

## **Trade and Industrial Organisation Support Fund (TSF)**

### **Final Report on Approved Project**

Grantee	:	<u>Federation of Hong Kong Industries (FHKI)</u>
Implementation Agent(s) (if any)	:	<u>The Hong Kong Centre for Economic Research (HKCER)</u>
Project reference no.	:	<u>T19 001 003</u>
Project title	:	<u>Made by Hong Kong: another new page for the ever-evolving Hong Kong industries</u>
Period covered in this report (whole project duration)	:	From <u>15/01/2020</u> to <u>14/09/2021</u> (dd/mm/yyyy) (dd/mm/yyyy)

## 1. Project Details

### Project summary (in about 150 words)

The Project conducted a comprehensive research to understand the latest development of Hong Kong-invested manufacturers and their business strategies, supported by integrated research methods such as big data analysis, surveys, focus groups, and so forth. The research revealed four major transformation strategies adopted by Hong Kong-invested manufacturers, namely “China+1”, “Business Repositioning”, “Upgrade and Transformation” and “Establishing Production Lines in Hong Kong., and the challenges faced in adopting such strategies. In light of the findings, policy recommendations were formulated to advise the HKSAR Government on possible means to support the revival of local industries. It is suggested that the Government should review economic data to reflect industrial development, develop local re-industrialisation of selected industries to build core technological competence, as well as strengthen producer services so that Hong Kong will become the hub of regional manufacturing development. A seminar cum press conference was conducted to elaborate the research findings to stakeholders and media.

### Project objectives (in about 50 words)

The Project aims at revealing the latest development of Hong Kong-invested manufacturers across Hong Kong and the Mainland, as well as their coping strategy amid various internal and external challenges. The Project then makes policy recommendations to HKSAR Government on local re-industrialisation and facilitating the regional development of Hong Kong-invested manufacturers.

### Collaborating Organisations (if any)

Hong Kong Productivity Council; Hong Kong Science and Technology Parks Corporation.

### Key personnel

	<u>Name</u>	<u>Post title and name of organisation</u>
Project Coordinator	: <u>Gordon Lo</u>	<u>Director-General, FHKI</u>
Deputy Project Coordinator	: <u>Augusta Ho (15/01/2020 – 27/09/2020)</u>	<u>Senior Manager, FHKI</u>
	<u>Deniz Yu (15/02/2021 – 14/09/2021)</u>	<u>Policy Research Analyst, FHKI</u>

### Project duration

	<u>Commencement date</u> (dd/mm/yyyy)	<u>Completion date</u> (dd/mm/yyyy)	<u>Project duration</u> (no. of months)
As stated in the project agreement	<u>15/01/2020</u>	<u>14/01/2021</u>	<u>12 months</u>
Revised (if applicable)	<u>15/01/2020</u>	<u>14/09/2021</u>	<u>20 months</u>

## 2. Summary of Project Results

### Governance

Please state the composition of the steering committee (or other committees) formed under the project.

An internal steering committee was formed finally, composing of veteran industrialists including:

- Mr Steve Chuang (CEO of Precision Enterprise Ltd);
- Dr Daniel Yip (Managing Director of G.E.W. International Corporation Ltd);
- Mr Jimmy Kwok (Managing Director of Rambo Chemicals HK Ltd);
- Dr Sunny Chai (Representative of DynaSys Solutions Ltd);
- Mr Sunny Tan (Executive Vice President of Luen Thai International Group Ltd);
- Mr Anthony Lam (Vice Chairman & CEO of Golden Resources Development International Ltd);
- Mr Ricky Chan (CEO of Jing Mei Automotive Ltd); and
- Mr Sze Kam-shing (Managing Director of Loxca Industries Ltd).

### Project deliverables

Please list out the project deliverables carried out during the project duration in accordance with the approved project proposal and provide details on the actual result achieved for each deliverable.

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
1. Research			
Research	<p>This research makes use of datasets from National Bureau of Statistics of China and other official sources to measure the contribution and assess the present situation of Hong Kong-invested manufacturers in the Mainland China.</p> <p>Focus group and literature review are conducted to understand more in-depth information such as the industry's awareness and views on policy support as well as their development plans. Data collection/ verification trips to be held to visit Mainland authorities and popular manufacturing locations.</p> <p>In the second half of the research, policy recommendations are made regarding how to help Hong Kong-invested manufacturers to overcome business challenges, seize greater opportunities, and in what areas government policy can further support their development.</p>	<p>The research conducted comprehensive analysis and revealed important figures such as the economic contribution of Hong Kong-invested manufacturers in the Mainland China; the impact of them on Hong Kong's local service sectors; the regional distribution, industrial distribution, operational costs, market orientation, export destinations, I&amp;T performance, relative competitiveness compared with other firms in the Mainland, performance compared with the manufacturing sector in Yangtze River Delta etc.</p> <p>Through literature review, member survey and focus group meetings, the research summarises the challenges faced by Hong Kong-invested manufacturers and four key strategies they adopted in respond to the challenges. The research also touched on the key trends in the global manufacturing industry that has profound impact on the development pathway of Hong Kong-invested manufacturers.</p>	<p>The data collection/ verification trips in proposal were not materialised due to the COVID-19 pandemic and travel restrictions. Hence, an additional member survey was conducted in November 2020 to supplement and enhance the research findings.</p>

