Section 11

Current Status of the Various Sectors of Creative Industries in Hong Kong

Section 11.1

Advertising

Description

The activities of the **advertising** industry are defined as management of client marketing activity or communication plans, media planning and buying, market research, creation of advertisements, production of advertising material, promotions and public relations campaigns.

Key Statistics

- gross value-added of $5.0 billion in 2007*
- total employment of 21,860 in 2008*
- 5,130 firms in 2008*
- exports of advertising, market research and public opinion polling services of $4.8 billion in 2007, of which $2.2 billion were to the Mainland*
- total adspend of $24.7 billion in 2008**

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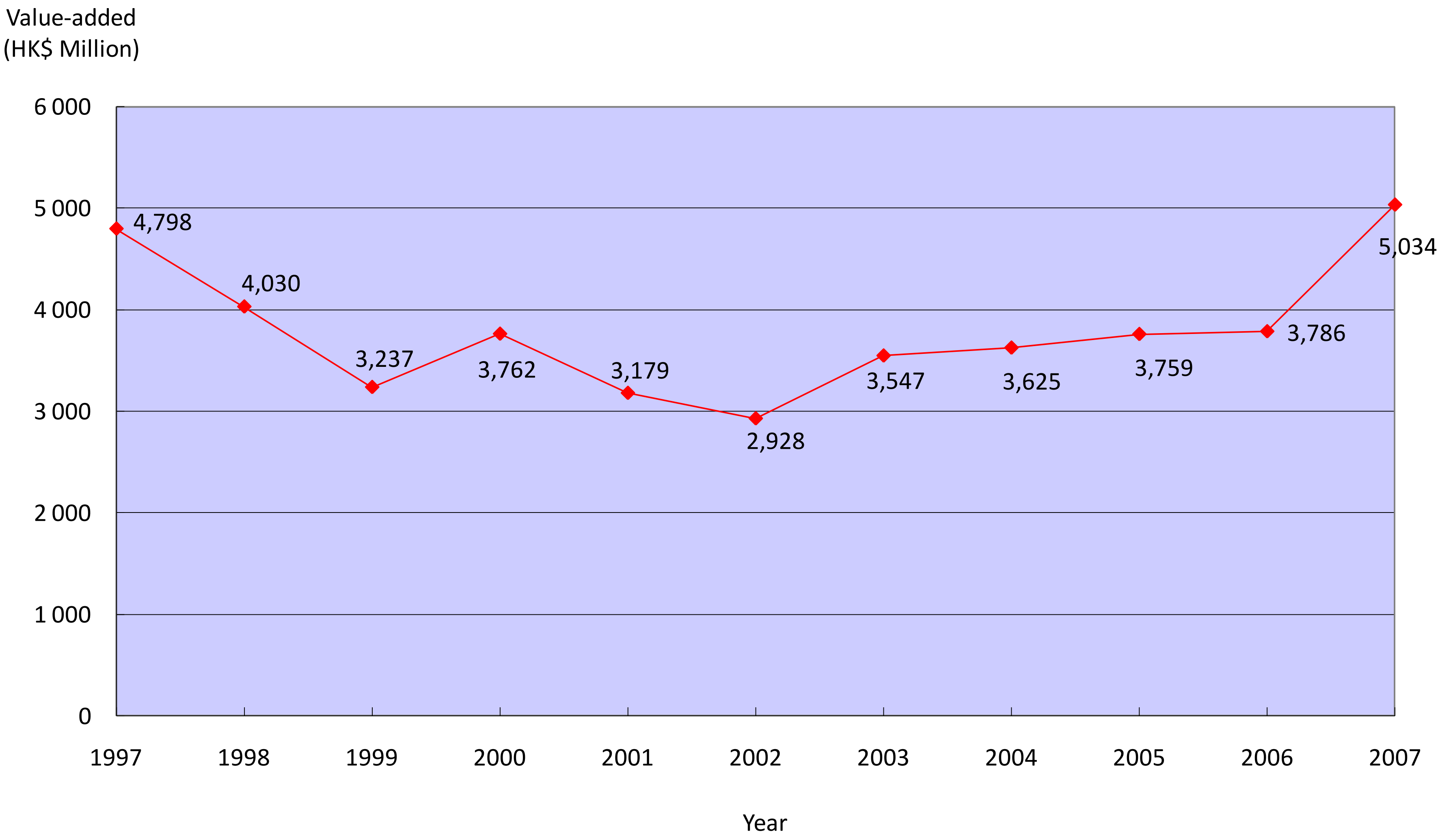
* Census and Statistics Department.

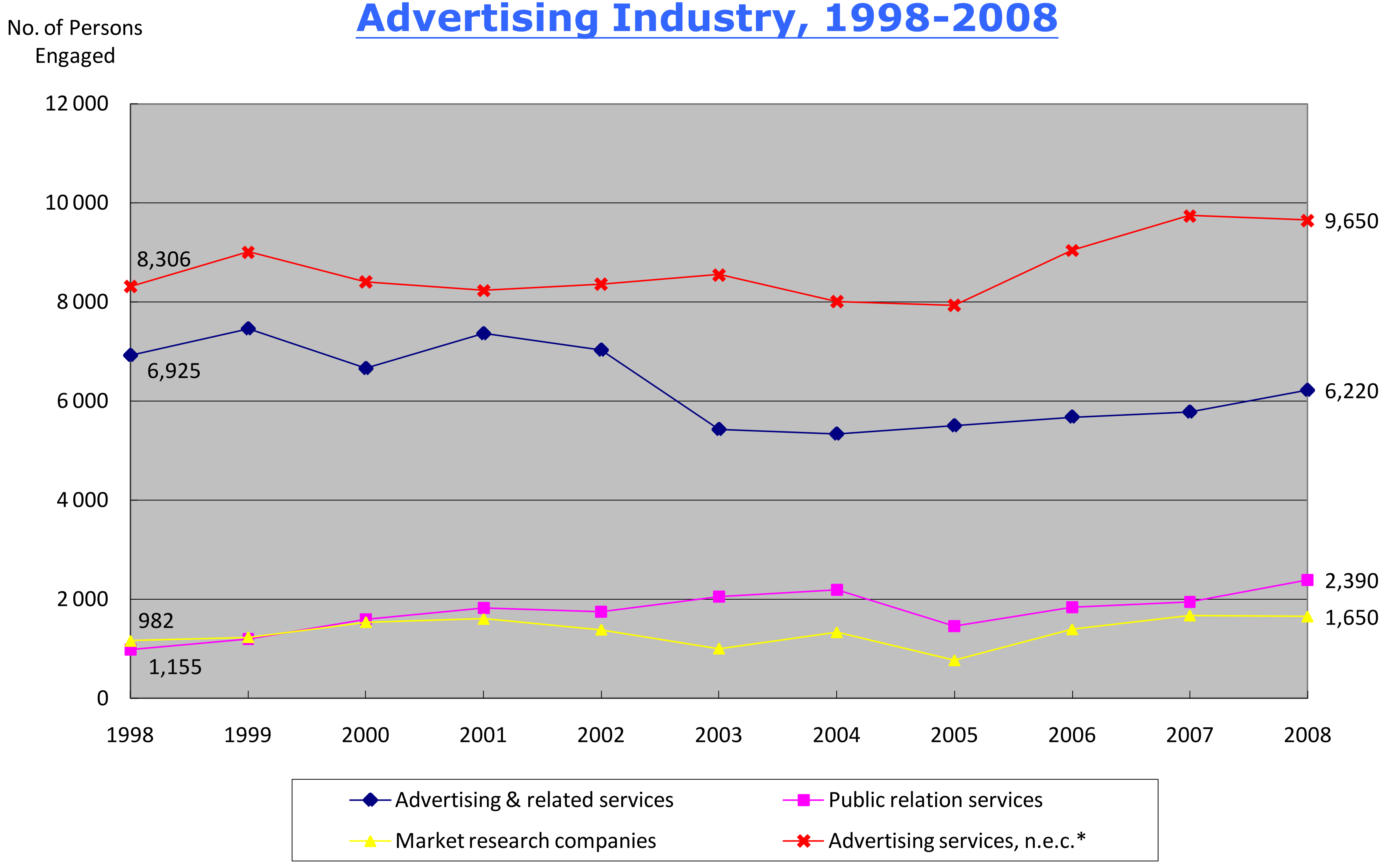
** admanGo. Assuming a 60% discount on gross ad rate.

