

**Commission on Strategic Development
Committee on Economic Development and
Economic Cooperation with the Mainland**

Promoting the Development of Creative Industries

Purpose

This paper outlines the development of creative industries in Hong Kong and other places, and invites members to discuss the future direction and strategies for the further development of creative industries in Hong Kong.

Background

(a) Relationship between creative economy and creative industries

2. “Creative economy” is a relatively new concept which is generally taken to mean economic activities where new ideas and inventions are commercialized, marketed and sold¹. It includes all creative acts and works that create and add intellectual value such as the introduction of new products, production methods and management techniques.

3. In the broadest sense, creativity can be applied in virtually every corner of the economy and is not confined to any particular economic sector. However, there are some economic sectors that could more generally be classified as “creative industries” where creativity is a relatively vital production factor and the principal means for adding value. Creative industries are important not only because they are profitable by themselves, but also because of their positive spillover effect in making possible new business and economic activities in other sectors, e.g. the application of information and internet technologies to banking, accounting, multi-media entertainment, etc. In other words, “creative industries” help to increase the innovation capacity of the economy as a whole and foster the development of a “creative economy”.

¹ John Howkins, “*The Creative Economy – How People Make Money from Ideas*”, The Penguin Press, 2001

4. It is also useful to distinguish “creative ideas” from “creative industries”. The former refers to works of art, ingenious ideas or new discoveries coming out of laboratories. But such creations and ideas need to be turned into viable businesses before they become “creative industries”. From a public policy perspective, creating the conditions and the environment that nurture creations and discoveries are favourable to facilitating the development of ideas into industries, but the two could also be quite separate and different.

(b) *Definition of creative industries*

5. There is no internationally agreed definition of creative industries mainly due to a lack of consensus in defining creativity. Different economies have adopted their own definitions. Terms such as “cultural industries”, “content or copyright industries” and “experience industries” have been associated with the notion. This makes international comparison very difficult.

6. In the Baseline Study on Hong Kong’s Creative Industries commissioned by the Central Policy Unit (CPU) in 2002², Hong Kong’s creative industries were defined as “a group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning – a production system through which the potentials of wealth generation and job creation are realized.” Altogether 11 relevant industrial sectors were identified as foci of analysis, i.e. advertising; architecture; arts, antiques and crafts; design; film and video; digital entertainment; music; performing arts; printing and publishing; software and computing; and television and radio. This approach is similar to the one adopted in the United Kingdom (UK).

(c) *International trend*

7. There is a growing view that “creative economy” has become a powerhouse of economic growth. According to the United Nations Conference on Trade and Development, creative industries have been estimated to account for about 7 % of the world’s GDP and forecast to

² The CPU commissioned the Centre for Cultural Policy Research of the University of Hong Kong to conduct the study in 2002. A report on the study was released in September 2003. A summary of the key study findings is at **Annex 1**.

grow on average by 10 % a year.³ USA has always been the leading country in creative industries, e.g. computer software, movie, audio-visual, biological sciences, aerospace technology, etc. The growth of these industries has mainly been market-driven and powered by the creativity and technological advancement of individuals and enterprises. The US government is very forceful in protecting the intellectual property rights of their creative industries worldwide, which is a prerequisite for the development of creativity into economic uses. In UK, the creative industries are the fastest growing economic sector. They accounted for 8% of the country's GDP in 2003 and provided jobs for 2 million people in 2004⁴. The UK government is very proactive in promoting their creative industries both within the country and internationally. The Department for Culture, Media and Sport is the government body in charge.

8. Some Asian countries, including Japan, Korea and Singapore, have been promoting their creative industries proactively. Japan has always been one of the world leaders in exporting their creative industries such as film and music, electronic games, cartoon and related products, etc.⁵ Korea has gained prominence in recent years in exporting their cultural industries, including film, electronic games, music, cartoon, mobile phone-related software, etc. The Korean government has targeted cultural industries as the driving new growth industries in the 21st century. It has been estimated that the industries grew at an annual average of 21% from 1999 to 2002, which was 3 - 4 times faster than the global annual growth rate of about 5.2%.⁶ In Singapore, the government considers that the driving force of their next phase of economic development would be the

³ United Nations Conference on Trade and Development, "*Creative Industries and Development*", 11th Session, Sao Paulo, 13- 18 June 2004 quoting World Bank "*Urban Development Needs Creativity: How Creative Industries Affect Urban Areas*", Development Outreach (November 2003).

⁴ Department for Culture, Media and Sport, UK, Creative Industries Economic Estimates Statistical Bulletin, October 2005 (Revised Edition). The Department in its public statement "*Seven Steps to boost the Creative Economy*" on 4 November 2005, stated that creative industries accounted for 8% of UK's GDP, but a more accurate description should be 8% of Gross Value Added. (http://www.culture.gov.uk/global/press_notices)

⁵ *Shehui kexue wenxian chu ban she*, Report on Development of Cultural Industries in China 2001 - 2002 - "*General introduction and characteristics of Japanese cultural industries*" p.281 (in Chinese).

⁶ Mr. Bae JhongShin, the Vice Minister of Culture and Tourism, Korea, Speech at Asia Cultural Cooperation Forum 2004, organized by the Home Affairs Bureau, HKSAR Government.

creative capacity of their people. They have targeted to develop a vibrant and self-sustaining creative cluster to propel their creative economy, and aim to double the creative industries' contribution to GDP from about 3% in 2002 to 6% in 2012 and to add a new range of job opportunities for their people⁷.

9. In the Mainland, the Ministry of Culture set up the Department of Cultural Industry and formulated the tenth five-year plan on the development of cultural industry in 1998. In 2002, the 16th National Congress of the Community Party of the People's Republic of China inscribed the development of cultural industry into a political resolution⁸ which provided a clear policy guidance for the industry. Since then, many provinces such as Guangdong, Gansu, Jiangxi, Anhui, Sichuan, etc. have developed strategies to promote cultural industries and allocated resources for economic development and heritage enhancement purposes. Guangdong, in particular, has targeted to become a major cultural province (文化大省)⁹. Shanghai has also been promoting cultural industries as part of its effort to develop its services economy and as a symbol of its being a cosmopolitan city.

(d) Development of creative industries in Hong Kong

10. It was broadly estimated that the creative industries in Hong Kong contributed about 3 - 4% to GDP in 2001¹⁰. Between 1996 and 2001, only a few groups of creative industries demonstrated modest average annual growth, probably due to the overall economic adjustment and downturn in Hong Kong during most of that time. The major growth sectors were software and computing; television and radio; and printing and publishing. Architecture; advertising; film and video; and design had recorded some decline.

⁷ Dr. Lee Boon Yang, Minister for Information, Communications and the Arts, Singapore, Speech at Asia Cultural Cooperation Forum 2004, organized by the Home Affairs Bureau, HKSAR Government; Creative Industries Development Strategy prepared by the Ministry of Information, Communications & the Arts, September 2002.

⁸ JiangZemin, Report at the 16th National Congress of the Community Party of the People's Republic of China, 2002, Part VI.

⁹ "Study on the relationship between Hong Kong's cultural and creative industries and the Pearl River Delta" commissioned by the CPU in 2004. A summary of the findings and recommendations is at **Annex 2**.

¹⁰ "Baseline Study on Hong Kong's Creative Industries" commissioned by the CPU in 2002. (The Census and Statistics Department has also estimated the value-added contribution of the creative industries to GDP varied from 3.7% (revised figure) in 2001, 3.8% in 2002, 4.0% in 2003 to 3.7% in 2004, using the same definition adopted in the Baseline Study.)

