

By Fax and Email

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Review of Admission of Talents and Professionals to Hong Kong

HKISPA writes this submission in response to your request for comments in the Review of Admission of Talents and Professionals to Hong Kong on 4 October 2012.

HKISPA is in principle supportive of the Capital Investment Entrant Scheme (CIES) as a programme that offers permanent residency in Hong Kong in exchange for a significant investment commitment in Hong Kong.

However, from an economic perspective, such investments should be measured by (i) the monetary amount, (ii) the risks associated with that investment, and (iii) the expected wider impact/good that investment may have on the Hong Kong economy. The CIES's current measure to the investment, which is purely financially and set at a threshold of HK\$10M, is too simpleton.

The current CIES does not seem to distinguish/encourage a long term investor who's investments would support the government's policies for innovation and creativity, versus a pure financial investors who would otherwise already naturally be attracted to invest in safe financial instruments on offer in Hong Kong.

In any event, given the inflation rates we have witnessed in the past few years and the expected high inflation in coming years, we believe the HK\$10M benchmark should be adjusted upwards.

HKISPA would therefore recommend adjusting the CIES as follows:

1. Raise the required investment for the CIES to HK\$20M.
2. Define investments that Hong Kong would want to encourage. For example, ICT, biotechnology, green technology, environmental protection, etc.

3. Amend the CIES's Permissible Investment Assets (PIA) to a two tiers system, where investments in the encouraged sectors would be counted as double the investment size, or given more marks.
4. Establish a governmental department to implement the administrations, including verifying whether a project or a company in HK qualifies as one in the PIA's "encouraged sector".

Example 1: Investor A has HK\$10M to invest, not reaching the new HK\$20M. But the Investor A will invest all HK\$10M into green technology companies in Hong Kong and be more favorably considered.

Example 2: Investor B wants to create a portfolio of HK\$15M investments, with HK\$10M to be invested into financial instruments, and the balance HK\$5M to be invested in an ICT startup company, where the investment and hence that CIES application should be considered more favorably.

For the above two examples, if the scoring multiplier for investments into encouraged sectors is 2, both of the investors would be considered as reaching the investment threshold of HK\$20M.

Finally, this submission is illustrative of our idea. HKISPA hopes that the administration would seriously take the idea into the review, although we understand that how it is finally adopted may differ from what we suggested.

Thank you for your attention.



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Chairman
HKISPA