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
		The research then summarises three major policy advocacies on how to revive industrial development in Hong Kong through refining classification of economic activities according to current developments, local re-industrialisation, strengthening producer services to become regional manufacturing hub across Hong Kong, the Mainland (especially Greater Bay Area) and the Southeast Asia.	
<b>2. Focus Group Meetings</b>			
Focus Group Meetings	<p>Four sessions</p> <p>1 hour each</p> <p>Virtual mode</p> <p>Around 10 participants per session</p> <p>Topics covered in each focus group meeting (listed below) include discussion of challenges faced by Hong Kong-invested manufacturers and their strategies to cope with such challenges.</p> <ul style="list-style-type: none"> <li>• “China+1” strategy (15 October 2020);</li> <li>• “Technical Innovation” (19 October 2020);</li> <li>• “Market Reposition” (22 October 2020); and</li> <li>• “local re-industrialisation” (28 October 2020).</li> </ul> <p>The findings will be used to complement the statistical analyses of the research.</p>	<p>Four sessions were held on:</p> <ol style="list-style-type: none"> <li>1. 15 October 2020 (11:00am-12:30pm),</li> <li>2. 19 October 2020 (11:00am-12:30pm),</li> <li>3. 22 October 2020 (11:00am-12:30pm),</li> <li>4. 28 October 2020 (11:00am-12:30pm)</li> </ol> <p>Hybrid mode</p> <p>No. of participants:  15 Oct – 11 pax  19 Oct – 15 pax  22 Oct – 10 pax  28 Oct – 11 pax</p> <p>Participants were invited to share their views on specific topics in each session, such as:</p> <ul style="list-style-type: none"> <li>• <u>“China+1” strategy (15 October 2020)</u>: experience in setting up factories outside China, challenges and possible policy facilitations;</li> <li>• <u>“Technical Innovation” (19 October 2020)</u>: how manufacturers (mainly in China) enhance competitiveness through product or technical innovation, and challenges therein;</li> <li>• <u>“Market Reposition” (22 October 2020)</u>: why and how manufacturers shift their market focus to SE Asia and Mainland domestic sales, comparing to traditional markets like US and Europe; and</li> <li>• <u>“Local re-industrialisation” (28 October 2020)</u>: the key drivers, challenges and preferences of manufacturers who consider to move their value chain back to HK (e.g. R&amp;D, design, advanced manufacturing).</li> </ul>	

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
		The summary of focus group meetings is included in the Appendix 1 in the Research Report.	
<b>3. Seminar</b>			
Seminar	<p>One seminar</p> <p>2 hours</p> <p>Hybrid mode (Physical seminar / panel discussion and online webinar)</p> <p>80 participants (<u>including onsite and online</u>) from manufacturing sector, academics, government, media etc. are expected to join the seminar</p> <p>The seminar will announce the research findings and recommendations on strategies and measures for enhancing the competitiveness of Hong Kong-invested manufacturers.</p> <p>Four local speakers would be invited to conduct the seminar/panel discussion.</p>	<p>One seminar (The Research Report Presentation and Knowledge Exchange Forum)</p> <p>2 hours (14 July 2021, 10:30am – 12:30pm)</p> <p>Hybrid mode (Physical seminar / panel discussion and online webinar)</p> <p>123 participants (including 33 onsite participants and 90 online participants were recorded)</p> <p>The seminar announced the research findings and published the research report (Chinese version) including economic figures on HK-invested manufacturers in Mainland China, survey results and interview findings on the business strategies adopted, and policy recommendations on enhancing our industry's competitiveness through addressing challenges and capturing opportunities.</p> <p>Five local speakers from academia, research and industrial sectors were invited, including:</p> <ul style="list-style-type: none"> <li>• Keynote presentation by (1) Prof. Richard Wong, Provost and Deputy Vice-Chancellor, HKU; and</li> <li>• Panel Discussion participated by <ul style="list-style-type: none"> <li>- (2) Prof Tao Zigang (Director of the Institute for China and Global Development of HKU);</li> <li>- (3) Mr Chang Ka mum (Managing Director of Li &amp; Fung Development (China) Limited),</li> <li>- (4) Mr Stephen Wong (Senior Vice President and Executive Director of Public Policy Institute of Our Hong Kong Foundation); and</li> <li>- (5) Mr Stanley Tsui (Group Chief Operating Officer of</li> </ul> </li> </ul>	