11. The Government has responded positively to the call for promoting the development of creative industries. The Commerce, Industry and Technology Bureau (CITB) has implemented specific programmes and achieved considerable progress in three sectors, viz. design, digital entertainment and film. The Bureau has launched a number of initiatives to support the film industry, including securing access to the Mainland market for the film industry under the three phases of the Closer Economic Partnership Arrangement (CEPA), providing funds to assist local film production companies to obtain loans from local lending institutions for producing films (i.e. the Film Guarantee Fund) and to support projects conducive to the healthy and long term development of the local film industry (i.e. the Film Development Fund). More recently, the Film Services Advisory Committee was reconstituted into the Film Development Committee in November 2005. The Committee is conducting a review of the film industry with a view to identifying opportunities and formulating a plan for the development of the industry.

12. In the medium term, the Government has identified digital entertainment and multi-media industries as a technology focus for Hong Kong in coming years. The vision is to develop Hong Kong into a digital entertainment hub in the Asia Pacific region, with the presence of a critical mass of digital entertainment companies in Hong Kong. The Government has introduced a number of initiatives to support the industries, in the areas of infrastructure and enabling environment, research and development, skills upgrading, market access, and investment and financing. Some notable examples include the setting up of a Digital Media Centre at the Cyberport in March 2004 to provide high-end post-production facilities and technical services at affordable costs to support the digital entertainment and film industries; and the establishment of an iResource Centre also at Cyberport in May 2004, which provides a wide range of IT and multimedia resources to support the games industry. A note on the development of the digital entertainment industry is at **Annex 3**.

13. The Government recognizes the value adding economic potential of innovation and design in helping our business and industrial sectors move up the value chain and to cope with global competition. On innovation, the Government has been promoting applied research and development of new technologies, and their industrial applications through the Innovation and Technology Fund, and the work of the Applied Science and Technology Research Institute, the Hong Kong Science and Technology Park, and the Hong Kong Productivity Council. On design, the Government has been

providing support to design-related professional bodies and encouraging their collaboration; helping to build a design talent pool; enhancing the understanding and application of design in various industries; promoting Hong Kong's design excellence to the Mainland and international audience; and providing support to small and start-up design companies. The more notable incentives include supporting the setting up of the Hong Kong Design Centre in 2001; and the launching of a \$250 million DesignSmart Initiative in 2004 to promote the wider use of design in industries by providing funding support to encourage design development and to support the establishment of an InnoCentre for high value-added design activities. A note on the Government's efforts to promote innovation and design is at **Annex 4**.

14. A strong arts and cultural environment and good awareness of the importance of culture and creative industries are crucial to the successful development of creative industries. In this connection, the Home Affairs Bureau (HAB) has through its cultural policies and activities endeavoured to arouse community awareness and appreciation of the importance of creative industries and to nurture a favourable environment for cultural and creative development in Hong Kong. The promotion of arts education, the implementation of publicity projects as well as the facilitation of the Shek Kip Mei creative arts centre project are among the many incentives of the Bureau to enhance appreciation of and promote creativity in the community. The establishment of a cultural network with the Pearl River Delta and the organization of the Asia Cultural Co-operation Forum in 2003, 2004 and 2005 have helped to set up a platform for communication and showcasing the creative talent in Hong Kong. The development of a creativity index in 2005 has provided a tool to gauge Hong Kong's capability to innovate and to monitor Hong Kong's competitiveness.

15. On the education front, the Government has included creativity as one of the three priority generic skills promoted in the curriculum reform of our schools since 2001. The findings of the third Key Learning Areas Survey commissioned by the Education and Manpower Bureau (EMB) in 2005 showed improvement in student creativity as rated by school heads (79.8% for primary and 73% for secondary) since the implementation of curriculum reform. Teachers also confirmed improvement in student creativity (71% for primary and 52.5% for secondary). For post-secondary students, our tertiary institutions offer various programmes related to creative industries. The City University of Hong Kong has a School of Creative Media that offers all levels of academic programmes in

creative media. The Hong Kong Polytechnic University's School of Design and the Vocational Training Council (VTC) offer programmes in the areas of design, multimedia and innovative technologies. In particular, VTC has set up a Design Institute, which pools the resources and expertise of existing design-related departments, with a vision to play a leading role in providing quality design education. A purpose-built new complex is under planning. To promote continuing education amongst our workforce, adults attending courses related to creativity and creative industries can claim reimbursement under the Continuing Education Fund. At present, there are some 500 and 200 courses offered under the Product and Digital Design Sector and the Creative Industries Sector respectively.

16. In his Policy Address on 12 October 2005, the Chief Executive announced that the Government would, through the Commission on Strategic Development, explore practical measures, including creating an enabling environment for the commercialization of creative ideas, and opening up more opportunities for exchanges and interplay among creative talent¹¹.

Strategic Issues for Discussion

17. The following issues are meant to facilitate Members' discussion on the future development of creative industries in Hong Kong:

(a) *Would creative industries be a key driver for Hong Kong's economic growth?*

18. Based on the available statistics, the contribution of the creative industries to our GDP seemed to have been hovering around 3 – 4% between 1998 and 2004 with some specific industries such as software and computing; television and radio; and printing and publishing, performing better than others. Compared with countries such as Korea and UK, whose creative industries have achieved spectacular growth over the years, the growth of our creative industries on the whole appears to be rather modest.

¹¹ "The 2005-06 Policy Address – Strong Governance for the People", 12 October 2005, Para 98.

19. This raises an important issue of whether our creative industries could provide a significant impetus for our economic growth. Members may wish to comment on the potential of our creative industries in this respect.

(b) What should be the role and strategies of the Government in fostering the development of creative economy? Should they be geared towards promotion of a defined group of creative industries or an enabling environment conducive to the development of creative activities in all sectors, or a combination of both?

20. So far, CITB has adopted a sector-specific approach to focus actions on selected industries such as film, innovation and design, and digital entertainment. Emphases are placed on result-oriented measures to support the industries in the form of partnership with stakeholders concerned. Other bureaux such as HAB and EMB have taken actions to promote the importance of “creativity” from the cultural, and education and training perspectives separately. There is no one single government agency taking the lead in promoting the development of creative industries.

21. A popular approach adopted by some countries is the coordinated approach to develop creative industries and to enhance the creative economy as a whole. Notable examples are the establishment of the Department for Culture, Media and Sport in UK, the Ministry of Culture and Tourism in Korea, the Ministry of Information, Communications and the Arts in Singapore, etc. These ministries or departments are responsible for championing the cause of promoting creativity and creative industries within their countries and internationally.

22. Members may wish to comment on the roles of the Government and the industries themselves, and the strategies that should be adopted in the development of creative economy and creative industries, e.g. should the Government aim to provide an enabling environment and an overarching strategic framework that is conducive to the expansion of innovation capacity in all sectors; continue with the sector-specific approach and engage individual creative industries separately; or go for a combination of both.

(c) *What strategic initiatives should the Government and the stakeholders take to further enhance the development of our innovative design and digital / multi-media industries?*

23. From a strategic development angle, promotion of innovative design (industrial and commercial) is important both to enhancing the innovative capacity of our economy and to the development of our creative economy. It will help our manufacturing sector move up the value chain by switching production mode from original equipment manufacturing (OEM) to original design manufacturing (ODM) and thence original brand manufacturing (OBM). It will also help build up the brand name and the image of excellence for enterprises in different sectors.

24. There is a market-wide development trend known as “digital convergence”, which allows consumers to carry out their daily activities (education, social, financial, leisure, etc.), to obtain information and to purchase services through a variety of digital devices (e.g. home entertainment equipment, computers, personal data assistants, mobile phones, and video games consoles, etc.) any time anywhere. It is becoming a major driver of innovation across a broad spectrum of creative industries like education, computer, entertainment, advertising, etc. Countries such as Singapore, Korea, Finland, etc. are responding to such development and exploring its business potential. In Hong Kong, some local enterprises are starting to offer products/services on 3G phones and the Internet. This raises a strategic question of how our digital entertainment and multi-media industries, and the other creative sectors, could realize the business potential, and what necessary support the Government and the stakeholders could provide to help. Members may wish to discuss this.

