

Head 79 — INVEST HONG KONG

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

Estimate 2003–04 **\$67.4m**

Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 39 non-directorate posts as at 31 March 2003 and as at 31 March 2004 **\$18.9m**

In addition there will be an estimated three directorate posts as at 31 March 2003 reducing by one post to two posts as at 31 March 2004.

Controlling Officer's Report

Programme

Investment Promotion

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

Detail

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	80.5	73.7 (–8.4%)	78.8 (+6.9%)	67.4 (–14.5%)

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 2002, Invest Hong Kong continued the image building programme launched in 2001 to publicise Hong Kong's investment environment and the department's own corporate identity. It participated in the Transatlantic Race 2002 as a sponsor of 'Spirit of Hong Kong'. This event helped build up positive public relations and publicity for Hong Kong and the new department. Another major event successfully hosted by the department was the Forbes Global CEO Conference held in Hong Kong from 24 to 26 September 2002. In addition, the department had strengthened investment promotion efforts in the Mainland by redeploying resources to create two two-person investment promotion units, one dealing with companies in the Shanghai area (including Jiangsu and Zhejiang Provinces), and the other one dealing with companies in Beijing and Tianjin. They are now based in the department's Head Office. A dedicated team has also been established to handle all matters relating to the Mainland.

5 The key performance measures are:

Indicators

	1999 (Actual)	2000 (Actual)	2001 (Actual)
in-flow of foreign direct investment into Hong Kong amount at market value (bn\$).....	190.8	502.1	177.8#
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%).....	24	45	24.2

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	2001 (Actual)	2002 (Actual)	2003 (Estimate)
projects pursued			
– pursuable leads.....	325@	407@	325@
– projects generated from aftercare service	54	40	50
projects completed	99	117	125

The drop in 2001 reflects the overall picture of the world and regional economy. It is important to note that the volume of Hong Kong's foreign direct investment in 2000 was exceptionally high and was mainly due to one single large acquisition in telecommunications, valued at around HK\$187 billion. If this extraordinary item is discounted, the drop is less severe and more in line with regional and international developments.

@ Including cases brought forward from previous year and new leads.

Matters Requiring Special Attention in 2003–04

6 During 2003–04, 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 cooperation with the Economic and Trade Offices and Trade Development Council's overseas offices; and
- increase activities on investment promotion both within Hong Kong and in the Mainland.

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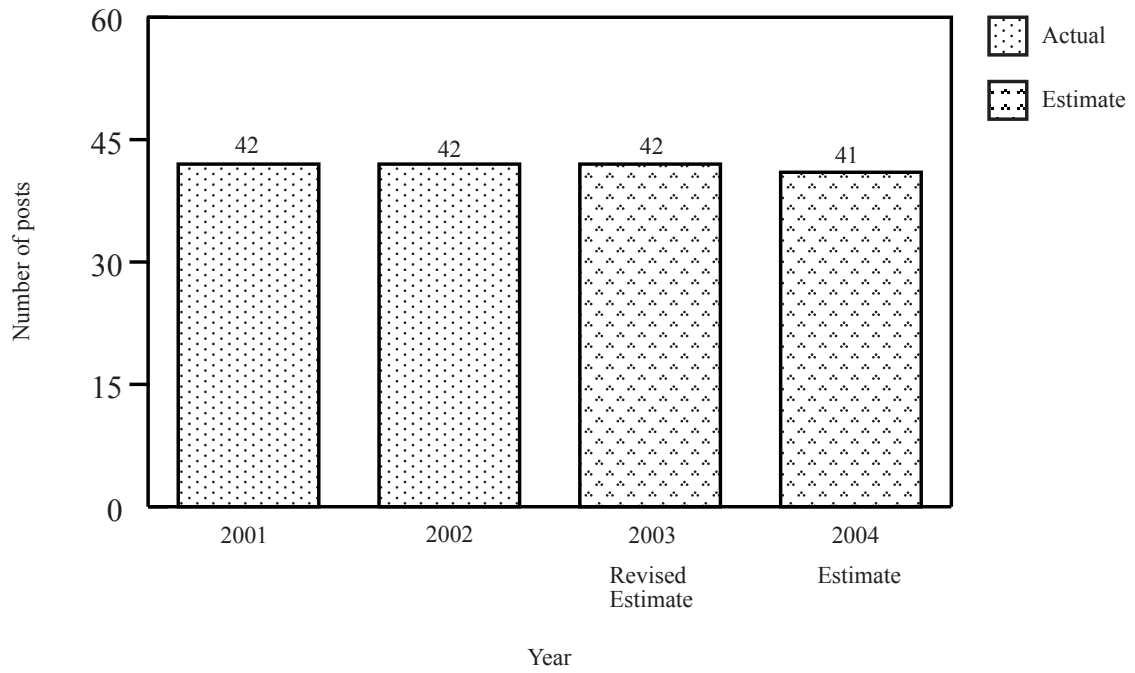
ANALYSIS OF FINANCIAL PROVISION

Programme	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
Investment Promotion.....	80.5	73.7 (-8.4%)	78.8 (+6.9%)	67.4 (-14.5%)

Analysis of Financial and Staffing Provision

Provision for 2003-04 is \$11.4 million (14.5%) lower than the revised estimate for 2002-03. This is mainly due to the lapse of a supernumerary directorate post in 2003-04, full-year effect of civil service pay cut in 2002, transfer of resources to Hong Kong Economic and Trade Offices to strengthen investment promotion support in Brussels Office, reduced operating expenditure to achieve efficiency savings and completion of capital projects.

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



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Sub-head (Code)	Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	Estimate 2003-04	
	\$'000	\$'000	\$'000	\$'000	
Recurrent Account					
000	Operational expenses.....	47,025	49,388	48,891	46,410
	Total, Recurrent Account	47,025	49,388	48,891	46,410
Capital Account					
II — Other Non-Recurrent					
724	Investment promotion (block vote)	14,999	21,000	21,000	21,000
	General other non-recurrent	18,468	3,321	8,954	—
	Total, Other Non-Recurrent	33,467	24,321	29,954	21,000
	Total, Capital Account	33,467	24,321	29,954	21,000
	Total Expenditure.....	80,492	73,709	78,845	67,410

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Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of Invest Hong Kong is \$67,410,000. This represents a decrease of \$11,435,000 against the revised estimate for 2002–03 and of \$13,082,000 against actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$46,410,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of Invest Hong Kong and its other operating expenses. The decrease of \$2,481,000 (5.1%) against the revised estimate for 2002–03 is mainly due to the lapse of a supernumerary directorate post in 2003–04, full-year effect of civil service pay cut in 2002, transfer of resources to Hong Kong Economic and Trade Offices to strengthen investment promotion support in Brussels Office and reduced operating expenditure to achieve efficiency savings.

3 The establishment as at 31 March 2003 will be 41 permanent posts and one supernumerary post. The supernumerary post will lapse on 1 April 2003. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$18,932,000.

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

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	23,909	25,501	19,205	18,371
- Allowances.....	252	746	331	393
- Job-related allowances	—	—	169	6
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	24
Departmental Expenses				
- General departmental expenses.....	22,864	23,141	29,186	27,616
	<u>47,025</u>	<u>49,388</u>	<u>48,891</u>	<u>46,410</u>

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; 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.