Value-Added of Hong Kong's Advertising Industry, 1997-2007



Source: Programme of Annual Economic Surveys, Census and Statistics Department.

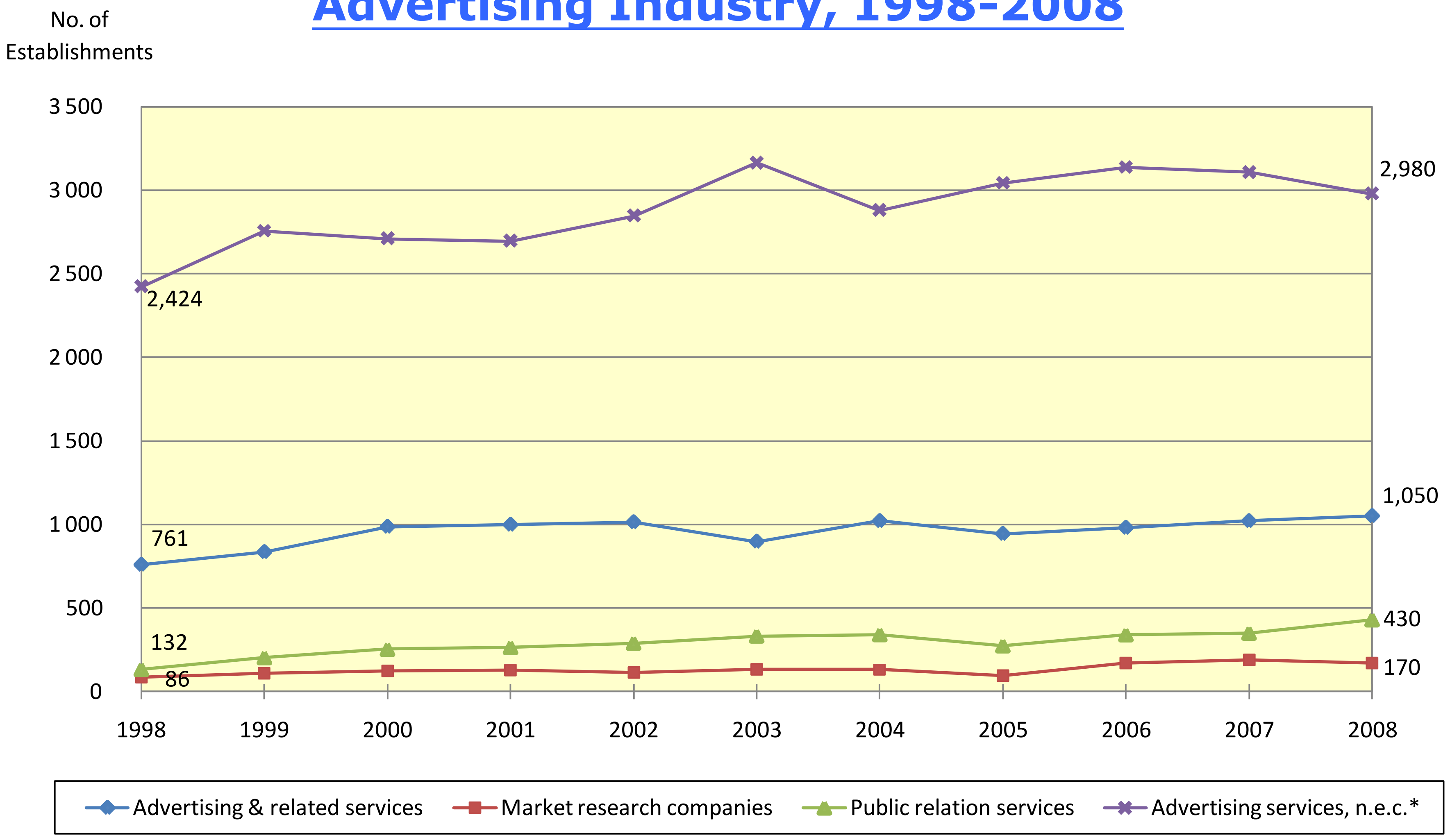
Number of Persons Engaged in Hong Kong's Advertising Industry, 1998-2008



* n.e.c.= not elsewhere classified.

Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Advertising Industry, 1998-2008



* n.e.c.= not elsewhere classified.

Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

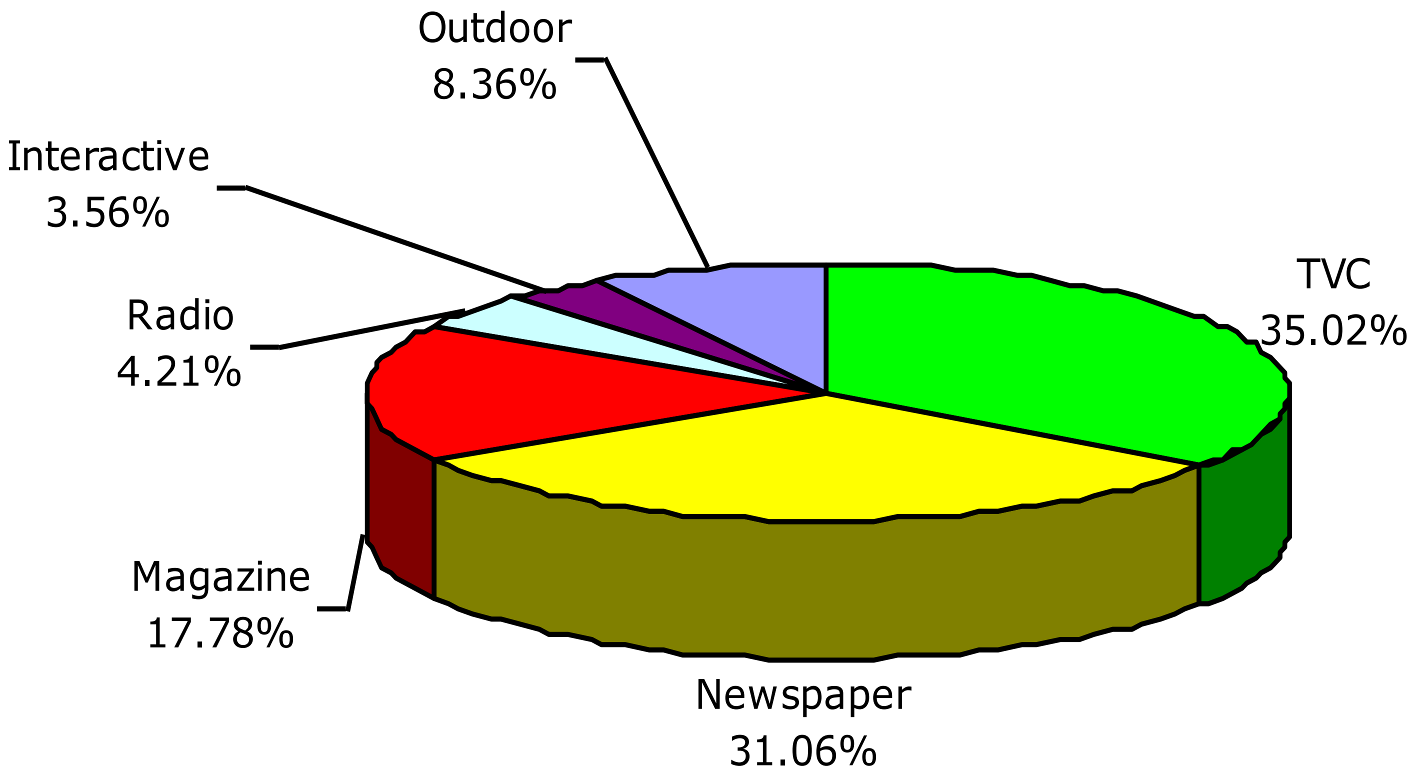
Advertising Expenditure in Hong Kong, 2005-2008