(d) *What are the key factors to the successful development of creative industries in Hong Kong?*

25. The following are the key areas that other economies have covered in promoting creativity and creative industries:

- (i) protection of intellectual property rights;
- (ii) effective use of technology, in particular the application of internet and digital technology;

- (iii) creation of a creativity-friendly business environment, including enhancing competition, nurturing new creative industries and helping them to thrive;
- (iv) creation of a diversified social, cultural and built-environment¹² that is conducive to stimulation of creativity, including building an audience that appreciates arts and culture, and other creativity;
- (v) engagement of stakeholders and the community;
- (vi) education and skill training to better foster creative thinking in school and at work; and
- (vii) identification of evidence of the growth of creative industries.

26. Members may wish to comment on the major strengths and weaknesses of Hong Kong in the above key areas and on the major constraints our creative industries are or will be facing, such as an ageing population, high cost of doing business, limitations on research and development, etc.

(e) ***What are the key strengths, weaknesses, and further strategic initiatives that need to be pursued in the education and training of our students and work force in creative thinking and developing creativity?***

27. Central to the development of a creative economy is the ability of its labour force to generate creative ideas and to transform them into products and services. A major factor is the nurturing of local talent through education and skill training to foster creative thinking in school and at work. This requires an education system that could stimulate and increase the desire and capability of our younger generation to engage in creative thinking, and a flexible labour force that is able to alter work norms to adapt to new skills and technologies.

¹² Built-environment generally refers to the urban environment that forms the physical characters of a city. The physical characters that relate to the stimulation of creativity and encourage clustering of the creative class of talent include cultural heritage buildings and artifacts; old areas of character; cultural, music and entertainment facilities and public places; a high quality sustainable environment; and a high quality and efficient IT-related infrastructure, etc.

28. As mentioned in paragraph 15, the Government has included creativity as one of the three priority generic skills promoted in the curriculum reform of our schools since 2001, and has been promoting continuing and life-long education by launching various skill training and re-training initiatives to enhance the skill levels of specific industries and the overall quality of our working population. Members may wish to discuss how the nurturing of local talent and the upgrading of our workforce in respect of the creative industries could be further enhanced.

(f) How to help our creative industries explore business opportunities in the Mainland and international markets?

29. The rapid economic development in the Mainland, with its enormous resources and vast consumption market, and the close proximity and interaction between Hong Kong and the Pearl River Delta region, provides many opportunities for Hong Kong's creative industries. Our creative industries could set up production base, engage in business and technological collaboration, as well as market goods and services in the Mainland. CEPA has helped Hong Kong's film industry gain access to the vast Mainland market. Market access for the other creative industries, e.g. electronic games, remains difficult due to stringent entry requirements, e.g. substantial registered capital, the need for vetting of foreign / imported creative contents before their publication in the Mainland. The challenges and opportunities facing individual creative industries are quite different, and might need to be tackled at sector-specific levels, but there should be scope for Hong Kong to cooperate with the Mainland to develop cultural and creative industries in a "win-win" situation.

30. Internationally, the quality of our creative productions is generally well recognized, e.g. in U.S. and Canada. Some of our film producers and digital entertainment companies have received international awards or collaborated with major Hollywood studios in the production of films, including animated films and digital effects. The outsourcing of jobs to Hong Kong companies is continuing but there is increasing competition from other Asian countries, e.g. Thailand.

31. Members may wish to comment on how our creative industries can leverage on the resource and technological strengths of the Mainland and develop a suitable niche in the rapidly growing Mainland and international markets.

Secretariat to the Commission on Strategic Development
January 2006

Baseline Study on Hong Kong's Creative Industries

Summary of Findings

The Central Policy Unit (CPU) commissioned the Centre for Cultural Policy Research of the University of Hong Kong to undertake a “Baseline Study on Hong Kong's Creative Industries” in November 2002. The study report was released in September 2003. It was the first attempt by the Hong Kong Special Administrative Region Government to define and take stock of the development of creative industries in Hong Kong.

2. The study covered the industries' economic value, size of employment, characteristics, strengths and weaknesses, challenges and the significance of the Mainland market to them. It highlighted five areas viz. (i) cross-sector issues; (ii) intellectual property rights; (iii) education and research; (iv) clustering strategies; and (v) the Mainland and international dimensions, for further exploration, which would be crucial to policy formulation to promote creative industries in Hong Kong.

Definition of creative industries

3. The term “Creative Industries” is generally used to refer to economic activities in which creativity is the principal means for adding value. Terms such as “culture and cultural industries”, “content or copyright industries” and “experience industries” have been associated with the notion. Apart from the methodology for measuring the copyright industries produced by the World Intellectual Property Organization in 2003, there is no internationally agreed coverage of cultural or creative industries - different economies adopt their own definitions.

Key Findings

- The study report defined Hong Kong's creative industries as “a group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning – a production system through which the potentials of wealth generation and job creation are realized.” This is similar to the definition adopted in UK.

- The study covered 11 industrial sectors that were considered as creative industries – advertising; architecture; arts, antiques and crafts; design; film and video; digital entertainment; music; performing arts; publishing; software and computing; and television and radio.
- The strength of creative industries stemmed much from human factors. This fitted well with the general nature of the Hong Kong economy, where human capital played an important role.
- The performance of the creative industries was expected to follow Hong Kong's general economic ups and downs. This might be due to the fact that the creative industries supported a wide range of economic activities and thus their performance was much steered by the overall economic tempo. The growth of different sectors had been rather different as each had its own unique market niche.
- It was estimated that the creative industries accounted for 3.8% of GDP and employed about 170 000 people in 2001. With CEPA, they would have potential for further growth.

Value added of Creative Industries to Local Economy, 2001		
Industry Category (HSIC Code)	2001 (HK\$ million)	% share of aggregate value
Jewellery and related articles, manufacturing (HSIC 3902)	1,199	2.6
Advertising & related services (HSIC 8336)	3,179	6.9
Architectural, survey and project engineering services related to construction and real estate services (HSIC 8334, 5311 and 5318)	9,568	20.8
Design services (HSIC 8339)	768	1.7
Motion picture and other entertainment services (HSIC 9401, 9402, 9403, 9406 and 9407)	1,111	2.4
IT and related services (including software development, data processing, and related services) (HSIC 8333)	4,433	9.6
Internet and telecommunications services (HSIC 7329)	7,854	17.0
Photographic studios (HSIC 9592 and 9593)	596	1.3
Printing, publishing and allied industries (HSIC 3421, 3422 and 3429)	12,309	26.7
Television, radio stations & studios, theatrical production and performance, and other recreational services (HSIC 941)	4,870	10.6
Electronic games centres (HSIC 9497)	214	0.5
Aggregate value of Creative Industries	46,101	100%
Share of GDP	3.8%	

Figure 1 (from “*Baseline Study on HK’s Creative Industries*”)

- Economic benefits aside, further development of creative industries would also help raise Hong Kong's status as a world city, as New York, London and Tokyo were all characterized by a prospering cultural economy and cultural scene founded on creative activities.
- Between 1996 and 2001, only a few groups of creative industries demonstrated average annual growth, mainly due to the economic downturn during most of that time. The major growth sectors were software and computing, television and radio, and printing and publishing. Architecture, advertising, film and video, and design sectors had recorded some decline.
- The performance of the creative industries tended to fluctuate to a greater extent than that of the entire business sector both in terms of value added and employment.

