

Head 79 — INVEST HONG KONG

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

Estimate 2008–09	\$109.3m
Establishment ceiling 2008–09 (notional annual mid-point salary value) representing an estimated 33 non-directorate posts as at 31 March 2008 and as at 31 March 2009	\$15.8m
In addition, there will be an estimated two directorate posts as at 31 March 2008 and as at 31 March 2009.	
Commitment balance	\$109.5m

Controlling Officer's Report

Programme

Investment Promotion

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

Detail

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	106.0	107.2	108.1 (+0.8%)	109.3 (+1.1%)
				(or +2.0% on 2007–08 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 pro-active investment promotion strategy by focusing on business sectors where Hong Kong has an edge over other Asian cities and by taking a pro-active marketing approach with specific target companies. Currently, the targeted sectors are financial services, consumer, retail and sourcing, transportation, telecommunications, media and multi-media, business and professional services, information technology, technology (especially electronics and biotechnology), and tourism and entertainment. Since 2004, Invest Hong Kong has broadened external representation to cover new markets and strengthened the representation in markets already covered. It has also enhanced the services offered to Mainland investors, including a "One-Stop Service" facility, new Investment Promotion Units (IPUs) in Beijing, Shanghai and Chengdu and an expanded IPU in Guangzhou.

4 In 2007, Invest Hong Kong continued to arrange overseas trips and visits to the Mainland and Taiwan to call on companies with an interest in Hong Kong. The Department hosted and participated in major international and regional events to promote inward investment, such as Forbes Fabulous 50 and Businessman of the Year Awards Dinner, Hong Kong Sevens 2007, Asian Aerospace, Cable and Satellite Broadcasting Association of Asia's annual convention, the Pan-Pearl River Delta Economic and Trade Cooperation Fair and the Mobility World Congress. Invest Hong Kong 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. In addition, it revamped the design of its full range of publications, and placed articles or advertised in major publications in key overseas markets to promote the advantages of investing in Hong Kong and also support the 10th Anniversary of the Establishment of the HKSAR. The Department's award-winning TV commercial was also screened together with vignettes featuring 'dialogues with investors' in major worldwide markets as part of its branding efforts.

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5 The key performance measures are:

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Actual)
inflow of foreign direct investment into Hong Kong amount at market value (\$ billion)	265.1	261.5#	350.0@
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%)	22.8§	20.1§	22.6

The figure has been updated in accordance with the information from the Census and Statistics Department after the preparation of the 2007–08 Estimates.

@ The substantial increase was attributable in part to large sum of operating profit of Hong Kong enterprises retained as reinvested earnings.

§ The figures have been amended in accordance with the World Investment Report after the preparation of the 2007–08 Estimates.

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
no. of projects pursued.....	1 170	1 139	1 125
no. of projects completed^.....	246	253	250

^ A completed project refers to an investment project resulting in a foreign/Mainland/Taiwan company setting up or expanding its business in Hong Kong.

Matters Requiring Special Attention in 2008–09

6 During 2008–09, 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 overseas and the Mainland Economic and Trade Offices and Hong Kong Trade Development Council's offices outside Hong Kong;
- continue the activities on investment promotion both internationally, and in the Mainland and Taiwan; and
- continue the joint overseas marketing activities with Pearl River Delta cities; and increase promotion of CEPA in overseas markets.

