

# LCQ7: Hong Kong Investment Corporation Limited

Following is a question by the Hon Duncan Chiu and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 31):

Question:

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (HKIC), which will incorporate the Hong Kong Growth Portfolio (HKGP) established under the Future Fund into its management, with an aim to further optimise the use of fiscal reserves for promoting the development of Hong Kong's economy and industries, as well as to attract and support more enterprises to develop their business in Hong Kong. In this connection, will the Government inform this Council:

(1) of the respective numbers of institutions which have expressed interest and submitted investment proposals to HKIC since its establishment; the assessment mechanism for the investment proposals; and the expected earliest time for HKIC to formally make investments;

(2) whether HKIC will directly manage some of the investments; if so, of the proportion and details of such investments (including whether HKIC will directly invest in projects, enterprises, funds, or make mixed investments, as well as the proportion of investment allocation involved);

(3) of the following information on HKGP since its establishment: (i) the number of institutions appointed as general partners, (ii) the number of institutions which have signed general partnership contracts with the Hong Kong Monetary Authority (HKMA) and, (iii) among them, the respective numbers of institutions which have been disbursed with investment funds from HKMA and those which have not yet been disbursed with investment funds, (iv) the total amount of investment funds disbursed by HKMA, and (v) the respective time taken by various institutions appointed as general partners from the signing of the contract with HKMA to the disbursement of the investment funds; and

(4) how it will ensure that HKIC can enhance speed and efficiency in various aspects, such as vetting and approving investment proposals, and disbursing investment funds, so as to achieve more effectively the purposes for which HKIC is established and maximise its effectiveness; whether the Government will, by drawing reference from the practice of formulating performance pledges for government departments, formulate investment management standards and targets for HKIC; if so, of the specific details?

Reply:

President,

The 2022 Policy Address announced the establishment of the Hong Kong Investment Corporation Limited (the Corporation) to further optimise the use of fiscal reserves for promoting the development of the economy and industries. The Corporation will manage the Hong Kong Growth Portfolio (HKGP), the Greater Bay Area Investment Fund and the Strategic Tech Fund established under the Future Fund, as well as the newly established Co-Investment Fund. The initial allocation to the Corporation for management amounts to \$62 billion. The Corporation will, based on the direction of enhancing Hong Kong's competitiveness as well as leading and supporting the prosperous growth of strategic industries, identify investment opportunities to strengthen Hong Kong's ability to attract investments and enterprises, enhance the structure of industries and the impetus of economic growth. The investments also aim to create more quality career development opportunities for people and promote the cooperation and mutual development of industries between Hong Kong and cities in the Guangdong-Hong Kong-Macao Greater Bay Area.

Having consulted the Hong Kong Monetary Authority (HKMA), the consolidated reply to the various parts of the question is as follows:

On February 15, 2023, the Government announced the membership of the Corporation's Board of Directors (Board). The Board had in-depth discussions on such matters as to the Corporation's corporate structure, governance, personnel arrangement as well as administration and management. The Board has also formulated the Corporation's investment strategies and criteria, and having regard to the different focuses of the funds under its management, devised appropriate strategies and asset allocation for investments in projects, corporates, funds, etc, as well as drawn up procedures and criteria in sourcing investment partners or targets. At the initial stage of the Corporation's operation, the HKMA will render support on investment, logistics and operational matters, including assisting the Board to make decisions on investment projects leveraging on the HKMA's investment management experience, formulate a risk management framework, and handle administrative matters, thereby enabling the Corporation to commence operation swiftly while upholding good corporate governance.

A number of institutions have submitted investment proposals to the Corporation since its inception, including companies in the fields of innovation and technology and Fintech. The Corporation together with the Office for Attracting Strategic Enterprises under the Financial Secretary's Office has been engaging in preliminary discussions with certain interested institutions, and going forward, will consider making investments in accordance with the investment criteria formulated by the Board. Generally speaking, apart from investment return, the Corporation will take into account the potential of enterprises concerned or individual projects in driving industry development and employment in Hong Kong, as well as promoting Hong Kong's competitiveness and economic vibrancy in the long run. The process will be subject to discussion among collaborating parties, specific market circumstances and decisions made by the Board. It is therefore not appropriate to stipulate a mandatory timetable or an investment

ratio.

Separately, prior to the establishment of the Corporation, eight general partners have been selected to make strategic investments for the HKGP, with investments in a wide spectrum of industries including technology, healthcare, logistics and supply chain management, business and financial services, consumer products, etc. The HKMA has been assisting with the collaboration with the general partners, following up contract signing and capital injection as well as monitoring the general partners' investments based on the agreements and actual situation. We have gradually transitioned the management of the HKGP to the Corporation through administrative arrangements. The Board will formulate the overall disclosure arrangements for the Corporation having regard to such factors as the actual needs of investment operations and the public's right to know.