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
		<p>ASM Pacific Technology).</p> <p>The above speakers shared their views on the report findings from their respective perspectives and engaged in a dialogue on the future development pathways of and policy facilitation for Hong Kong's manufacturing sector, with regard to national industrial strategy, regional advancement, nurturing of local talent pool and status of advanced manufacturing sectors.</p>	
<b>4. Research Report</b>			
Research Report	<p>E-version and 500 hard copies will be produced (Bilingual, Chinese and English)</p> <p>The research findings from Item 1 and 2 above are compiled into bilingual Research Reports to publicise the findings and policy recommendations.</p> <p>The report will be distributed at the Seminar, FHKI events and by mailing to selected government authorities and FHKI's stakeholder database (e.g. HKMEs/trading establishments, local universities, etc.) E-version of the report will be uploaded to FHKI, HKU and CUHK websites.</p>	<p>E-version and 1,000 hard copies had been produced (i.e. 500 copies for Chinese version and 500 copies for English version)</p> <p>The final report contains six major sections, including:</p> <ol style="list-style-type: none"> <li>1. Preface on project background and methods;</li> <li>2. Data findings on the evolution of HK-invested manufacturers, such as their geographical distribution, industrial sectors, export conditions etc;</li> <li>3. Challenges and opportunities of HK-invested manufacturers, such as internal constraints and external business environment;</li> <li>4. Strategies adopted by HK-invested manufacturers, as summarised from questionnaire survey and interview results;</li> <li>5. International trends in manufacturing that concern the development pathway of HK-invested manufacturers; and</li> <li>6. Policy recommendations to strengthen Hong Kong industries' competitiveness in the long run.</li> </ol> <p>Details of the research, such as summary of focus group discussions, interviews and questionnaire design are enclosed in the Appendix.</p> <p>The report was distributed at the Seminar on 14 July 2021, at FHKI's office and its events and to FHKI's stakeholder database.</p>	<p>Due to the change of term of General Committee on 27 July 2021 and to cater the schedule of speakers, FHKI decided to bring forward the seminar and press conference for the release of final report to 14 July 2021. In this regard, it was decided to publish the Chinese version of research report first for distribution at the Seminar on 14 Jul 2021, while the English version was published later on 30 September 2021. As a result, there are a total of 1,000 printed reports (i.e. 500 pcs for each Chinese and English version). Additional design and production costs were fully absorbed by FHKI.</p>

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
		<p>Both e-versions had been uploaded to FHKI website.  <a href="https://www.industryhk.org/tc/info/research-reports/made-by-hong-kong-full-report/">https://www.industryhk.org/tc/info/research-reports/made-by-hong-kong-full-report/</a></p> <p>All interested parties are advised to direct themselves to FHKI website for the complete version of report.</p>	E-version of report was not uploaded to HKU and CUHK websites, they are advised to direct to FHKI website for complete version of reports.
5. Video			
Video	<p>One video, whole seminar will be recorded for further broadcast</p> <p>2-hour (Chinese voice over)</p> <p>The video would be uploaded via websites of FHKI, HKU and CUHK as well as YouTube channels.</p>	<p>One video, whole seminar had been recorded for broadcast</p> <p>2 hours and 21 minutes (Chinese voice over)</p> <p>The full video has been uploaded:</p> <ul style="list-style-type: none"> <li>• Youtube  <a href="https://www.youtube.com/watch?v=7zosfXfRsHs">https://www.youtube.com/watch?v=7zosfXfRsHs</a></li> <li>• Website of FHKI  <a href="https://www.industryhk.org/tc/past-events/mbhkforum/">https://www.industryhk.org/tc/past-events/mbhkforum/</a></li> <li>• Facebook of FHKI:  <a href="https://www.facebook.com/FHKI.hk/posts/4131247893625748">https://www.facebook.com/FHKI.hk/posts/4131247893625748</a></li> <li>• HKU  <a href="https://www.hkubs.hku.hk/media/school-news/hku-business-school-scholars-participated-in-federation-of-hong-kong-industries-made-by-hong-kong-the-way-forward-for-hk-industries-research-aims-to-contribute-to-hong-kong/">https://www.hkubs.hku.hk/media/school-news/hku-business-school-scholars-participated-in-federation-of-hong-kong-industries-made-by-hong-kong-the-way-forward-for-hk-industries-research-aims-to-contribute-to-hong-kong/</a></li> </ul>	
6. Promotional activities			
Feature article on FHKI's <i>Hong Kong Industrialist</i> magazine	<p>A 4-page article to be published in 1 issue of the magazine, which will be distributed to government officials, Legislative Council members and foreign consulates, major business associations, around 3,000 Hong Kong companies in traditional and emerging industries as well as professional services, plus universities, major education and research institutes.</p> <p>The magazine is also available online and at FHKI offices,</p>	<p>A 8-page article was published on the Aug-Oct 2021 issue of <i>Hong Kong Industrialist</i> (4 additional pages were offered by FHKI editorial board to cover more details of the Research and Seminar).</p> <p>The magazine was distributed to all FHKI members (about 2,000 copies), government officials from the FHKI's stakeholder database, LegCo members, consulate generals, trade associations and academia (about 500 copies), and are distributed at FHKI's offices</p>	