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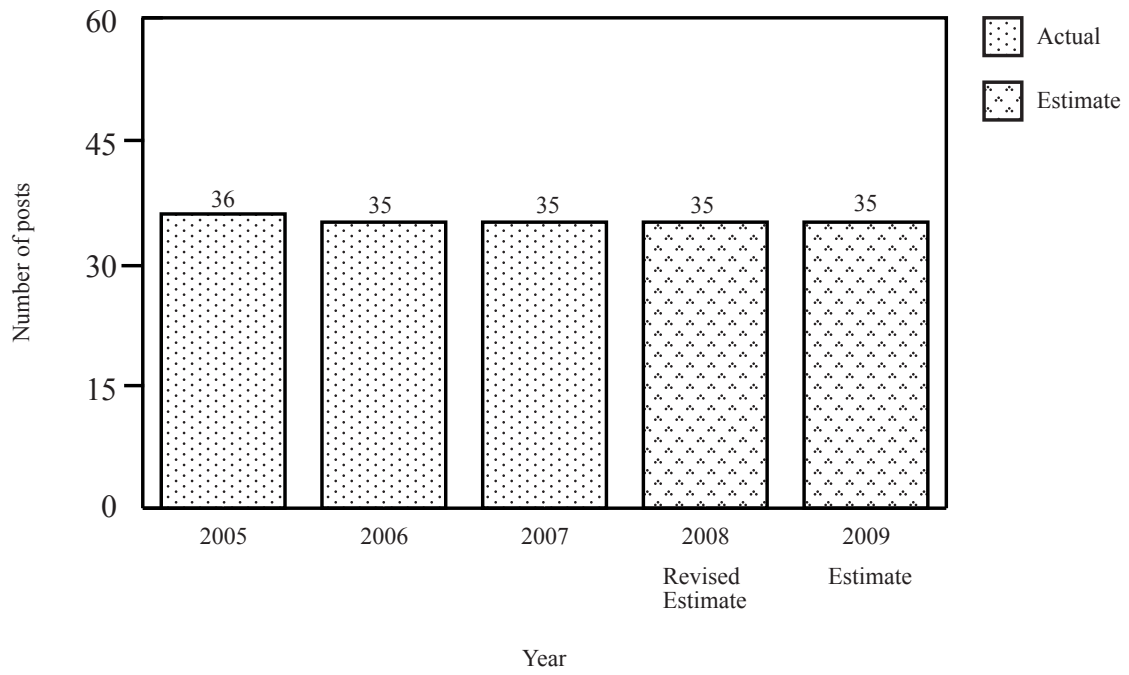
ANALYSIS OF FINANCIAL PROVISION

Programme	2006-07 (Actual) (\$m)	2007-08 (Original) (\$m)	2007-08 (Revised) (\$m)	2008-09 (Estimate) (\$m)
Investment Promotion	106.0	107.2	108.1 (+0.8%)	109.3 (+1.1%)
				(or +2.0% on 2007-08 Original)

Analysis of Financial and Staffing Provision

Provision for 2008-09 is \$1.2 million (1.1%) higher than the revised estimate for 2007-08. This is mainly due to increased salary provision for contract staff and additional provision required for boosting investment promotion work.

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



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Sub-head (Code)	Actual expenditure 2006–07	Approved estimate 2007–08	Revised estimate 2007–08	Estimate 2008–09	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	63,563	64,651	65,572	66,468
	Total, Recurrent.....	<u>63,563</u>	<u>64,651</u>	<u>65,572</u>	<u>66,468</u>
Non-Recurrent					
700	General non-recurrent	42,426	42,500	42,500	42,839
	Total, Non-Recurrent.....	<u>42,426</u>	<u>42,500</u>	<u>42,500</u>	<u>42,839</u>
	Total, Operating Account	105,989	107,151	108,072	109,307
<hr/>					
	Total Expenditure	<u><u>105,989</u></u>	<u><u>107,151</u></u>	<u><u>108,072</u></u>	<u><u>109,307</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2008–09 for the salaries and expenses of Invest Hong Kong is \$109,307,000. This represents an increase of \$1,235,000 over the revised estimate for 2007–08 and of \$3,318,000 over actual expenditure in 2006–07.

Operating Account

Recurrent

2 Provision of \$66,468,000 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 2008 will be 35 permanent posts. No change in establishment is expected in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$15,754,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	18,473	18,738	19,651	19,713
- Allowances	161	173	181	175
- Job-related allowances	—	1	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution	12	12	12	12
Departmental Expenses				
- General departmental expenses	44,917	45,727	45,727	46,567
	63,563	64,651	65,572	66,468

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2007	Revised estimated expenditure for 2007–08	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	009	Boosting Investment Promotion				
		Work#	300,000	147,994	42,500	109,506
		Total	<u>300,000</u>	<u>147,994</u>	<u>42,500</u>	<u>109,506</u>

Increase in commitment from \$200 million to \$300 million approved by the Finance Committee on 11 January 2008.