

Head 79 — INVEST HONG KONG

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

Estimate 2011–12..... **\$110.6m**

Establishment ceiling 2011–12 (notional annual mid-point salary value) representing an estimated 33 non-directorate posts as at 31 March 2011 and as at 31 March 2012..... **\$16.2m**

In addition, there will be an estimated two directorate posts as at 31 March 2011 and as at 31 March 2012.

Controlling Officer's Report

Programme

Investment Promotion

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

Detail

	2009–10 (Actual)	2010–11 (Original)	2010–11 (Revised)	2011–12 (Estimate)
Financial provision (\$m)	111.3	105.8	106.0 (+0.2%)	110.6 (+4.3%)
				(or +4.5% on 2010–11 Original)

Aim

2 The aim is to attract and assist foreign, Mainland and Taiwan companies to set up, retain and expand their operations in Hong Kong and to promote Hong Kong's advantages as the leading international business location in Asia.

Brief Description

3 Invest Hong Kong was set up in July 2000 to spearhead Hong Kong's efforts to attract and retain foreign direct investment. It promotes the business sectors and industries where Hong Kong has a comparative edge. Invest Hong Kong places emphasis on attracting companies with the potential to contribute to Hong Kong's economic development, and encouraging them to locate their regional headquarters and strategic functions in Hong Kong to access opportunities on the Mainland and elsewhere in Asia.

4 In 2010, Invest Hong Kong proactively identified and approached over 5 000 individual target companies in key geographic markets. It also placed particular focus on encouraging companies from the Mainland and Taiwan and important emerging markets such as India and Russia to set up operations in Hong Kong. In close collaboration with partners primarily from the Pearl River Delta region, it has conducted joint promotion seminars in overseas markets to promote the combined advantages of Hong Kong and the Mainland. The nationwide marketing campaign "On Your Marks, Get-set, Go!", aimed at attracting the Mainland privately-owned enterprises to Hong Kong, continued with promotion in Guangdong and Liaoning provinces. The Department launched a major marketing campaign in Taiwan with a view to attracting more Taiwan companies to set up or expand their business in Hong Kong. Invest Hong Kong also launched an integrated campaign in collaboration with the Financial Services and the Treasury Bureau in key financial markets such as London and New York to promote Hong Kong as a global financial centre and asset management hub.

5 Invest Hong Kong provides one-to-one advisory service to support companies throughout the planning and execution of their expansion in Hong Kong. The Department is also continuing to strengthen its aftercare support service to companies already established in Hong Kong.

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6 The key performance measures are:

Indicators

	2007 (Actual)	2008 (Actual)	2009 (Actual)
inflow of foreign direct investment into Hong Kong amount at market value (\$ billion)	423.9	464.3@	406.1β
Hong Kong's share of foreign direct investment inflows into South, East and South-East Asia (%)	21.0§	21.1§	22.5

@ The increase was mainly attributable to the acquisition of share capital of Hong Kong enterprises and the increase in share of equity capital in Hong Kong affiliates by some prominent multinational enterprises.

β The decrease was mainly attributable to the significant increase in equity transactions in 2008 which has led to a higher base of comparison. Moreover, the amount of inter-company debt transactions had also reduced in 2009.

§ The figure has been amended in accordance with the World Investment Report after the preparation of the 2010–11 Estimates.

	2009 (Actual)	2010 (Actual)	2011 (Estimate)
no. of projects pursued.....	1 179	1 286	1 313
no. of projects completed^.....	265	284	290

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

Matters Requiring Special Attention in 2011–12

7 During 2011–12, Invest Hong Kong will:

- strengthen co-operation with the Economic and Trade Offices as well as organisations promoting Hong Kong overseas and on the Mainland, such as Hong Kong Trade Development Council, Science Park and Cyberport;
- continue with investment promotional efforts, in particular on the Mainland, in Taiwan and other emerging markets such as India, Middle East, Russia and South America;
- continue the joint overseas marketing activities with Pearl River Delta cities;
- strengthen aftercare support with enhanced research capabilities; and
- continue organising integrated marketing campaigns with an emphasis on the financial services and creative industries sectors.