Details of the deliverable conducted	Quantifiable target (as stated in the approved project proposal)	Actual result achieved	Reasons for not achieving the target (if applicable)
	non-profit organizations and commercial spots.	and designated locations such as HKPC and HKTDC (around 500 copies).  The magazine is also available online. (Link: <a href="http://fhkipublications.s3-website.ap-east-1.amazonaws.com/hki/202110/">http://fhkipublications.s3-website.ap-east-1.amazonaws.com/hki/202110/</a> ).	
eDM	Five eDMs to be distributed (Four eDMs for focus groups and one eDM for the Seminar to invite industrialists and relevant stakeholders to join the events.  The eDMs were distributed through membership database of FHKI, HKPC, HKSTP, website of FHKI and its “Hong Kong Industrialists” magazine, websites of HKU, CU and YouTube.	Five eDMs were distributed <ul style="list-style-type: none"> <li>Two eDMs for the focus group meetings (27 August 2020 and 3 September 2020)</li> <li>One eDM about the questionnaire survey for the research report (3 November 2020)</li> <li>Two eDMs for the Seminar (9 July 2021 and 7 July 2021)</li> </ul> The eDMs were distributed to about 2,000 members of FHKI and FHKI’s stakeholder database.	As sufficient participants for the focus group meetings have been recruited through two rounds of eDMs, the other two eDMs were changed to call for response to the questionnaire survey for the research report and for the promotion of seminar respectively.

### Key implementation stages

Please indicate in the status below if the deliverable is completed according to schedule (C), completed but delayed (D) or not achieved (N). If it is delayed or not achieved, please indicate the actual completion date (if applicable) and provide the reasons.

<u>Project deliverable</u> (all deliverables as set out in the approved project proposal)	Original target completion date <sup>1</sup>	Actual completion date (if applicable)	Status (C/D/N)	Reasons for not meeting the original target completion date
(a) Literature review, data cleaning and analysis	30/04/2020		C	
(b) Preparation of report outline	07/03/2020		C	
(c) Completion of report outline	29/03/2020	07/04/2020	D	Note (i)
(d) Dissemination of eDM for focus group meetings	18/09/2020		C	
(e) Preparation of focus group meetings	30/09/2020		C	

<sup>1</sup> As stated in the approved project proposal.



(f)	Completion of focus group meetings	30/10/2020		C	
(g)	Preparation of draft report	31/03/2021		C	
(h)	Completion of draft report	15/04/2021	24/04/2021	D	Note (ii)
(i)	Preparation of final report	30/06/2021		C	
(j)	Publication of final report	31/07/2021	14/09/2021	D	Note (iii)
(k)	Preparation of articles to be published in 1 issue of <i>Hong Kong Industrialist</i> magazine	15/08/2021		C	
(l)	Completion of articles to be published in 1 issue of <i>Hong Kong Industrialist</i> magazine	31/08/2021		C	
(m)	Dissemination of eDM of seminar	07/08/2021		C	
(n)	Preparation of seminar	21/08/2021		C	
(o)	Completion of seminar	07/09/2021		C	
(p)	Video shooting and editing	14/09/2021		C	

Note:

- (i) The completion of report outline was delayed due to addressing comments raised by the Steering Committee.
- (ii) The draft report was delayed due to literature review requests and addressing comments raised by the Steering Committee.
- (iii) Due to the change of term of General Committee on 27 July 2021 and to cater the schedule of speakers, FHKI decided to bring forward the seminar and press conference for the release of final report to 14 July 2021. In this regard, it was decided to publish the Chinese version of research report first for distribution at the Seminar on 14 Jul 2021, while the English version was published later on 14 September 2021. The delay was due to design layout and artwork confirmation issues.