Year	Advertising Expenditure* (HK$ billion)	Year-on-Year change (%)
2005	18.3	n/a
2006	19.7	+7.3%
2007	22.0	+11.8%
2008	24.7	+12.1%

* Assuming a 60% discount on gross ad rate.

Source: admanGo Adspend Reports.

Media Share of Hong Kong's Advertising Expenditure, 2008



Source: admanGo.

Current Situation and Key Issues (1)

- established and mature industry with creative, talented people with international experience and exposure
- rich media infrastructure and good support of ancillary services such as design and production
- polemic split between large international firms providing full range of services and small firms providing specialised services at lower costs
- many still view advertising as an expense item and are reluctant to invest in brand or identity building

Current Situation and Key Issues (2)

- CEPA enables Hong Kong companies to set up wholly-owned advertising firms in the Mainland from early 2004
- CEPA V liberalisation measures in 2007 allows Hong Kong suppliers of market research services to set up joint ventures with majority shareholdings in the Mainland
- above-the-line advertising declining, with shift to more below-the-line marketing, promotion and public relation services

Current Situation and Key Issues (3)

- free newspapers have taken business away from traditional paid newspapers, with adspend for free papers increasing 25.2% in 2008, compared to a 3.3% increase for paid papers*
- new media such as the Internet and mobile phones, and, in the future, e-mail, SMS alerts and social networks, are expected to have a significant impact on the industry; online advertising becoming popular with lower costs but noticeable impact
- global economic downturn having significant impact on advertising expenditure

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* Source: admanGo Adspend Report 2008.

Current Situation and Key Issues (4)

- adspend in Hong Kong, which benefited from the Beijing Olympics in 2008, showed decline from November 2009 and was projected to have double-digit decline in 2009 and not improving in the short term
- the 2009 East Asian games (Hong Kong), the 2010 Asian Games (Guangzhou) and the 2010 World Expo (Shanghai) are expected to create significant demand for marketing services
- opportunities for Hong Kong advertising and public relations firms to assist Mainland companies’ advertising and marketing activities globally

Section 11.2

Architecture

Description

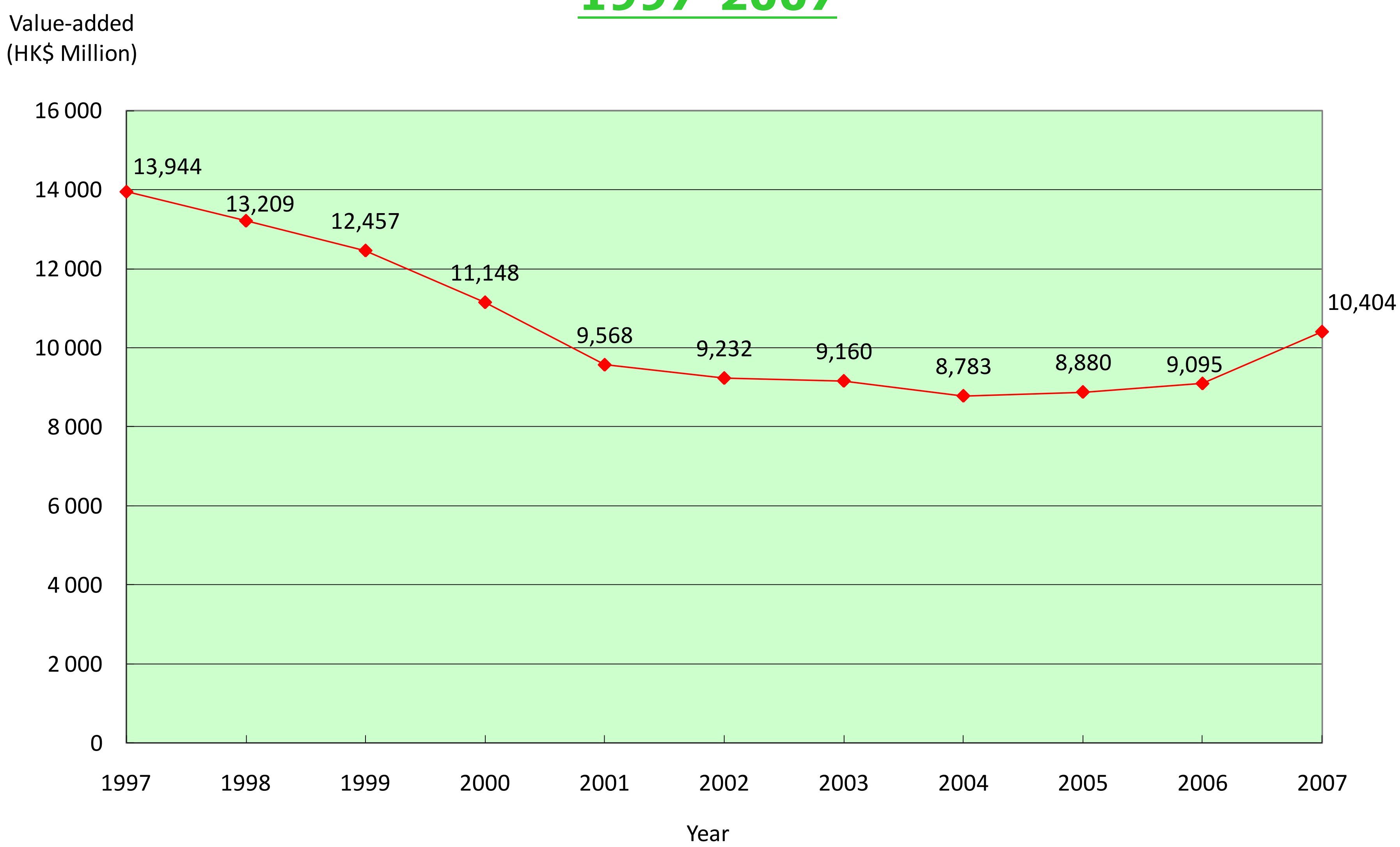
The activities of the **architecture** industry are defined as building design, planning approval and production information.

