

LegCo Panel on Commerce and Industry
Supplementary Information Note to
“Support for Manufacturing Industry”

Purpose

At the meeting of the LegCo Panel on Trade and Industry held on 11 December 2000, Members asked for further information in relation to the paper “Support for Manufacturing Industry”, including -

- (a) the contribution of the manufacturing industry to Hong Kong’s economy and the Government’s efforts in promoting such contribution;
- (b) the commercialization of projects supported by Government funding schemes and products which are awarded the Hong Kong Awards for Industry;
- (c) the applicability of the Patent Application Grant to Mainlanders; and
- (d) the progress of the review of the Admission of Talents Scheme.

2. We have consulted relevant parties and set out below the requested details for Members’ information.

Contribution of the Manufacturing Sector to Hong Kong’s Economy

3. According to information provided by the Census and Statistics Department, the value-added of the local manufacturing sector in 1999 was estimated at HK\$67 billion, corresponding to about 6% of GDP. On employment, some 248 500 persons were engaged in the local manufacturing sector in 1999, representing about 8% of overall employment (Table 1). In addition, the value-added of those local import/export (I/E) firms, which were engaged in sub-contract processing arrangement (SPAC) in the Mainland of China and providing manufacturing-related support services, amounted to HK\$69 billion or 6% of GDP in 1999. Around 129 500 persons, corresponding to 4% of total employment, were engaged in such activities (Table 2). Taken together, the value-added of the manufacturing sector and

directly related activities amounted to HK\$137 billion or 12% of GDP in 1999. The size of employment was thus estimated at 378 000 persons or 12% of the total.

4. In addition to the direct contribution as mentioned above, the manufacturing industry also make an indirect contribution to the economy through its linkage trades, services and industries, such as the wholesale/retail trade, transport and storage, banking, insurance and other professional services. As shown in Table 2, the value added and employment of such economic sectors rendering indirect but strategic support services to the manufacturing and related sectors were substantial.

5. The above illustrates the significance of the manufacturing sector to Hong Kong's economy. The Government believes that the manufacturing sector will continue to play an important role in enhancing Hong Kong's propensity as our industrialists move further towards activities with higher value-added and technology content.

Government's Efforts in Promoting the Manufacturing Industry

6. The Government have been organizing the Hong Kong Awards for Industry (the Award Scheme) for the past 12 years as a means to give public recognition to enterprises in the industrial sector for outstanding achievements. Over the years, the Award Scheme has achieved local and international acclaim. Through massive publicity of the Scheme, the award winners and their products, the Award Scheme has helped to raise the profile of Hong Kong's industries, particularly the manufacturing industry which has the highest number of entrants and winners. We will continue to run the Award Scheme and intensify our publicity efforts. For instance, we have appointed a renowned local artist as the Ambassador of the 2001 Hong Kong Awards for Industry to help promote the Award Scheme. The Ambassador will record a theme song and appear on two TV mini-segments devoted to showcase Hong Kong's industrial achievements and promote the Award Scheme.

7. In addition, the Trade and Industry Department issues an annual publication titled "Hong Kong Industries" that provides detailed profiles of all the major manufacturing sectors in Hong Kong. The publication puts special emphasis on the economic contributions of each of these manufacturing sectors in terms of job creation, value of domestic and total exports per annum, contributions to Gross Domestic Products and their global market share. All major trade and industry associations, industry support organizations, local higher education institutions and public libraries will receive the publication free of charge. The publication is also available on the Trade and Industry Department's homepage. Moreover, the contributions of our manufacturing industries are highlighted in all major publications of the Hong Kong Government, including the "Hong Kong Year Book and the Hong Kong: The Facts: Trade and Industry", which enjoy wide overseas readership.

8. Besides, officials from the Commerce and Industry Bureau and the Trade and Industry Department frequently attend activities organized by our industrial organizations and take the opportunity to promote the economic contributions of the manufacturing industry.

Commercialization of Projects Supported by Funding Schemes

9. The Government encourages and welcomes initiatives to commercialize project results which are supported by our technology funding schemes. In fact, the ultimate aim of our technology funding schemes is to facilitate the adoption or commercialization of technology ideas or products.

