

Head 79 — INVEST HONG KONG

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

Estimate 2002–03	\$73.7m
Establishment ceiling 2002–03 (notional annual mid-point salary value) representing an estimated 39 non-directorate posts at 31 March 2002 rising by four posts to 43 posts at 31 March 2003	\$23.2m
In addition there will be an estimated three directorate posts at 31 March 2002 and at 31 March 2003.	
Capital Account commitment balance	\$3.3m

Controlling Officer's Report

Programme

Investment Promotion

This programme contributes to Policy Area 6: Commerce and Industry (Secretary for Commerce and Industry).

Detail

	2000–01# (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	45.0	70.4 (+56.4%)	77.6 (+10.2%)	73.7 (–5.0%)

This represents the actual expenditure for the nine months from 1 July 2000 to 31 March 2001.

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 2001, Invest Hong Kong continued the image building programme launched in 2000 to publicise Hong Kong's investment environment and the department's own corporate identity. It participated in the BT Global Challenge Yacht Race 2000–01 as a sponsor of 'Spirit of Hong Kong'. This round-the-world race had not only helped build up positive public relations and publicity for Hong Kong and the new department, but had also brought in new investment. Another major event successfully hosted by the department was the Fortune Global Forum held in Hong Kong from 8 to 10 May 2001. In addition, the department further reviewed the structure of non-directorate support staff, the resources deployed on investment promotion in the overseas desks, and the broad framework of relationship between Invest Hong Kong Head Office, the Government's Economic and Trade Offices and the Trade Development Council's overseas offices.

5 The key performance measures are:

Indicators

	1998 (Actual)	1999 (Actual)	2000 (Actual)
In-flow of foreign direct investment into Hong Kong amount at market value (bn\$).....	114.4	190.8	502.1
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%).....	17	24	45

Head 79 — INVEST HONG KONG

	2000@ (Actual)	2001 (Actual)	2002 (Estimate)
number of pursuable new leads.....	—	325	250
number of projects generated from aftercare service	—	54	100
number of projects pursued.....	—	379	350
number of projects completed.....	—	99	80

@ The figures for 2000 are not available because these indicators were introduced from 1 January 2001.

Matters Requiring Special Attention in 2002–03

6 During 2002–03, Invest Hong Kong will:

- continue to promote the corporate identity and image of the department through various public relations opportunities and activities;
- continue to operate under the new mode and implement various business plans to be agreed with the Economic and Trade Offices and Trade Development Council's overseas offices; and
- establish an Investment Promotion Unit in the new Economic and Trade Office of the Hong Kong Special Administrative Region in Guangdong.

Head 79 — INVEST HONG KONG

ANALYSIS OF FINANCIAL PROVISION

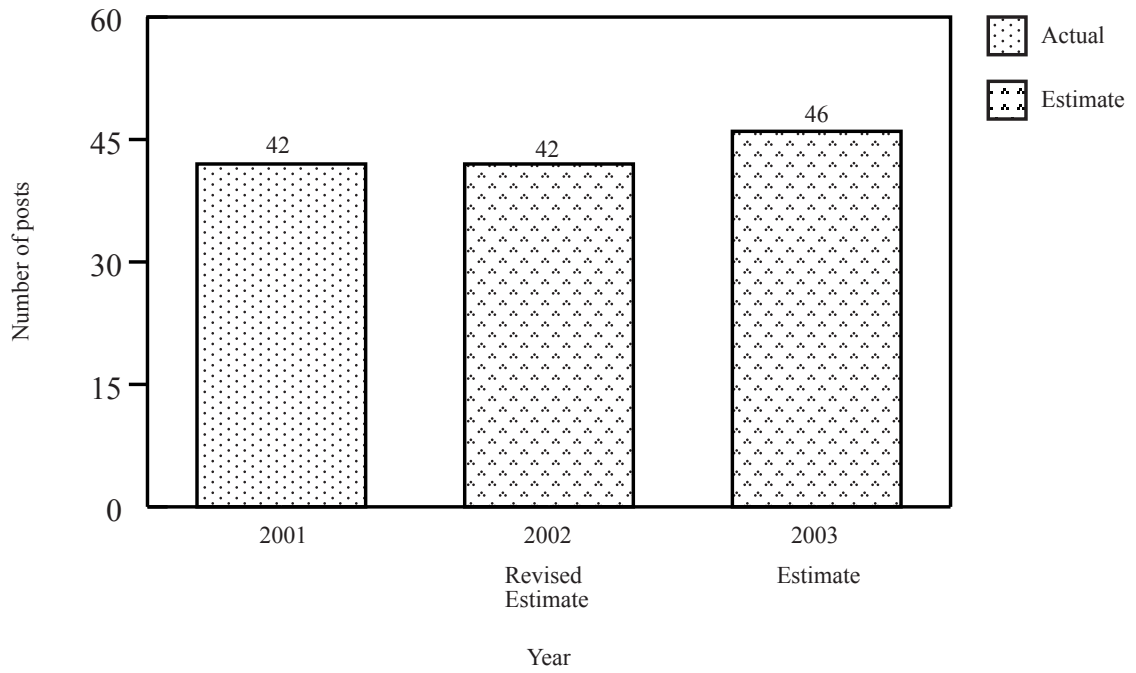
Programme	2000-01# (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
Investment Promotion	45.0	70.4 (+56.4%)	77.6 (+10.2%)	73.7 (-5.0%)