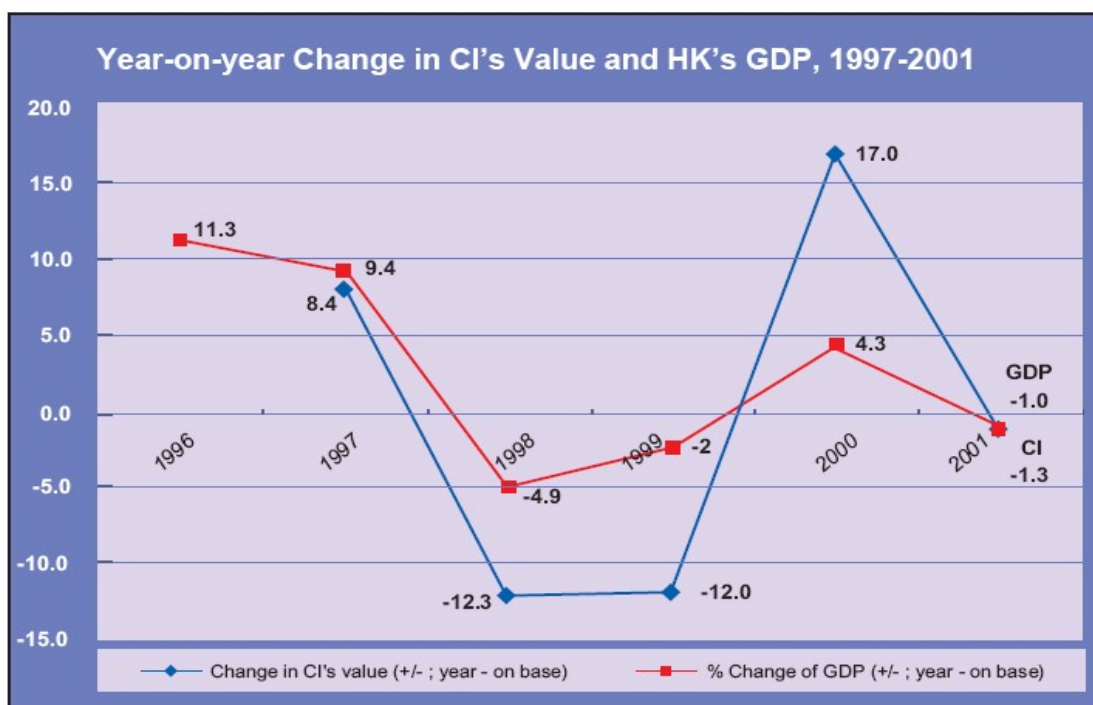


Figure 2 (from “*Baseline Study on HK's Creative Industries*”)

- The value-added of individual groups changed differently over the period from 1996 to 2001, confirming the belief that each group in the creative industries was fairly unique and responded to economic ups and downs in its own fashion.

- The creative workforce in Hong Kong displayed the following characteristics¹ (according to 2001 Census data) –
 - 56 199 core workers were engaged in 19 occupations of creative production, i.e. occupations with job duties involving a high degree of creativity (about 2 % of total employment in 2001);
 - generally male-dominated (68%, more than the 56% of overall workforce);
 - generally young, half of whom were in the age range between 25 and 34;
 - high education qualification (64.7% with degrees);
 - 94% of creative workers were employees; and
 - 88% the workforce in the creative industries earned no less than Hong Kong's median monthly income of \$10,000/month, but generally they made less than the professionals in the other industries.

¹ As there is no consensus over the definition and coverage of creative workforce, care has to be exercised to compare the size and profile of the creative workforce in this study with the corresponding estimates made in other studies.

**Study on the Relationship between Hong Kong's Cultural and
Creative Industries and the Pearl River Delta
Commissioned by the Central Policy Unit**

Summary of Major Findings and Recommendations

**I. Integrated Development of Cultural and Creative Industries in
Hong Kong and the Pearl River Delta**

The integrated development of cultural and creative industries in Hong Kong and the Pearl River Delta (PRD) should be a gradual, flexible and interactive process. Hong Kong's cultural and creative industries may forge extensive cooperation with their PRD counterparts in the following five areas :

- (a) promoting the establishment of an international market for cultural and creative industries in the PRD and creating more scope of development for Hong Kong by leveraging on its world-class and well-developed legal infrastructure;
- (b) developing Hong Kong's cultural and creative industries on the basis of its global outlook into an important node through which the PRD can break into the international market;
- (c) facilitating the integration of Hong Kong's cultural and creative industries with those in the PRD to form a bridgehead for opening up the Mainland market through acquisitions and mergers;
- (d) capitalizing on the development of the Pan-PRD "9+2" economic cooperation to expedite penetration into the Mainland hinterland, in particular the mid-southern and southwestern regions; and
- (e) making use of the China-ASEAN Free Trade Area to ensure an ample supply of resources, labour force, new business opportunities, and a wider regional market for Hong Kong's cultural and creative industries.

II. Starting Points for the Integrated Development of Cultural and Creative Industries in Hong Kong and the PRD

(a) Upgrading Manufacturing Industries by Leveraging on Hong Kong's Capital Resources and Technological Strengths

2. For some specific industries such as printing, packaging, jewellery, crafts, architecture, etc., Hong Kong can leverage on its strengths in investment capacity, research and development, and supply of professional talent to facilitate upgrading of their PRD counterparts and regional division of labour. This will elevate the cultural and creative industries in the PRD from engaging in primary or intermediate processing to a high-end level of international standard.

(b) Taking Advantage of Hong Kong's Global Ties and Giving Full Play to a "Serving as Both Shop and Plant for Each Other" Model

3. In terms of contents creation, there will be synergy effects if Hong Kong can work with the PRD using a "front shop back plant" or "front plant back shop" model, by taking advantage of the edge of its cultural and creative industries, its rich international marketing and other experiences. Where appropriate, a "serving as both shop and plant for each other" model can be used to develop the Mainland and international markets.

(c) Making Use of Hong Kong as a Trading Hub for Inward and Outward Expansion

4. In the realm of cultural products and services trade, Hong Kong may use the PRD as a springboard for business expansion in the Mainland and other markets. Services trade now accounts for 39.7% of the economy of the nine Pan-PRD provinces. Even in Guangdong, services trade merely accounts for 41% of the province's GDP, of which hotel and catering services occupy a considerable proportion while professional services, including cultural services, are barely represented. In Hong Kong, services trade accounts for 87.5% of its economy. Such a yawning gap indicates enormous business opportunities in the PRD's services market. The PRD is also the best hinterland for Hong Kong's products and services trade, as well as an important base for the supply of raw materials and labour force for Hong Kong's cultural and creative industries.

(d) Extending Service to Associated Markets

5. Hong Kong can take advantage of its being a financial, trading, information and transport centre to extend its cultural and creative services to the cultural enterprises in the PRD. With the rise of cultural and creative industries in the Mainland, the capital requirement of these enterprises is expected to increase. The capital and service markets in Hong Kong can make important contributions to the development of the PRD's cultural and creative industries in the areas of capital financing, loans, fidelity bond, and property right transactions.

(e) Manpower Training and Development

6. With its quality education of international standard and competitive edge in having biliterate (Chinese and English) and trilingual (Putonghua, Cantonese and English) talent, Hong Kong can play a part in nurturing cultural and creative talent in the PRD by developing teaching materials and training programmes, and serving as a cross-border training ground for the Mainland.

(f) Building International Brand Names and Developing Intangible Assets

7. Most Mainland authorities at provincial and municipal levels are keen to build brand names for their cultural and creative industries, but are hindered by the lack of capital, international experience and talent. In contrast, Hong Kong, as a renowned cosmopolitan metropolis, has a wealth of professionals well versed in brand name business. There exist vast opportunities for Hong Kong to assume an active role in developing brand name strategies for the Mainland's creative industries.