10. Under the Innovation and Technology Support Programme of the Innovation and Technology Fund (ITF), we have the following measures to facilitate commercialization -

- (a) When funding application for applied research and development work is submitted (normally from a university, a research institute or an industry support organisation), we require that 10% of the project cost be funded by private companies. This is to ensure that the industry finds this project useful and relevant at the outset.

Besides, such sponsoring companies may provide inputs to the research team during the course of the project to ensure that the R&D work can cater for the real situations in the industry. Such arrangement helps ensure the usefulness of the project results and hence their future commercialization.

- (b) We require the project team to disseminate their project results to the entire industry. Private companies which are potential users will get to know the technologies developed. They may either directly adopt/commercialize the project results or license the technologies so developed for further research and development work.
- (c) To facilitate the project results to be taken up directly by the private sector, the Innovation and Technology Commission has recently circulated a draft guideline on the formation of a subsidiary of the university/institution concerned to take on the development work and the spinning off from the university/institution or direct acquisition by an external party. The Commission is consulting the universities on the draft.

11. Under the University and Industry Collaboration Programme of the ITF, the Government provides half of the project cost to engage a local university to carry out an R&D project while the participating private company has to pay the remaining half of the project cost. The company should therefore have identified a commercial opportunity for the idea or product to be developed in the project well before the commencement of the project.

12. Besides, there are two specific funding programmes which directly provide funding assistance for commercialization of ideas or products. They are the Small Entrepreneur Research Assistance Programme (SERAP) of the ITF and the Applied Research Fund. SERAP is a technology entrepreneur fund which provides pre-venture capital funding on a matching basis to small technology companies to undertake projects with innovation and technology content as well as good commercial potential. During the funding period, the company will translate their idea into a prototype and bring the

product into the pre-market launch stage. The Applied Research Fund is a venture capital fund owned by the Government to provide funding to technology companies which have already got some commercial successes. The target of this Fund is for companies which are more mature than the SERAP companies but are still quite early in its commercialization stage.

Commercialization of Products Awarded for the Hong Kong Awards for Industry

13. At present, there are seven categories of awards under the Hong Kong Awards for Industry, of which the 'Consumer Product Design' and the 'Machinery and Equipment Design' categories give recognition to excellence in industrial products and the remaining five award enterprises' outstanding achievements.

14. Winners of these Awards will enjoy significant publicity benefits because the Hong Kong Awards for Industry has developed into a widely recognized awards scheme among local and overseas industrialists since it was established twelve years ago. In particular, winners of the Hong Kong Awards for Industry of different award categories are entitled to display the award logo on their letterheads, envelopes, memoranda and other publicity materials for a period of three years after winning the title. Moreover, the popularity and image of the award winning companies are greatly enhanced by official publicity activities, such as the award presentation ceremony cum exhibition, TV specials and promotion articles published on leading newspapers, thus facilitating these companies to promote their award winning products and other products.

15. It is worth noting that the annual award presentation ceremony cum exhibition is attended by industrialists as well as personalities from local banks, venture capital companies and financial institutions. This provides a good opportunity for award winning companies to establish commercial connections with potential buyers and those who can help them commercialize their products.

Efforts of Industrial Support Organizations in Facilitating Commercialization

16. Other industrial support organizations also help the companies or individuals with innovative ideas to identify prospective investors/business partners.

17. The Hong Kong Industrial Technology Centre Corporation (HKITCC) runs a number of business matching activities to provide opportunities for local technology companies, including HKITCC's incubatees and tenants as well as SERAP companies, to meet with prospective investors/business partners. These activities include TechWorld which is an annual international business and technology matchmaking fair, Technology Investment Forums which are held regularly for technology companies to give presentations to business angles and venture capitalists, and TechLink which is an Internet-based business matchmaking database for the purpose of fostering business partnerships between established companies, technoentrepreneurs, start-ups, investors and venture capitalists.

18. HKITCC also holds a wide range of business networking services such as seminars, exhibitions, luncheon talks, business and technology missions, Technological Achievement Award and event management services with a view to opening up new business investment, marketing and partnership opportunities for Hong Kong enterprises.