Key Statistics

- gross value-added of $10.4 billion in 2007, of which $1.5 billion was for architectural design and $8.9 billion was for interior fitting and decoration
- total employment of 8,340 in 2008
- 670 firms in 2008
- exports of architectural, engineering and other technical services amounted to $1.9 billion in 2007, of which $622 million were to the Mainland

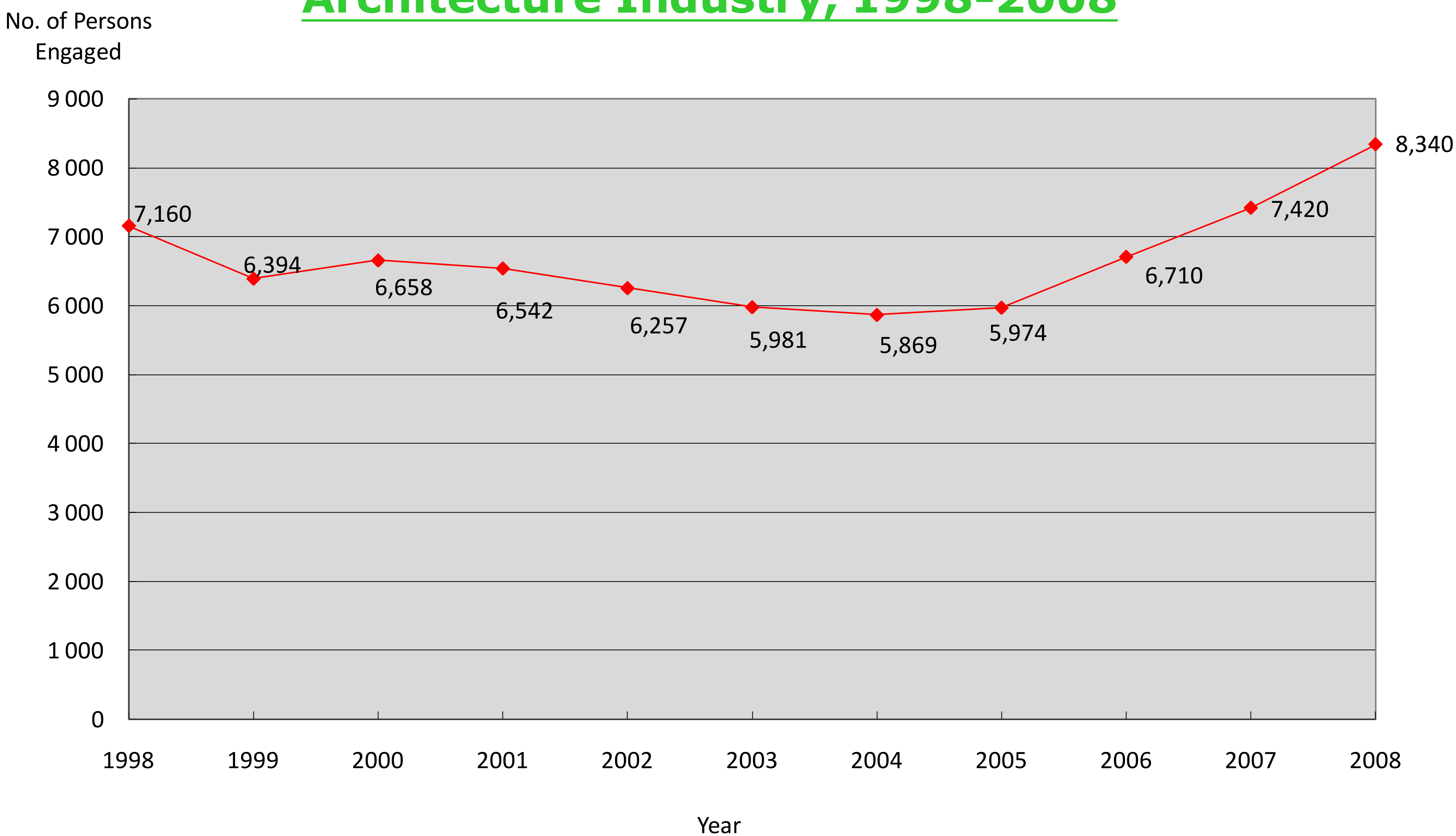
Source: Census and Statistics Department.

Value-Added of Hong Kong's Architecture Industry, 1997-2007



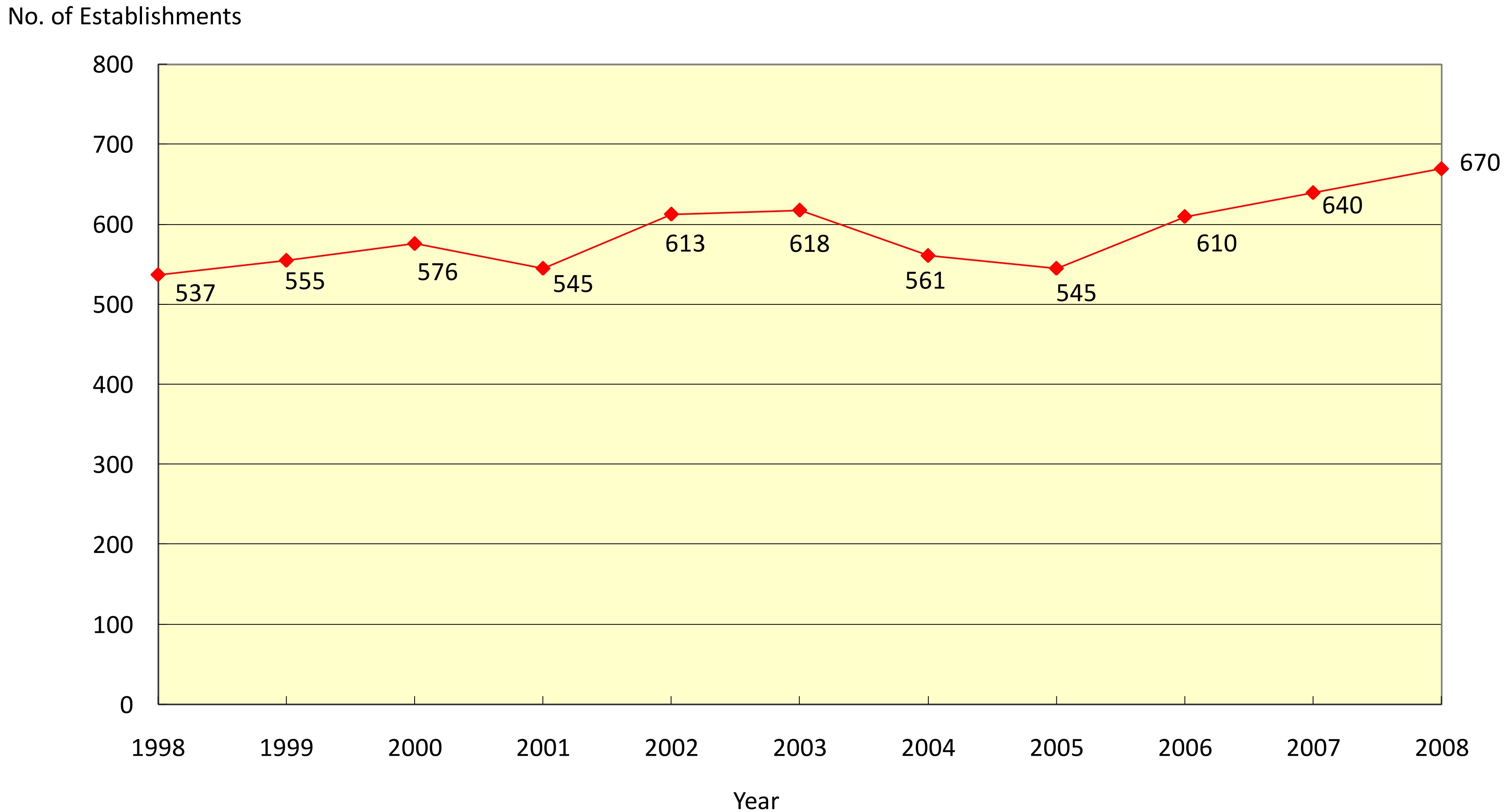
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Architecture Industry, 1998-2008