(g) Capitalizing on our Biliterate and Trilingual Advantages

8. Over the decades, the cultural and creative industries of Hong Kong have developed certain distinctiveness among the Chinese communities across the world, in particular those popular media and entertainment arts with Cantonese as the main medium. Our cultural products have always enjoyed popularity among the Chinese communities, reflecting that the Hong Kong style Cantonese as a medium may not necessarily be a major barrier. The PRD region is a big market due to its consumption capacity for Hong Kong's cultural and creative products.

9. If Hong Kong's entertainment business is to expand its Mainland market beyond the PRD, they have to make a choice of the language medium, even though many Hong Kong productions and performances have been well received by Mainland audiences, who tend to appreciate the unique Hong Kong flavour. Putonghua is the main dialect used throughout China and Hong Kong's Cantonese dialect has its own inherent limitations. There is already a growing trend to use Putonghua more in Hong Kong's products. For example, in order to catch more Mainland audiences, Hong Kong radio stations are starting to use Putonghua for joint broadcast programmes; singers are singing more Putonghua songs when performing in the Mainland. Publications with Hong Kong style of writing do not have any edge in the enormous book and magazine market in the Mainland. The language medium of a production sometimes cannot split with its underlying local character and cultural styles.

10. It can be said that Hong Kong's cultural and creative industries have already adopted a two-pronged approach, i.e. continuing to use the Cantonese dialect in their creation on one hand while strengthening the creation of performances and productions targeted at the whole Mainland market on the other. This is particularly evident in the music, film, radio and publishing industries.

III. Proposals for the Development of Cultural and Creative Industries in Hong Kong

(a) Establishing a Comprehensive Development Platform for Cultural and Creative Industries

11. The development of cultural and creative industries in the long term and at a macro scale cannot be accomplished by the sole effort of a single sector. It requires the concerted efforts of the cultural and creative industries, the business sector as a whole, the academia and the Government. The Government could take the lead to establish a comprehensive development platform with representatives from the above sectors plus the Third Sector. The objectives of the platform should be: (i) formulating relevant policies; (ii) establishing information networks for exchanges; (iii) facilitating coordination within each sector; and (iv) promoting inter-sector interaction.

(b) Human Resource Policy for Cultural and Creative Industries

12. The much diversified cultural and creative industries require different talents, skills and professional knowledge. While it is not easy to formulate a human resource policy that is applicable to all industries, there can be a common goal for them as they all emphasize on nurturing creativity and innovation. It is not necessary for the people working in cultural and creative industries to possess specific academic or technical training before they join the industries. Those engaged in advertising, film, music, television, digital entertainment and publishing industries usually have high mobility and cross-sectoral backgrounds and experiences. Such diversity is in itself a source of creativity. It is therefore proposed that the first priority in nurturing creative talent is to broaden the vision of the people working in the industries and allow them to give their diversified potential full play.

13. The human resource policy for cultural and creative industries should also take into account the development of the Mainland's cultural industries. The cultivation of creative talent in Hong Kong should not only aim at meeting local market needs but, more importantly, also at helping the industries to tap the Mainland market. More should be done on training – more materials on the production environment, cultural development, current conditions of various industries and market planning in the Mainland should be offered, and there should be more exchanges to gain work experience in the Mainland.

14. Our immigration policy should complement the human resources policy as far as possible. The requirements concerning talent or investors intending to work or invest in Hong Kong's cultural and creative industries should be relaxed.

IV. Positioning on the Business Chain of Cultural and Creative Industries

15. Competition in the cultural and creative industries is becoming global. It is recommended that the focus should be placed on attracting talent and capital to Hong Kong and to embrace and develop new technologies. Hong Kong should capitalize on its global competitive advantages in various areas including finance, management and services, and leverage on the flexibility of its businesses to position themselves on the business chain of cultural and creative industries, i.e. from original creation to production, and to distribution. Hong Kong may not have the

creative talent or the necessary conditions for production in certain industries, but if any original creation can be transformed into a business by the provision of management and packaging input, the input itself is also a creative industry.

16. The strategic relationship and partnership between Hong Kong and the PRD have geographical, historical and cultural reasons. Hong Kong should have the whole world in mind if it really wants to develop its cultural and creative industries to become a pillar industrial sector.

Note on the Development of the Digital Entertainment Industry

This note provides an overview of the digital entertainment industry in Hong Kong and the Government's measures to facilitate its growth. It also provides a brief account of the latest developments in multimedia and digital entertainment technologies.

Digital Entertainment

2. In the Digital 21 Strategy published in March 2004, digital entertainment is identified as a technology focus for Hong Kong in the coming years, the development of which will be championed and supported by the Government. Our vision is to develop Hong Kong into a digital entertainment hub in the Asia Pacific region, with the presence of a critical mass of digital entertainment companies in Hong Kong.

3. Digital entertainment covers three sectors:

- (a) special (digital) effects (in films, videos, television programmes and advertising);
- (b) computer-generated animation; and
- (c) games (e.g. personal computer (PC), console, mobile and online games).

4. There are about 200 companies in the three sectors – 53 involved in special (digital) effects, 80 in computer-generated animation and 63 in games. Most of them are small and medium enterprises (SMEs) that have existed for less than 10 years. Together they employ some 2 800 people.

Special (Digital) Effects and Animation

5. Hong Kong has the capability to produce innovative and high quality digital entertainment contents. Hong Kong-born creative talents have impressed producers in Hollywood with their dexterity and creativity¹. The

¹ Notable examples include Raman Hui (animated movie: “Shrek”), Garson Yu (motion picture: “Mission Impossible II”) and Ellen Poon (motion picture: “Hero”).

more established animation companies² have been able to build their own business network and client base overseas, including Hollywood. Some of our animation productions have won international acclaim³.

Games

6. Hong Kong has a large domestic market for digital entertainment products, especially games for young people. The estimated total expenditure on game products in 2004 was more than \$5 billion. The Mainland market for online games is expected to grow to RMB ¥6.43 billion by 2007. The introduction of 3G technology is stimulating further growth in the demand for mobile games and other consumer applications and contents. The global mobile game market is estimated to expand to US\$1.3 billion in 2008. China and USA are seen as the two markets with the most significant potential for growth.

7. The development of the games industry in Hong Kong is at an early stage. The industry needs to catch up with its counterparts in neighbouring Asian countries such as Japan and Korea, which have secured significant shares of the global games market. Hong Kong games developers have certain competitive advantages in the Mainland market given the cultural and language affinity between the two places.

Facilitation Measures

8. In the past few years, the Government has implemented a wide range of initiatives to spearhead and support the growth of the industry. Most of these initiatives will continue and can be grouped into five main areas, namely infrastructure and enabling environment; research and development; development and upgrading of skills; market access; and investment and financing.

² These include Centro and Menfond, which employ around 40-140 professional staff; and Imagi, a computer-generated animation production house, which has some 400 employees.

³ Examples : “The Secret of the Magic Gourd” is a co-production between Disney’s Buena Vista International and Hong Kong-based special effects house Centro Digital Pictures announced in January 2006. “My Life as McDull” won the Grand Prix Annecy 2003.

(a) Infrastructure and Enabling Environment

(i) Support Facilities at the Cyberport include:

- **Digital Media Centre (DMC)** provides high-end post-production facilities (e.g. motion capture and 3D scanning systems) and technical services at affordable costs for SMEs and freelancers;
- **iResource Centre** complements the DMC in providing a wide range of IT and multimedia resources, including a digital content library and a digital asset management platform;
- **Hong Kong Wireless Development Centre** provides marketing/technical support and a testing platform for the development of mobile games and other mobile application; and
- **Digital Entertainment Industry Support Centre**, operated by the Hong Kong Productivity Council (HKPC), provides a one-stop source of industry support services and resources including an online industry portal.

