

## Head 79 — INVEST HONG KONG

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

<b>Estimate 2004–05</b> .....	<b>\$233.7m</b>
<b>Establishment ceiling 2004–05</b> (notional annual mid-point salary value) representing an estimated 38 non-directorate posts as at 31 March 2004 reducing by four posts to 34 posts as at 31 March 2005.....	<b>\$15.6m</b>
In addition there will be an estimated two directorate posts as at 31 March 2004 and as at 31 March 2005.	
<b>Commitment balance</b> .....	<b>\$632.0m</b>

### Controlling Officer's Report

#### Programmes

<b>Programme (1) Investment Promotion</b>	These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce, Industry and Technology).
<b>Programme (2) Economic Relaunch</b>	

#### Detail

##### Programme (1): Investment Promotion

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	<b>2004–05 (Estimate)</b>
Financial provision (\$m)	77.0	67.4	89.3 (+32.5%)	<b>110.7</b> (+24.0%)
				(or +64.2% on 2003–04 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 2003, Invest Hong Kong was allocated an additional provision of \$200 million over the next five years for enhancing investment promotion activities. The provision was used to broaden external representation to cover markets not already included and to improve coverage in markets already represented; to strengthen the Beijing and Shanghai Investment Promotion Units; to increase joint marketing activities with Pearl River Delta cities; to strengthen the Mainland co-ordination team; to create a new dedicated team to co-ordinate activities of the Investment Promotion Ambassadors; to substantially improve the marketing, research, information technology and knowledge management capacities of Invest Hong Kong; and to strengthen the sector teams in the Head Office to handle the additional projects to be generated.

5 The key performance measures are:

#### Indicators

	2000 (Actual)φ	2001 (Actual)φ	<b>2002 (Actual)</b>
in-flow of foreign direct investment into Hong Kong amount at market value (\$ billion).....	483.1	185.4#	<b>107#</b>
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%).....	44.7	24.4	<b>15.5</b>

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	2002 (Actual)	2003 (Actual)	2004 (Estimate)
projects pursued <sup>§</sup> .....	447	522	<b>600</b>
projects completed .....	117	142	<b>200</b>

ϕ The figures have been updated after the preparation of the 2003–04 Estimates.

# The drop in 2001 reflected the overall picture of the world and regional economy. 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 was discounted, the drop in 2001 would have been less severe and more in line with regional and international developments. The further drop in 2002 was the reflection of the general fall in foreign direct investment worldwide.

§ This indicator used to be split into number of pursuable leads and number of projects generated from aftercare service before 2004.

### *Matters Requiring Special Attention in 2004–05*

**6** During 2004–05, 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.

### **Programme (2): Economic Relaunch**

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	—	—	546.0	<b>123.0</b> (–77.5%)

### *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 has approved 84 projects. Most of the projects have been completed in 2003–04 and a few will continue into 2004–05.

### *Matters Requiring Special Attention in 2004–05*

**12** During 2004–05, Invest Hong Kong will continue to monitor the spending position of the remaining relaunch projects, and ensure timely evaluation and proper close of accounts upon completion. The ERWG decided on 20 October 2003 not to consider funding applications for new projects.

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### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Investment Promotion.....	77.0	67.4	89.3	110.7
(2) Economic Relaunch.....	—	—	546.0	123.0
	<hr/>	<hr/>	<hr/>	<hr/>
	77.0	67.4	635.3 (+842.6%)	233.7 (-63.2%)
				(or +246.7% on 2003-04 Original)

#### Analysis of Financial and Staffing Provision

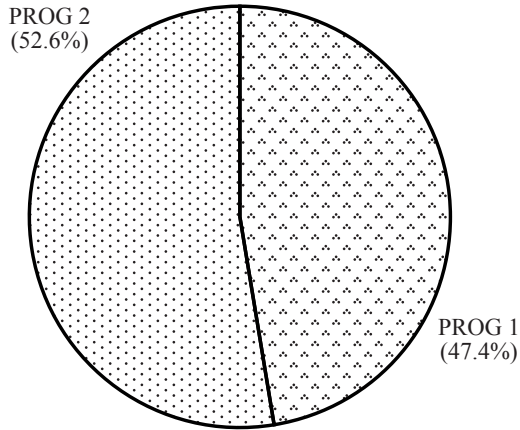
##### Programme (1)

Provision for 2004-05 is \$21.4 million (24.0%) higher than the revised estimate for 2003-04. This is mainly due to the increase in resources to boost investment promotion work, partly offset by the deletion of four posts and effect of the 2004 and 2005 civil service pay cut.