19. Besides, the Hong Kong Productivity Council (HKPC) supports the commercialization of innovative ideas/products. It has set up a Technology Commercialization Committee to, among others, formulate programmes and identify commercialization opportunities for technologies close to the market and to formulate programmes to support Government's policy and measures to foster an innovation and technology culture in the community.

20. HKPC also set up a TechMart in November 2000 to strengthen its support in the area of technology commercialization. TechMart is a technology showcase and resource centre where licensable or near-

commercialization technology results of companies/individuals, including those funded under the Innovation and Technology Fund, are shown. In addition, TechMart will also hold regular shows with themes on specific technologies. TechMart provides a platform for industrialists, entrepreneurs and venture capitalists to meet and assess the business and technological attractiveness of the various technologies ready for commercialization in the light of their requirement.

Patent Application Grant

21. The Patent Application Grant is only available to Hong Kong incorporated companies and permanent residents. Mainland companies or individuals are not eligible to apply for the Grant.

Admission of Talents Scheme

22. The Government launched the Admission of Talents Scheme in December 1999 to attract talents mainly from the Mainland of China to come to work¹. The Scheme aims to enhance Hong Kong's competitiveness as a services and manufacturing centre, particularly in relation to the development of technology-based and knowledge-intensive activities.

23. Response to the Scheme is lower than expected. A review finds that this is unrelated to the modus operandi of the Scheme, which is functioning efficiently with processing of applications generally completed within three weeks upon the receipt of all necessary documents. The low response is mainly attributed to the following reasons –

- (a) there is keen competition for talents, both in the Mainland and in other overseas countries;
- (b) some of our firms have already established their operations in the Mainland where they could source and recruit Mainland talents;

1. Talents from most overseas countries (except nationals from countries which pose security and/or immigration risks) may come to Hong Kong for work under the Talents Scheme and existing immigration policy.

- (c) traditionally Hong Kong firms do not spend too much resources on research and development and they need time to build up their capability in innovation and technology; and
- (d) newly established or small enterprises may lack the means to search for and bring in the Mainland talents they require.

24. The Government will continue to step up publicity to encourage potential applicants to make use of the Scheme. The Labour Department has included a new section in its existing interactive Employment Service website to provide a forum for employers to display job vacancies so that interested overseas and Mainland talents can approach the relevant employers direct for job applications. It is expected that applications may increase as the local IT related industries further develop, and with the opening of the Cyberport and the Science Park in 2001.

25. In a broader context, the Chief Executive has announced in the 2000 Policy Address that the immigration policy on the entry of professionals would be reviewed in a proactive but prudent manner, in order to admit from the Mainland and abroad more professionals who are not readily available in Hong Kong. Following the completion of the review, the Financial Secretary announced in the 2001-02 Budget that the Administration would introduce an Admission of Mainland Professionals Scheme (“Professional Scheme”).

26. The major features of the Professionals Scheme are –

- (a) employers will be able to bring in Mainland professionals only in specific disciplines with known shortages. Initially, the scheme will apply only to the information technology and financial services disciplines;
- (b) the professionals admitted will meet employers' immediate operational needs, unlike the Admission of Talents Scheme which focuses more on innovation and research; and
- (c) no quota is imposed, so that the scheme will operate in line with supply and demand in the market.

27. The cardinal principles common to all admission policies continue to apply, i.e. the Mainland professionals to be admitted must possess skills and knowledge not readily available or in shortage locally, and are offered a remuneration package which is broadly comparable to the prevailing market rate for professionals. The Scheme is expected to generate new employment opportunities at the sub-professional and technical levels.