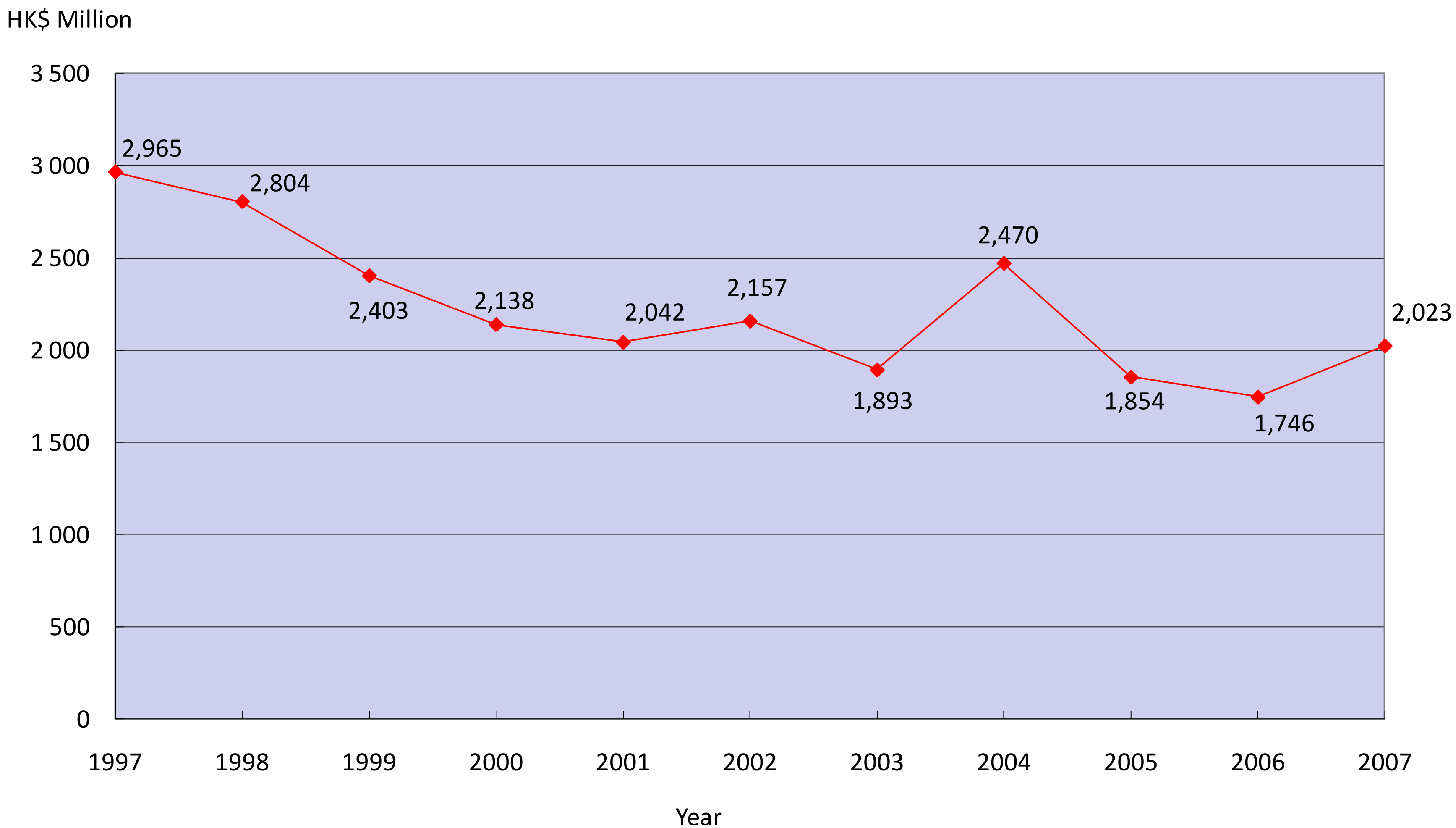
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Architecture Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Business Receipts of Hong Kong's Architecture Industry, 1997-2007



Source: Annual Survey of Building, Construction and Real Estate Sectors, Census and Statistics Department.

Current Situation and Key Issues (1)

- Hong Kong has well-trained and experienced talent with international exposure, cosmopolitan outlook and innovative ideas
- Hong Kong is renowned for high-rise, slope and high-density design as well as design with space constraints
- real estate, public sector projects and infrastructure projects remain the major users of services locally
- the structure of the industry is such that there is not enough opportunity for individual architects to experiment innovative designs
- most firms and professionals have to look elsewhere for business opportunities; majority involved in Mainland projects

Current Situation and Key Issues (2)

- CEPA allows qualified Hong Kong architects to be registered in the Mainland but there are many limitations in actual practice
- significant role to play in sustainable development agenda with increasing attention on environmental issues
- the nature and policies of government procurement are perceived to have a significant impact on design quality and creativity as well as the business of small local firms
- opportunity for Hong Kong and Mainland collaboration to establish strategic partnerships for international projects