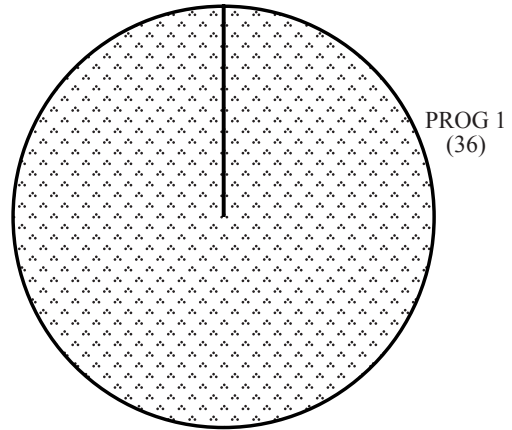
##### Programme (2)

Provision for 2004-05 is \$423.0 million (77.5%) lower than the revised estimate for 2003-04. This is mainly due to the completion of most economic relaunch projects in 2003-04 and hence reduced cashflow requirement for 2004-05.

*Allocation of provision  
to programmes  
(2004-05)*

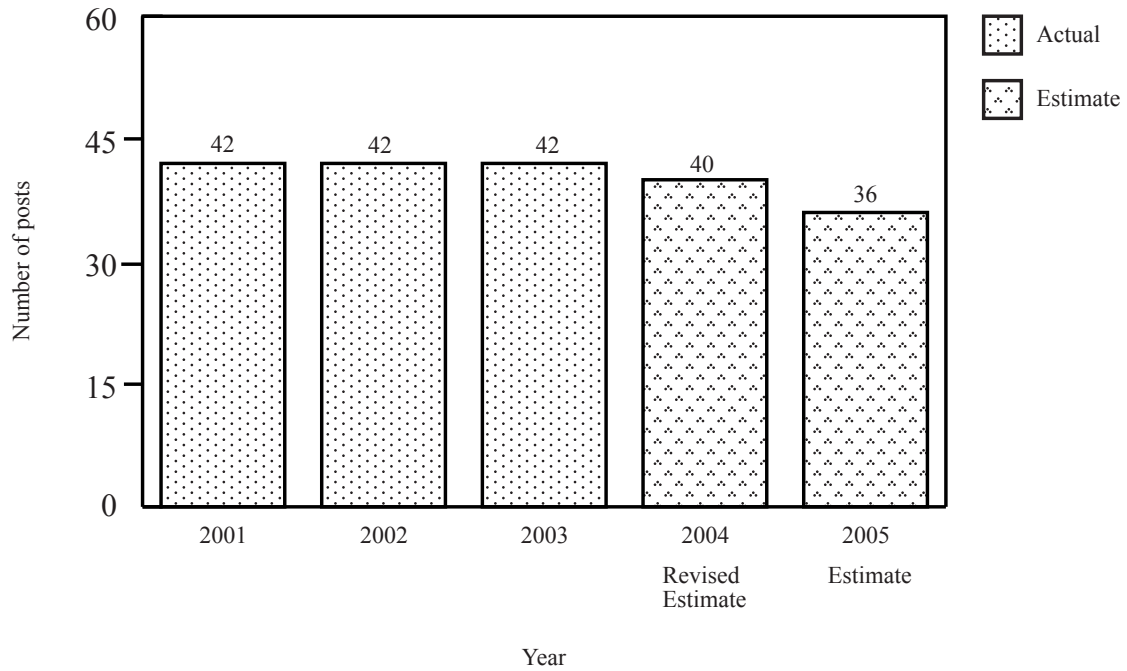


*Staff by programme  
(as at 31 March 2005)*



(No attribution of staff to PROG 2)

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



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Sub-head (Code)	Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	<b>Estimate 2004-05</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses.....	48,884	46,410	46,280	<b>45,218</b>
	Total, Recurrent .....	48,884	46,410	46,280	<b>45,218</b>
Non-Recurrent					
700	General non-recurrent.....	7,116	—	568,000	<b>167,500</b>
724	Investment promotion (block vote) .....	20,999	21,000	21,000	<b>21,000</b>
	Total, Non-Recurrent .....	28,115	21,000	589,000	<b>188,500</b>
	Total, Operating Account.....	76,999	67,410	635,280	<b>233,718</b>
	Total Expenditure.....	76,999	67,410	635,280	<b>233,718</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of Invest Hong Kong is \$233,718,000. This represents a decrease of \$401,562,000 against the revised estimate for 2003–04 and an increase of \$156,719,000 over actual expenditure in 2002–03.

#### Operating Account

##### Recurrent

2 Provision of \$45,218,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of Invest Hong Kong.

3 The establishment as at 31 March 2004 will be 40 permanent posts. It is expected that four posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$15,566,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	19,186	18,371	19,812	18,935
- Allowances.....	244	393	332	213
- Job-related allowances .....	169	6	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	24	12	12
Departmental Expenses				
- General departmental expenses.....	29,285	27,616	26,123	26,057
	<u>48,884</u>	<u>46,410</u>	<u>46,280</u>	<u>45,218</u>

##### 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.

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### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2003	Revised estimated expenditure for 2003-04	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	008	Campaign to relaunch Hong Kong's economy.....	1,000,000	—	546,000	454,000
	009	Boosting Investment Promotion Work ...	200,000	—	22,000	178,000
		Total.....	1,200,000	—	568,000	632,000