This represents the actual expenditure for the nine months from 1 July 2000 to 31 March 2001.

Analysis of Financial and Staffing Provision

Provision for 2002-03 is \$3.9 million (5.0%) lower than the revised estimate for 2001-02. This is mainly due to the reduced cashflow requirement of capital projects in 2002-03, partly offset by the creation of four posts to strengthen investor relations, additional resources for planning and organising major international business events and for administrative support, and the payment of contract gratuities for non-civil service contract staff.

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



Head 79 — INVEST HONG KONG

Sub-head (Code)	Actual# expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	Estimate 2002-03	
	\$'000	\$'000	\$'000	\$'000	
Recurrent Account					
000	Operational expenses.....	21,216	46,326	46,326	49,388
	Total, Recurrent Account.....	21,216	46,326	46,326	49,388
Capital Account					
II — Other Non-Recurrent					
700	General other non-recurrent	11,639	9,040	16,240	3,321
724	Investment promotion (block vote)	12,166	15,000	15,000	21,000
	Total, Other Non-Recurrent	23,805	24,040	31,240	24,321
	Total, Capital Account	23,805	24,040	31,240	24,321
	Total Expenditure.....	45,021	70,366	77,566	73,709

This represents the actual expenditure for the nine months from 1 July 2000 to 31 March 2001.

Head 79 — INVEST HONG KONG

Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of Invest Hong Kong is \$73,709,000. This represents a decrease of \$3,857,000 against the revised estimate for 2001–02 and an increase of \$28,688,000 over actual expenditure in 2000–01.

Recurrent Account

2 Provision of \$49,388,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of Invest Hong Kong and its other operating expenses. The increase of \$3,062,000 (6.6%) over the revised estimate for 2001–02 is mainly due to the creation of four posts to strengthen investor relations, additional provision for planning and organising major international business events and for administrative support, and the payment of contract gratuities for non-civil service contract staff. Management and control of Invest Hong Kong's operational expenses take the form of a one-line vote.

3 As a vote-funded department, the department is subject to establishment control. The establishment at 31 March 2002 will be 41 permanent posts and one supernumerary post. It is expected that four posts will be created in 2002–03. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$23,172,000.

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

	2000–01# (Actual) (\$'000)	2001–02 (Original Estimate) (\$'000)	2001–02 (Revised Estimate) (\$'000)	2002–03 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	14,456	32,490	25,025	25,501
- Allowances	268	664	336	746
Departmental Expenses				
- General departmental expenses	6,492	13,172	20,965	23,141
	<u>21,216</u>	<u>46,326</u>	<u>46,326</u>	<u>49,388</u>

This represents the actual expenditure for the nine months from 1 July 2000 to 31 March 2001.

Capital Account

Other Non-Recurrent

5 Provision of \$21,000,000 under *Subhead 724 Investment promotion (block vote)* is for expenditure incurred on the production of investment promotion publications and audio-visual materials; overseas advertising campaigns; participation in international fairs and exhibitions, overseas duty visits, organisation of seminars and missions; and other promotion-related expenses arising from services to potential investors. This represents an increase of \$6,000,000 (40.0%) over the revised estimate for 2001–02. This is mainly due to increased activities in the Mainland of China, and arising from the more proactive approach following implementation of the targetted economic sector-based method of operation.

Head 79 — INVEST HONG KONG

Capital Account

Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2001	Revised estimated expenditure for 2001-02	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	004	Launch Brand Building Programme.....	10,000	3,542	3,137	3,321
		Total.....	10,000	3,542	3,137	3,321