Section 11.3

Art, Antiques and Crafts

Description

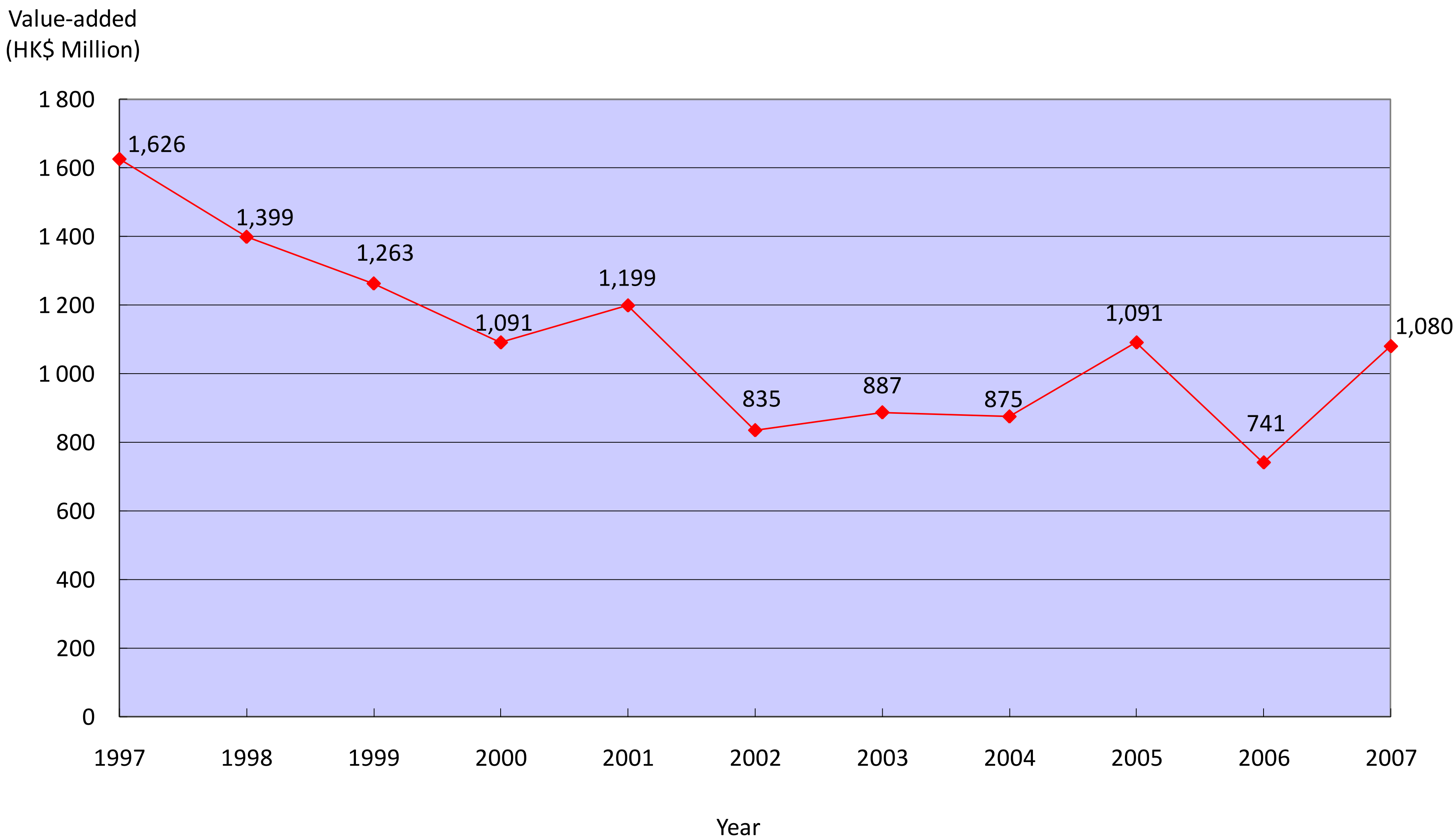
The activities of the **art, antiques and crafts** industry are defined as the wholesale and retailing of works of art, antiques and jewellery products via auctions, galleries, creators, specialist fairs, shops, department stores and the Internet, jewellery design, cutting and setting of precious stones and gems, and goldsmithing and silversmithing.

Key Statistics

- gross value-added of $1.1 billion in 2007
- total employment of 21,800 in 2008
- 5,100 firms in 2008
- total exports of articles of precious jewellery of metal, pearls and stones amounted to $37.1 billion in 2008
- total exports of works of art, collectors' pieces and antiques amounted to $3.3 billion in 2008

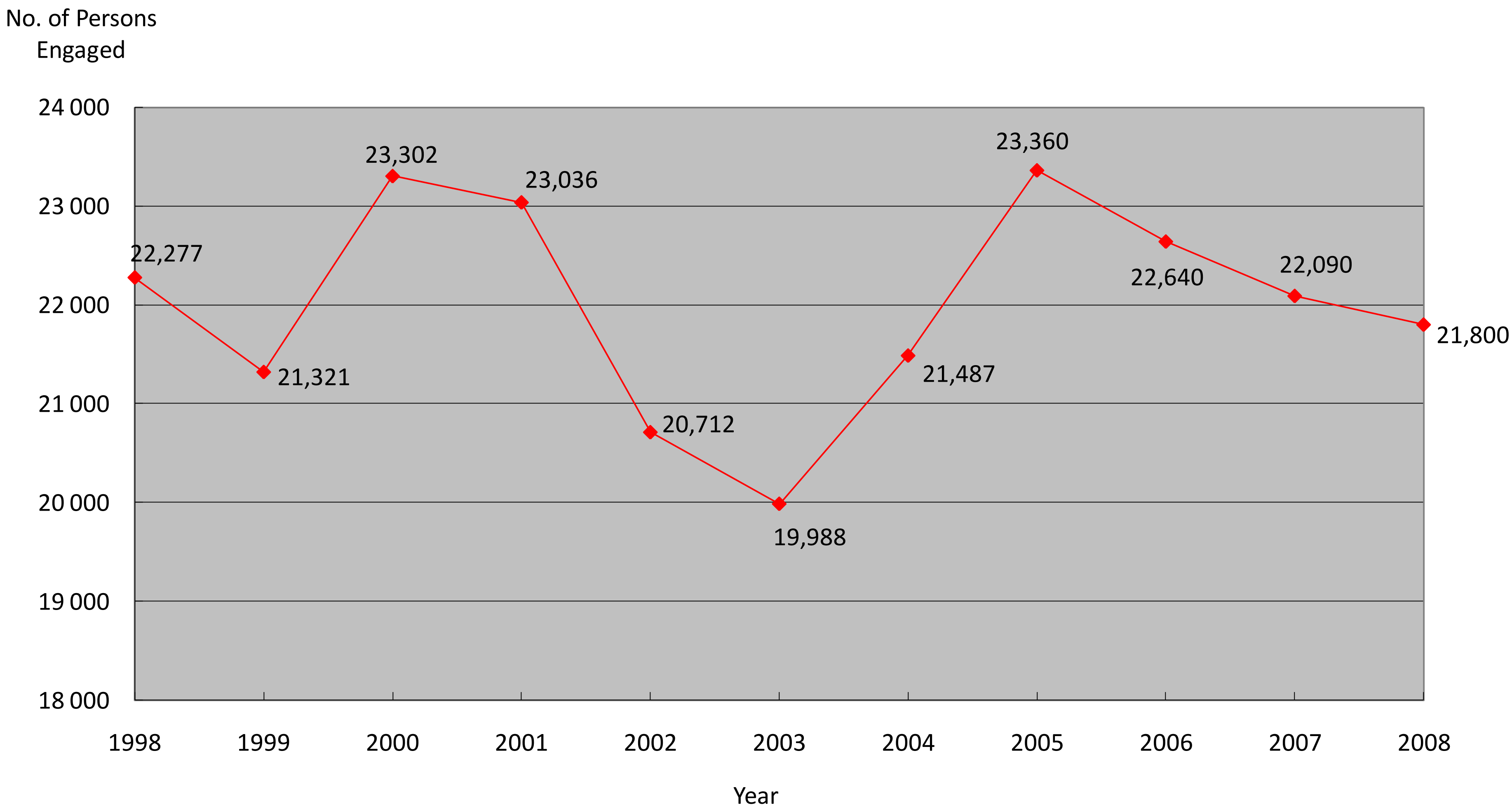
Source: Census and Statistics Department.

