The Administration will provide a final report on the campaign to the Legislative Council in early 2005–06.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Investment Promotion	93.3	110.7	106.2	106.2
(2) Economic Relaunch.....	545.1	123.0	104.6	—
	<u>638.4</u>	<u>233.7</u>	<u>210.8</u> (-9.8%)	<u>106.2</u> (-49.6%)
				(or -54.6% on 2004-05 Original)

Analysis of Financial and Staffing Provision

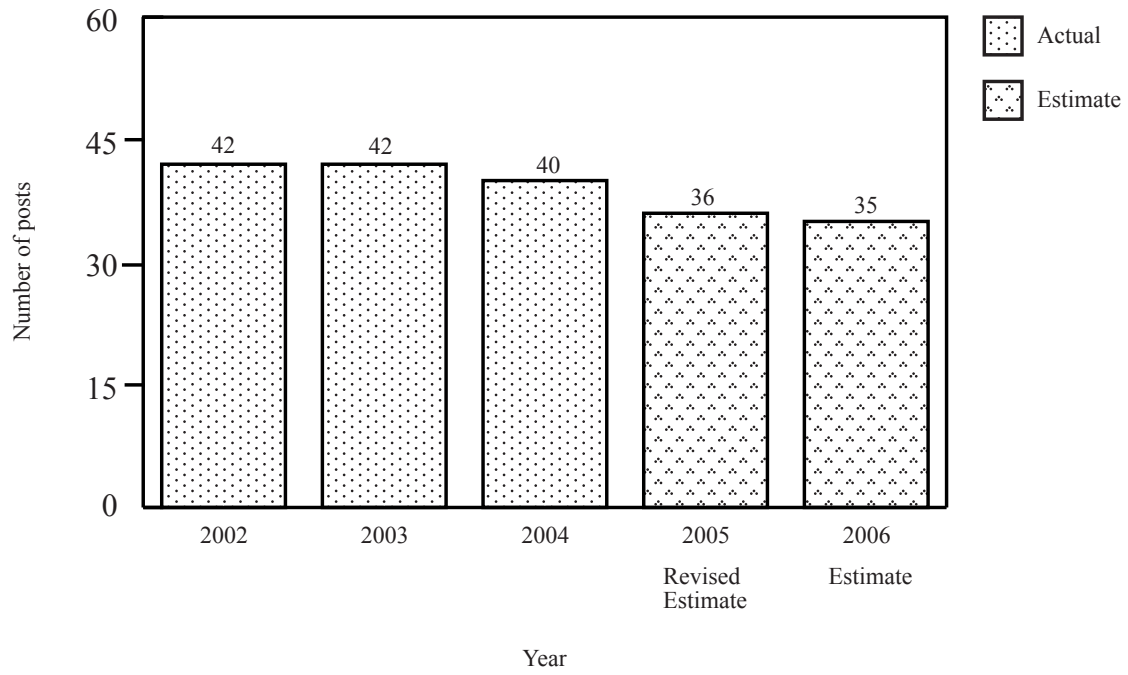
Programme (1)

Provision for 2005-06 is the same as the revised estimate for 2004-05.

Programme (2)

There is no further provision for this programme, upon conclusion of all relaunch projects and the closure of accounts.

*Changes in the size of the establishment
(as at 31 March)*



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Sub-head (Code)	Actual expenditure 2003–04	Approved estimate 2004–05	Revised estimate 2004–05	Estimate 2005–06	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	46,276	45,218	45,218	63,683
	Total, Recurrent	46,276	45,218	45,218	63,683
Non-Recurrent					
700	General non-recurrent	571,092	167,500	144,600	42,500
	Investment promotion (block vote)	21,000	21,000	21,000	—
	Total, Non-Recurrent	592,092	188,500	165,600	42,500
	Total, Operating Account	638,368	233,718	210,818	106,183
Total Expenditure					
		638,368	233,718	210,818	106,183

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Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of Invest Hong Kong is \$106,183,000. This represents a decrease of \$104,635,000 against the revised estimate for 2004–05 and of \$532,185,000 against actual expenditure in 2003–04.

Operating Account

Recurrent

2 Provision of \$63,683,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of Invest Hong Kong. The increase of \$18,465,000 (40.8%) over the revised estimate for 2004–05 is mainly due to the transfer of provision for investment promotion from a former non-recurrent subhead to this subhead with effect from 2005–06, partly offset by the reduced operating expenses to achieve efficiency savings.

3 The establishment as at 31 March 2005 will be 36 permanent posts. It is expected that one post will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$14,641,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	19,700	18,935	18,600	18,676
- Allowances	356	213	226	161
- Job-related allowances	—	1	—	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution	12	12	12	12
Departmental Expenses				
- General departmental expenses	26,208	26,057	26,380	44,833
	46,276	45,218	45,218	63,683

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2004	Revised estimated expenditure for 2004-05	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	009	Boosting Investment Promotion Work ..	200,000	26,031	40,000	133,969
		Total	200,000	26,031	40,000	133,969