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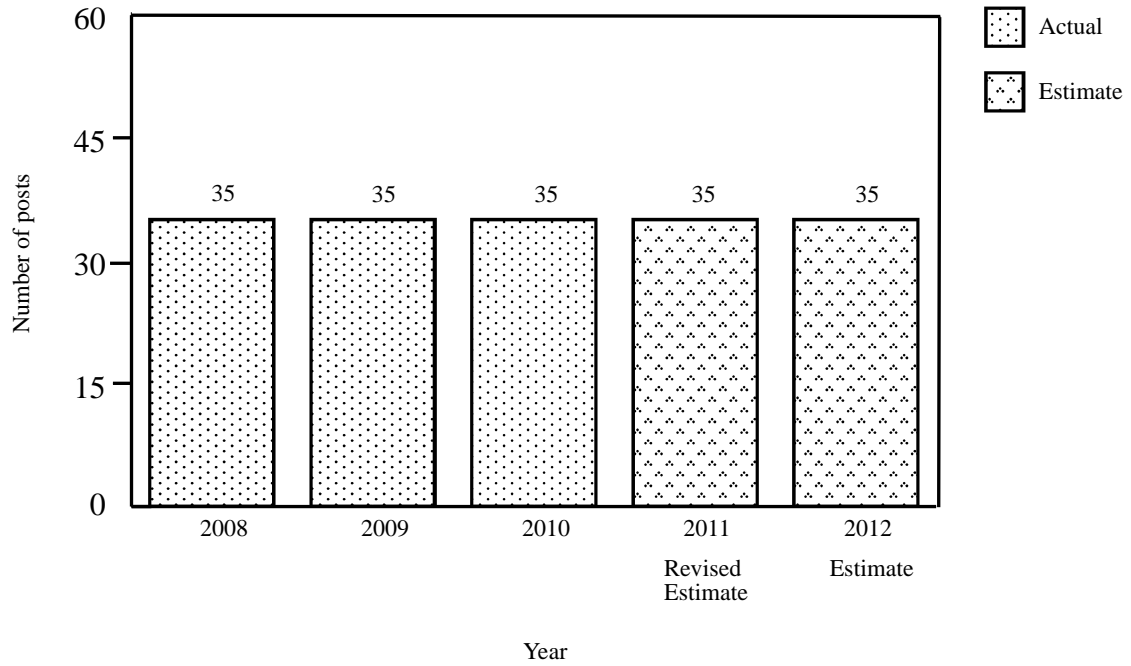
ANALYSIS OF FINANCIAL PROVISION

Programme	2009–10 (Actual) (\$m)	2010–11 (Original) (\$m)	2010–11 (Revised) (\$m)	2011–12 (Estimate) (\$m)
Investment Promotion	111.3	105.8	106.0 (+0.2%)	110.6 (+4.3%)
				(or +4.5% on 2010–11 Original)

Analysis of Financial and Staffing Provision

Provision for 2011–12 is \$4.6 million (4.3%) higher than the revised estimate for 2010–11. This is mainly due to the increased provision required to sustain the momentum of investment promotion work.

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



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Sub-head (Code)	Actual expenditure 2009–10	Approved estimate 2010–11	Revised estimate 2010–11	Estimate 2011–12
	\$'000	\$'000	\$'000	\$'000
Operating Account				
Recurrent				
000 Operational expenses.....	68,839	79,939	80,201	110,647
Total, Recurrent	<u>68,839</u>	<u>79,939</u>	<u>80,201</u>	<u>110,647</u>
Non-Recurrent				
General non-recurrent	42,500	25,837	25,837	—
Total, Non-Recurrent	<u>42,500</u>	<u>25,837</u>	<u>25,837</u>	<u>—</u>
Total, Operating Account.....	111,339	105,776	106,038	110,647

Total Expenditure	<u>111,339</u>	<u>105,776</u>	<u>106,038</u>	<u>110,647</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2011–12 for the salaries and expenses of Invest Hong Kong is \$110,647,000. This represents an increase of \$4,609,000 over the revised estimate for 2010–11 and a decrease of \$692,000 against actual expenditure in 2009–10.

Operating Account

Recurrent

2 Provision of \$110,647,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of Invest Hong Kong. The increase of \$30,446,000 (38.0%) over the revised estimate for 2010–11 is mainly due to the increased provision to regularise the non-recurrent funding for sustaining the momentum of investment promotion work as from 2011–12 after the non-recurrent commitment was exhausted in 2010–11.

3 The establishment as at 31 March 2011 will be 35 permanent posts. No change in establishment is expected in 2011–12. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2011–12, but the notional annual mid-point salary value of all such posts must not exceed \$16,187,000.

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

	2009–10 (Actual) (\$'000)	2010–11 (Original) (\$'000)	2010–11 (Revised) (\$'000)	2011–12 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	21,936	20,158	20,418	20,245
- Allowances	151	141	143	137
- Job-related allowances.....	—	1	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution	20	25	25	26
Departmental Expenses				
- General departmental expenses.....	46,732	59,614	59,614	90,238
	68,839	79,939	80,201	110,647