Value-Added of Hong Kong's Art, Antiques and Crafts Industry, 1997-2007



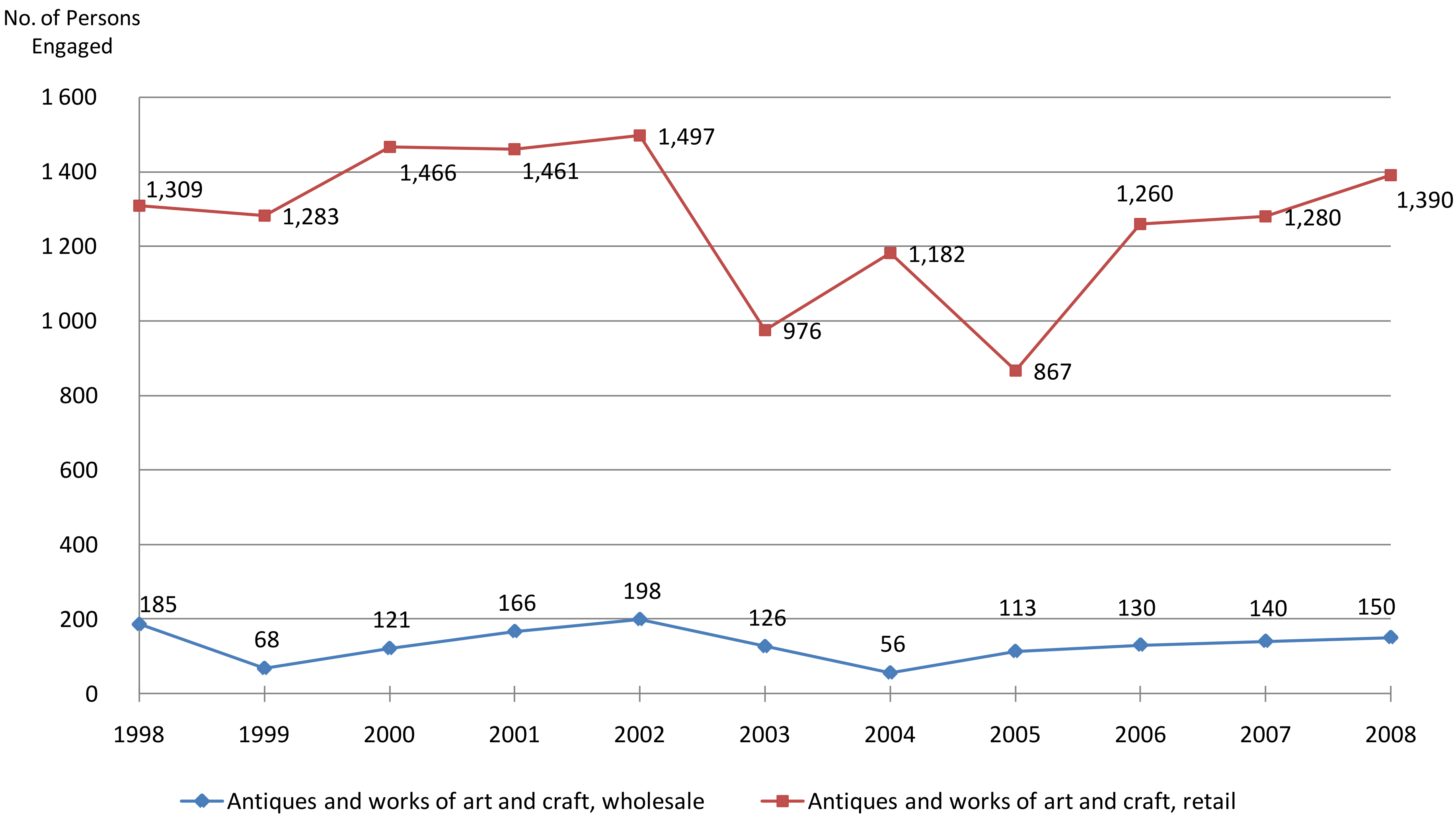
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Art, Antiques and Crafts Industry, 1998-2008



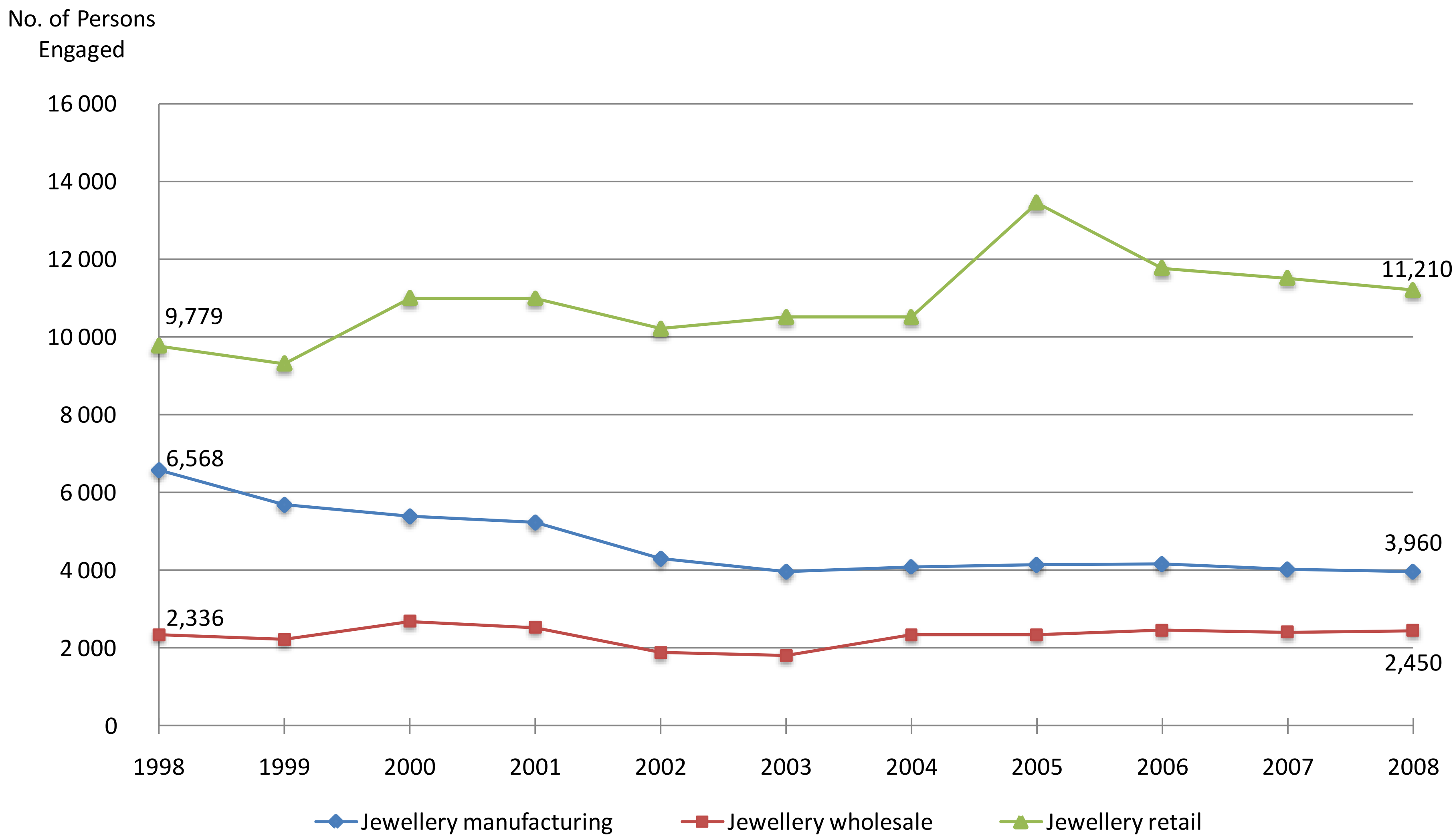
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Persons Engaged in the Wholesale and Retail of Antiques and Works of Art and Craft in Hong Kong, 1998-2008