- (ii)** Hong Kong rigorously protects intellectual property rights. The successful prosecution and conviction of an offender for illegal distribution of movies through the Internet in late 2005 was a world first.

(b) Research and Development

- (iii)** Under the theme of “media technologies for digital entertainment”, six research projects were funded by the Innovation and technology Fund in 2003.
- (iv)** With Government funding, the HKPC developed a 3D online game design engine for use by the local industry free of charge and created a digital entertainment industry database to facilitate strategy formulation.

(c) Development and Upgrading of Skills

- (v)** A Digital Entertainment Incubation cum Training Centre was established at the Cyberport to nurture promising enterprises and

professional talent. An Xbox Games Incubation Programme was also launched at the Cyberport to nurture local talent in Xbox games development.

- (vi) Tertiary education institutions offer courses on multimedia, animation / special effects and games productions to provide manpower for the digital entertainment industry. Short courses and intensive training are organized by academic and industry support bodies to meet the games industry's urgent need for expertise in games production and level design. The Commerce, Industry and Technology Bureau (CITB) / Office of the Government Chief Information Officer sponsor overseas internship programmes to broaden students' exposure and enable them to obtain first-hand experience in the latest technology.
- (vii) CITB has earmarked \$2.4 million in 2004/05 to 2006/07 in the Digital Technology Training Fund to sponsor training courses on the application of digital techniques in animation, special visual effects, editing, high definition cinematography, post-production colour grading and film output, sound recording and mixing, etc. The Trade and Industry Department's SME Training Fund facilitates training and skills upgrading and has so far allocated about \$0.65 million to fund activities related to the digital entertainment industry.
- (viii) The Digital Entertainment Leadership Forum and the Hong Kong Digital Entertainment Excellence Award were organized to promote professional exchange as well as recognition of professional excellence and outstanding local productions.

(d) Market Access

- (ix) Under the **Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) II**, Hong Kong service suppliers are allowed access to the Mainland online games market through partnership with Mainland enterprises in setting up Internet culture business units.
- (x) **Hong Kong Pavilions** were set up at various Mainland and overseas trade shows to promote the capabilities of Hong Kong's industry and to create business opportunities.

- (xi) The **SME Marketing Fund** provides support for the promotion of local digital entertainment products/services.

(e) *Investment and Financing*

- (xii) The **SME Loan Guarantee Scheme** helps SMEs to obtain loan guarantee for business installations and equipment.
- (xiii) The **Cyberport Venture Capital Forum** and other experience-sharing seminars were organized for leading local and international venture capitalists to share their experiences and insights with the local digital entertainment industry.
- (xiv) To create a strategic industry cluster and build the image of a digital entertainment hub, Invest Hong Kong and the Cyberport have actively promoted the development opportunities for digital entertainment in Hong Kong to attract Mainland and overseas companies.

New Developments

9. Technological advances in information and communications technology (ICT), broadcasting, and consumer electronics are creating a trend for “digital convergence”. Multimedia technologies have enabled educational, cultural, art and entertainment contents to be created digitally with interactive and rich animated features combining text, graphics, video images and sound for efficient publication. The channels to deliver content, ranging from the Internet, television (including cable, satellite and digital TV), to telecommunications networks, have become interchangeable (network convergence) and will no longer be constrained by their capacity (high bandwidth). Likewise, consumer devices such as TV set, personal computer, Personal Data Assistant (PDA), mobile phone and game console can receive/retrieve the same multimedia content rendered to suit the mode of use (**Appendix A**).

10. Under the new, converged digital content environment, an individual could carry out his/her daily activities (educational, social, financial and leisure), obtain information and purchase goods and services through a variety of digital devices and channels any time anywhere. For example, a person could learn about a new subject through an electronic game (e.g. online game) and be rewarded with virtual discount coupons for purchases of goods and services in an online environment (e.g. Internet or broadband TV) that

delivers news, marketing and other information at the same time and enables him/her to communicate with others through electronic mail, watch video or listen to music. This environment (e.g. Internet or broadband TV) is also a platform for advertisement, which provides a revenue source for the service provider. New customer relationship management models have emerged to provide a single interface, for example one bill covering multiple services (service convergence) (**Appendix B**).

11. With high Internet penetration, mobile phone usage and TV coverage in places like Hong Kong, digital convergence is expected to accelerate.

Economic Impact

12. Digital convergence is expected to generate good economic value. The global market for the related industries (e.g. online game, online music and e-learning) has substantial growth potential. Digital convergence and the new consumer experience that it offers should stimulate new demand. According to various global market projections, the expected growth rate in 2006 for the games industry, digital music player manufacturing industry, online music industry and e-learning industry is 9%, 12%, 7% and 33% respectively. The games industry is expected to grow at an even higher rate of 23% in 2007 (**Appendix C**).

13. These developments are becoming a major driver of innovation across a broad spectrum of the creative industries like education, software and computing, entertainment advertising, and potentially in other industry sectors as well. As an example of the cross-industry effect, in 2004, the Mainland online game industry captured RMB ¥2.47 billion in revenue; in the same year, the total revenue of the telecommunications sector was RMB ¥518.76 billion in which RMB ¥15.07 billion was generated from network usage due to online game activities. This indicated that the revenue in online game usage has generated revenue 6.1 times in size in the telecommunications sector. In the same year, the revenue contributions by online game usage to the IT industry and the media & publishing sectors were 2.6 and 1.5 times respectively.

14. Technologically advanced countries are responding to these developments, in some cases with focused efforts. In Singapore, the Media Development Authority spearheads the development of a converging media industry. In South Korea, the Ministry of Culture and Tourism is responsible for policy on online content industries including e-books, animation, games and characters; while the Ministry of Information and Communication has policy responsibility concerning technology developments in these areas. South

Korea launched the 854.6 billion Won "Contents Korea Vision 21" strategy in 2001 to develop into a major digital content production country. It also established the "2002 Online Digital Contents Industry Development Act" to strengthen regulatory control. Finland has set up a committee coordinated by the Ministry of Education to look into the opportunities, strengths and issues concerning content creation in the country.