Commerce and Industry Bureau
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表一：製造業的增加價值及就業數字

Table 1 : Value added contribution and employment of the local manufacturing sector

	增加價值		就業	
	<u>Value added contribution</u>		<u>Employment</u>	
以當時價格計算的增加價值	在本地生產總值的百分率	就業數字	在整體就業的百分率	
<u>Value added at current market prices</u>	<u>Share in GDP</u>	<u>Size of employment *</u>	<u>Share in total employment *</u>	
(百萬港元) (HK\$Mn)	(%)	(人數) (No.)	(%)	
1990	98,352	17.6	755 600	27.8
1991	97,223	15.4	676 800	24.5
1992	99,764	13.6	590 900	21.5
1993	92,582	11.2	517 700	18.4
1994	87,354	9.2	444 600	15.4
1995	84,770	8.3	390 100	13.4
1996	82,769	7.3	337 000	10.9
1997	80,049	6.5	307 800	9.6
1998	70,849	6.1	264 600	8.4
1999	67,257 ⁺	5.8 ⁺	248 500	7.9
2000	N.A.	N.A.	234 700 [#]	7.3 [#]

註釋：

Notes : (*) 就業綜合估計數字。
Composite employment estimates.

(+) 初步估計數字。
Preliminary estimates.

(#) 二零零零年首三季的平均數字。
Average for the first three quarters of 2000.

表二：製造業及相關行業的直接增加價值及就業數字

Table 2 : Direct value added contributions and employment of the manufacturing and related industries

	增加價值				就業數字			
	Value added contribution				Employment			
	一九九八年	一九九九年*	估一九九九年 本地生產總 值的百分率	與一九九八年 比較的變動 百分率	一九九八年	一九九九年	估一九九九年整 體就業的百分率	與一九九八年 比較的變動 百分率
	(百萬港元)	(百萬港元)	As % of GDP in 1999	% change over 1998	(人數)	(人數)	As % of total employment in 1999	% change over 1998
	1998	1999*	(%)	(%)	1998	1999	(%)	(%)
	(\$ Mn)	(\$ Mn)			(No.)	(No.)		
(A) 本地製造業 Local manufacturing	70,849	67,257	5.8	-5.1	264 600	248 500	7.9	-6.1
(B) 有從事分判製造工序予中國內地及提供與製造業相關的技術支援的進出口機構 + I/E firms engaged in sub-contract processing arrangement in the mainland of China (SPAC) and providing manufacturing-related technical support services	63,224	69,290	6.0	9.6	144 833	129 454	4.1	-10.6
當中 Within which :								
- 以往曾經為製造業機構 operating as manufacturing firms before	26,501	18,173	1.6	-31.4	56 138	45 316	1.4	-19.3
- 成立時為進出口機構 Having been set set up as I/E firms	36,723	51,117	4.4	39.2	88 695	84 138	2.7	-5.1
(C) 總計 (C)=(A)+(B) Total	134,073	136,547	11.8	1.8	409 433	377 954	12.0	-7.7

下列各行業被視為提供間接但策略性支援予上述製造業及相關行業：

The following sectors are seen to be rendering indirect but strategic support and services to the manufacturing and related industries listed above :

其他進出口機構並沒有從事分判製造工序予中國內地但可與製造業及相關行業有貿易關係 Other I/E firms which do not engage in SPAC activities but could have trade relationships with firms in the manufacturing and related activities	143,325	132,749	11.5	-7.4	330 606	326 221	10.4	-1.3
運輸及倉庫 Transport and storage	75,172	81,430	7.1	8.3	321 400	299 400	9.5	-6.8
金融(包括銀行業) Financing (including banking)	106,584	120,876	10.5	13.4	141 000	132 400	4.2	-6.1
批發及零售 Wholesale and retail trade	43,274	45,488	3.9	5.1	289 400	287 200	9.2	-0.8

註釋： (*) 一九九九年的增加價值及其推算的比率和變動，均為初步估計數字。

Notes: The value added figures for 1999, and hence also their derived ratios and changes, are only preliminary estimates.

(+) 基於批發、零售、進口與出口貿易、食肆及酒店按年經濟統計調查的數字。
Statistics are based on the Annual Survey of Wholesale, Retail and Import and Export Trades, Restaurants and Hotels.

(#) 基於按年經濟統計調查、僱傭及職位空缺按季統計調查和綜合住戶統計調查的數字。
Statistics are based on the annual surveys of the respective economic sectors and quarterly surveys of employment and vacancies.