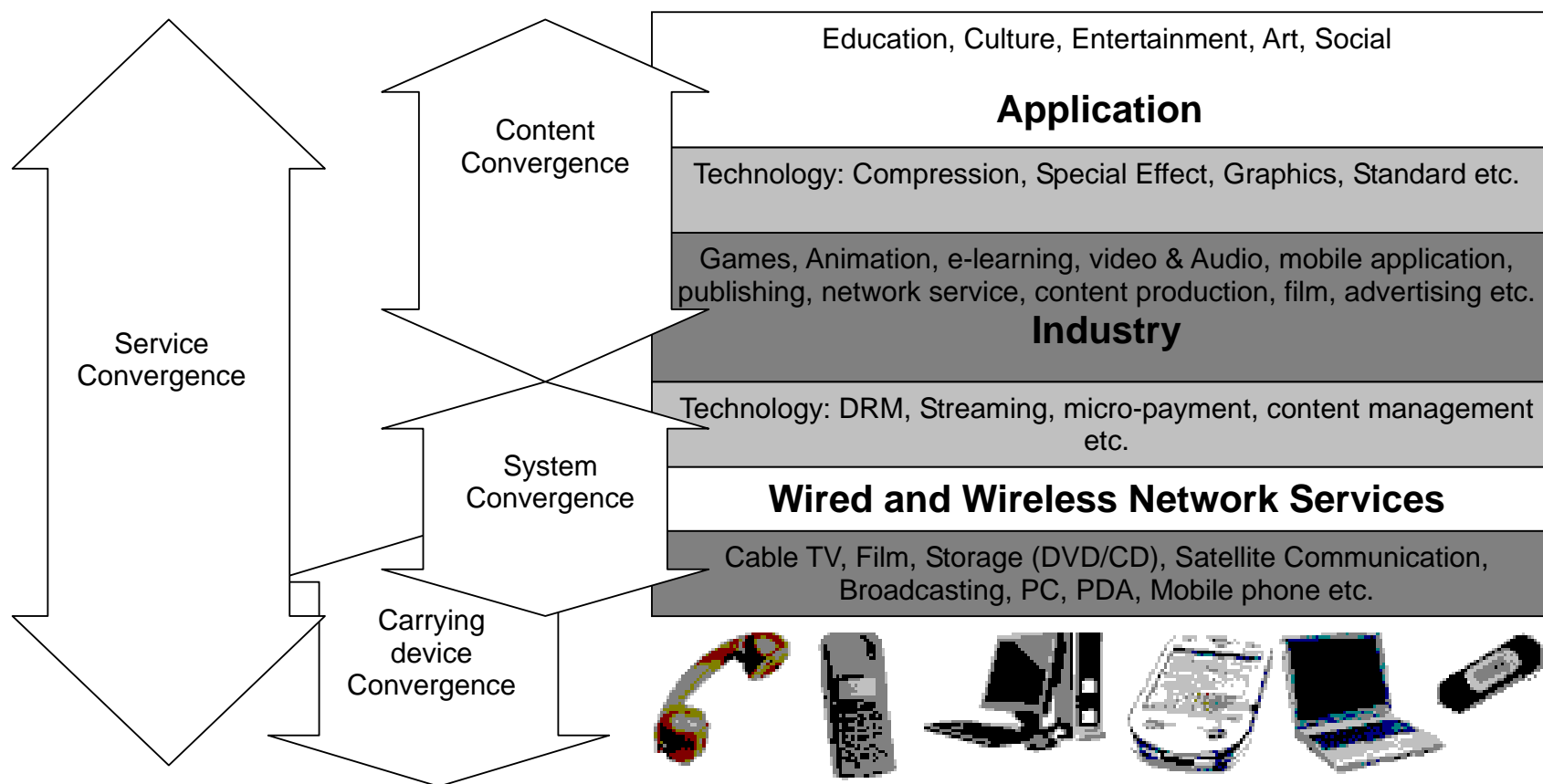
15. Developments in digital convergence present new economic opportunities and could become a major driver for growth and competitiveness. The related industries in Hong Kong may be at different stages of readiness to respond to these developments. Further research in this area may help to provide guidance on the way forward for Hong Kong.

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Appendix A Transformation in Telecommunications, Publishing, Broadcasting and Computing Industries as a Result of Developments in Digital Technologies

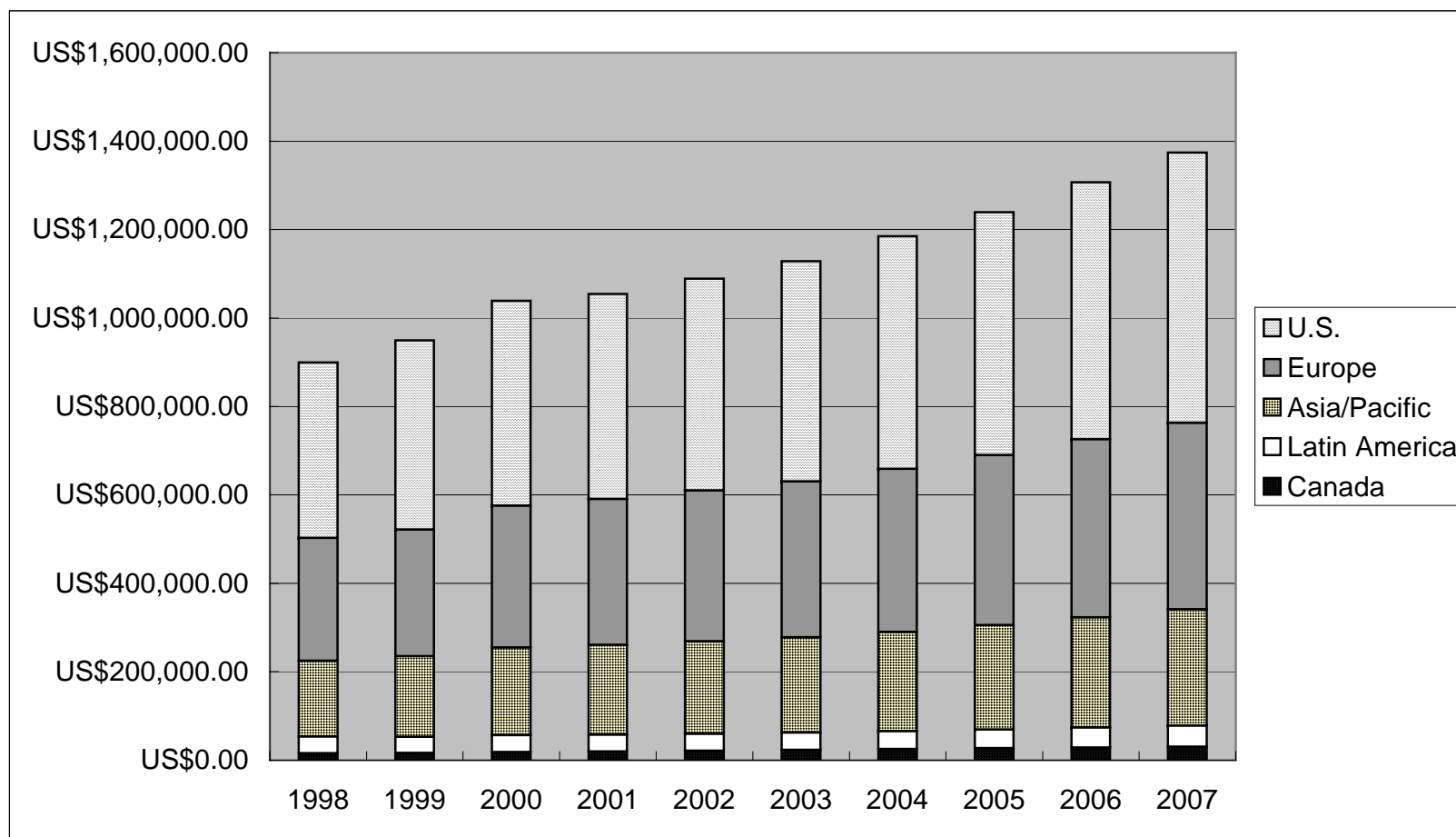
<i>From</i>	<i>Catalyst</i>	<i>To</i>
Telecommunications <i>e.g. fixed & mobile telephone</i>		
<ul style="list-style-type: none"> ● Point to point transmission ● Narrowband ● Text only ● Fixed-line phone 	<ul style="list-style-type: none"> ● Compression technology, e.g. MPEG4; ● Communication technology, e.g. GSM, CDMA ● Computing technology, e.g. mobile gateway servers ● Network technologies e.g. Internet 	<ul style="list-style-type: none"> ● Multipoint transmission, ● Broadband ● Multimedia ● Fixed-and mobile phone, PDA, PC
Publishing , <i>including newspapers, books, magazines, and Audio/Video consumables (DVD, CD)</i>		
<ul style="list-style-type: none"> ● Paper-based media ● Physical replication of content for distribution ● Physical storage ● Static information 	<ul style="list-style-type: none"> ● Digital Media technology, e.g. Imaging, Audio, Video Capturing, Automatic conversion of media formats ● Digital Right Management Technology ● Network technology, e.g. Internet ● Computing technology, e.g. streaming server 	<ul style="list-style-type: none"> ● Accessible through TV, PDA, PC, mobile phones, etc. ● Efficient mass distribution ● Efficient storage of digitized content ● Interactive media
Broadcasting , <i>including TV and Radio</i>		
<ul style="list-style-type: none"> ● Delivery of analog, low definition news and entertainment programme content ● Broadcast only ● Single function device, e.g. TV 	<ul style="list-style-type: none"> ● Compression technology, e.g. MPEG4; ● Broadcast technology ● Computing technology, e.g. streaming server ● Network technology, e.g. Internet ● Digital Right Management Technology 	<ul style="list-style-type: none"> ● Provide digital programme of rich media and of high definition ● Interactive ● Multi-function capability for different device types: TV, PDA, PC, mobile phones, etc.
Computing		
<ul style="list-style-type: none"> ● Mainframe computer ● Use by Government and Businesses only ● Centralized processing ● Processes text data only ● Stand-alone computer 	<ul style="list-style-type: none"> ● Large processing power and data handling capacity ● Miniaturization of components ● Function-rich software ● Specialized hardware-software systems, e.g. router, streaming server ● Development of interconnection technologies 	<ul style="list-style-type: none"> ● Minicomputer and PC ● Consumer product ● Distributed processing ● Multimedia processing – graphics, audio and video ● Interconnected through the Internet

Appendix B Context Diagram of Digital Convergence



Reference : 2004 “Digital Content Industry in Taiwan”

Appendix C Statistics on the Global Entertainment and Media Market



Source : PricewaterhouseCooper's study on the Global Entertainment and Media Market 2004

**Note on the Government and its Subvented Bodies'
Efforts to Promote Innovation and Design**

1. Since the establishment of the Innovation and Technology Fund (ITF) in 1999, \$2.04 billion has been approved for 758 applied R&D projects. From June 2005, a new strategy to promote innovation and technology has been adopted under which five R&D focus areas will be developed (namely automotive parts and accessory systems; information and communications technology; logistics and supply chain management enabling technologies; nanotechnology and advanced materials; and textile and clothing) alongside other themes proposed by the industry and research institutes.
2. The Government has provided more than \$150 million from the ITF and the former Industrial Support Fund to finance over 60 projects to promote the development of design capability of the industries.
3. To promote and honour excellence in industrial design, the Government has been supporting the organization of the annual “Hong Kong Awards for Industry: Consumer Product Design” and “Hong Kong Awards for Industry: Machinery Design”.
4. The Government has coordinated support and secured resources for the setting up of the Hong Kong Design Centre (HKDC), which is a multi-disciplinary industry body to promote design as a value-added activity, to enhance design standards, to foster design-related education, and to raise the profile of Hong Kong as an innovation and creative hub. In 2001, the Government provided \$10 million to support the initial operating costs and made available the heritage building at 28 Kennedy Road for HKDC.
5. In November 2002, the Government formed the Steering Group on the Promotion of Innovation and Design, chaired by the Secretary for Commerce, Industry and Technology and with members from relevant Government bureaux, academia, industry and the design sector, to examine policy issues and coordinate the various elements of the Government’s programmes and resources to spearhead the promotion of innovation and design in industries.

6. To facilitate ODM development by small and medium enterprises (SMEs), the Government has supported the establishment of an Integrated Circuit Design/Development Support Centre in the Science Park; and a Digital Media Centre and a Wireless Solutions Development Centre at the Cyberport.
7. In 2004, the Government launched the \$250 million DesignSmart Initiative to strengthen its support for and promotion of industrial design. The Initiative includes four funding schemes to provide resource support for projects in design and branding-related research, design and business collaboration, professional continuing education and the promotion of a design culture. As at the end of 2005, the Initiative has provided funding support of \$33 million for 18 projects, which cover an array of activities such as conferences, seminars, exhibitions, design competitions, training courses and design research. Most of these activities are related to product design such as a toy design competition, industry conferences, new jewellery design training programmes and a research into ergonomic data of the Mainland Chinese population. A Young Design Talent Award scheme has also been launched to sponsor promising local designers to go overseas for professional training every year. The Initiative also includes the establishment of the InnoCentre as a one-stop shop providing support and services related to design, at a building owned by the Hong Kong Science and Technology Parks (HKSTP) in Kowloon Tong. HKSTP and HKDC will jointly develop programmes and services at the InnoCentre, which are envisaged to include an incubation programme for design ventures; professional education and training; design-related exhibitions, seminars and workshops; design-related resource centre such as design library; events and activities for networking among design professionals and user industries. Admission of design companies as tenants or incubates to the InnoCentre has begun, and the Centre is expected to operate in full swing from mid-2006.
8. The Hong Kong Polytechnic University offers design education programmes from sub-degree to doctoral degree levels, while the Hong Kong Institute of Vocational Education of the Vocational Training Council (VTC) offers courses from craftsman to higher technician levels. All mainstream design disciplines are covered, including fashion design, industrial and product design, graphic and media design, visual communication design, environment and interior design, interactive systems design, engineering design, multimedia design and design education. The VTC has also set up a Design Institute (DI) which brings together all relevant

departments to pool resources and expertise to further support design education. A purpose-built new complex for the DI is under planning. In addition, the Continuing Education Fund provides financial support for adults to pursue education and training courses in creative industries and design. The eligible courses cover areas like Computer Aided Design / Computer Aided Manufacturing, game and digital entertainment, jewellery, multimedia and animation design, etc.

9. The Government also runs the Professional Services Development Assistance Scheme with an allocation of HK\$100 million to provide financial support for projects which aim at increasing the competitiveness and enhancing the standards of Hong Kong's professional service sectors. Design is one of the eligible professional service sectors and by the end of 2005, four design-related applications have been approved involving \$1.66 million of funding.
10. With a total commitment of \$7.5 billion, the four funding schemes for SMEs, namely the SME Loan Guarantee Scheme, SME Export Marketing Scheme, SME Training Fund and SME Development Fund, help SMEs, including design companies, meet new challenges and opportunities in the areas of financing, marketing, manpower training and development.
11. The Hong Kong Productivity Council (HKPC), a statutory body that promotes productivity excellence among Hong Kong companies across the value chain, supports Hong Kong manufacturers with operations in Hong Kong and in the Pearl River Delta to tap new opportunities offered by CEPA, and provides support to enterprises to improve the cost-effectiveness of their manufacturing activities as they expand their operations to a regional and global scale. HKPC's programmes are built on its core competencies in manufacturing technologies, information technologies, environment technologies, and management systems. Support for industrial and product design to drive productivity improvement, notably through the use of technologies, is an important part of HKPC's work.
12. The Hong Kong Trade Development Council (TDC), a statutory body responsible for promoting and expanding Hong Kong's external trade in goods and service, helps local companies develop marketing opportunities, trade contacts, market knowledge and competitive skills through arranging exhibitions, seminars, trade missions, business networking, training workshops and

publications for both local operators and potential overseas buyers. One of its current objectives is to stimulate demand for Hong Kong's goods and services in the Mainland and priority emerging markets. It is intensifying efforts to establish Hong Kong as a trendsetter of style and fashion among the more affluent consumers in the Mainland through flagship "Style Hong Kong" events held in major Chinese cities and publications that market Hong Kong's quality brands. Design is an integral part of its strategy, with industry input from the Design, Marketing and Licensing Services Advisory Committee under the Council.

13. Hong Kong has a robust intellectual property (IP) protection regime which is in full compliance with international standards and norms. The Intellectual Property Department provides design registration services in Hong Kong and HKPC administers a Patent Application Grant to help enterprises protect their IP rights.

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