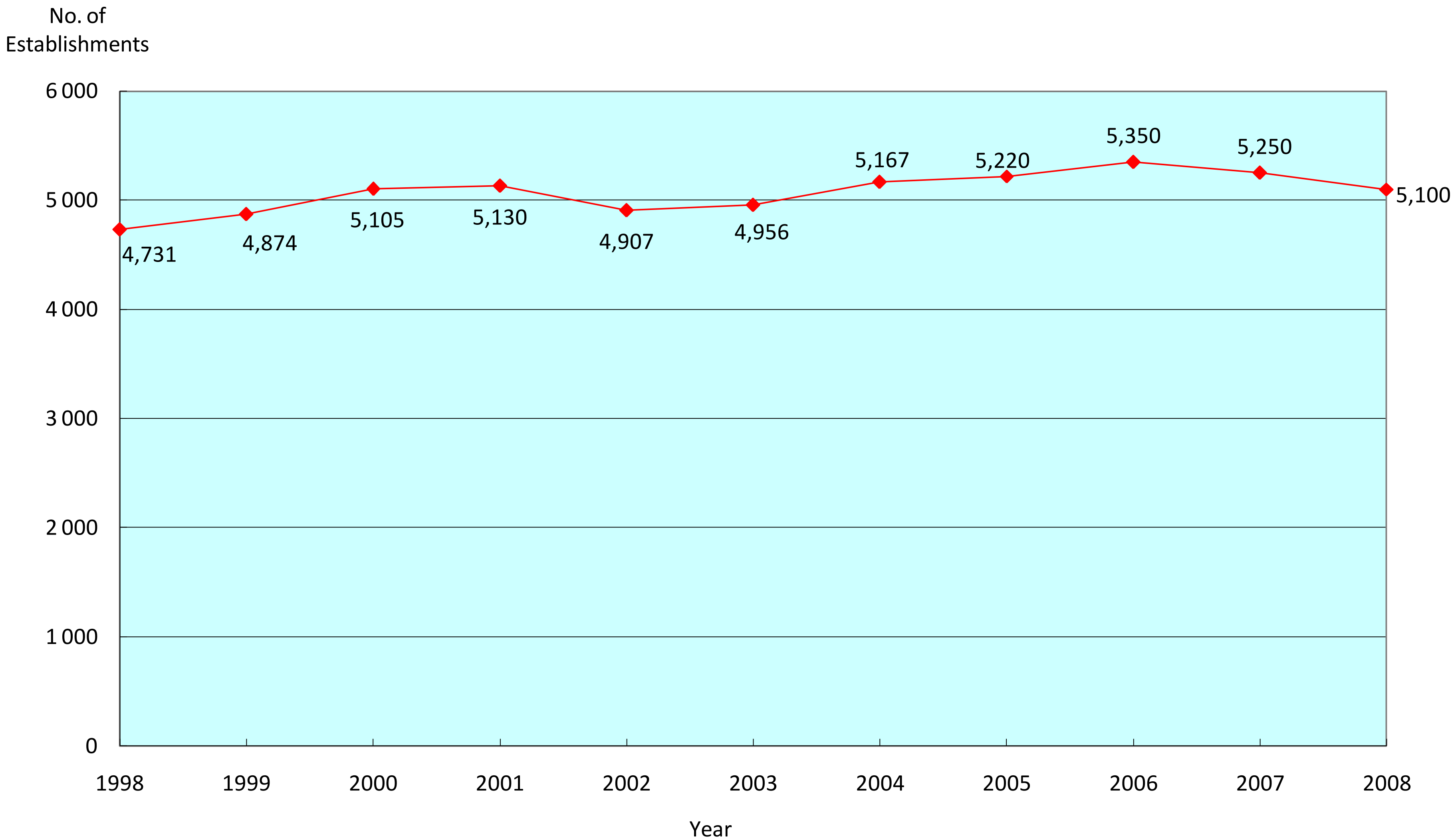
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Jewellery Industry: Manufacturing, Wholesale and Retail, 1998-2008



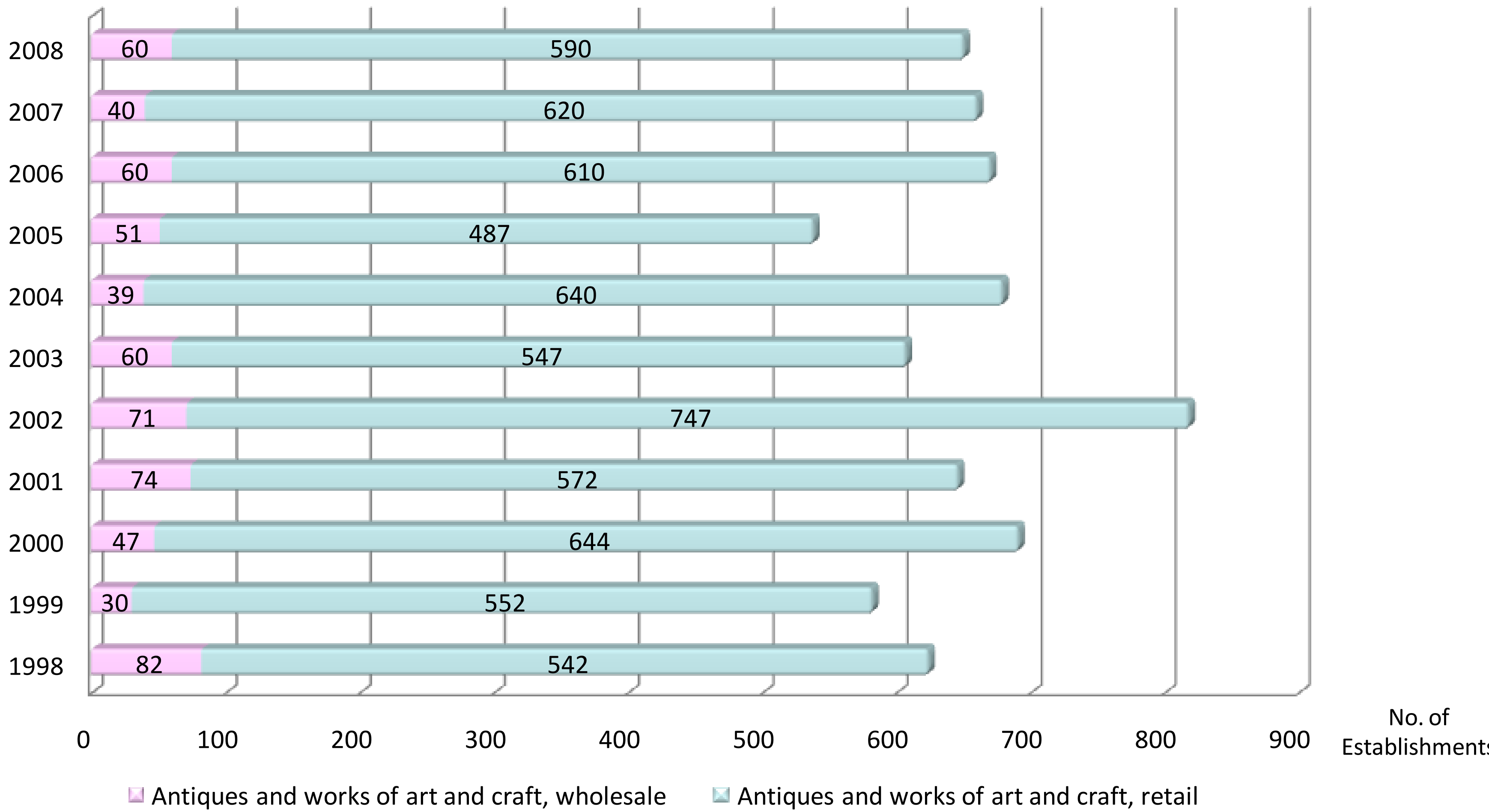
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Art, Antiques and Crafts Industry, 1998-2008



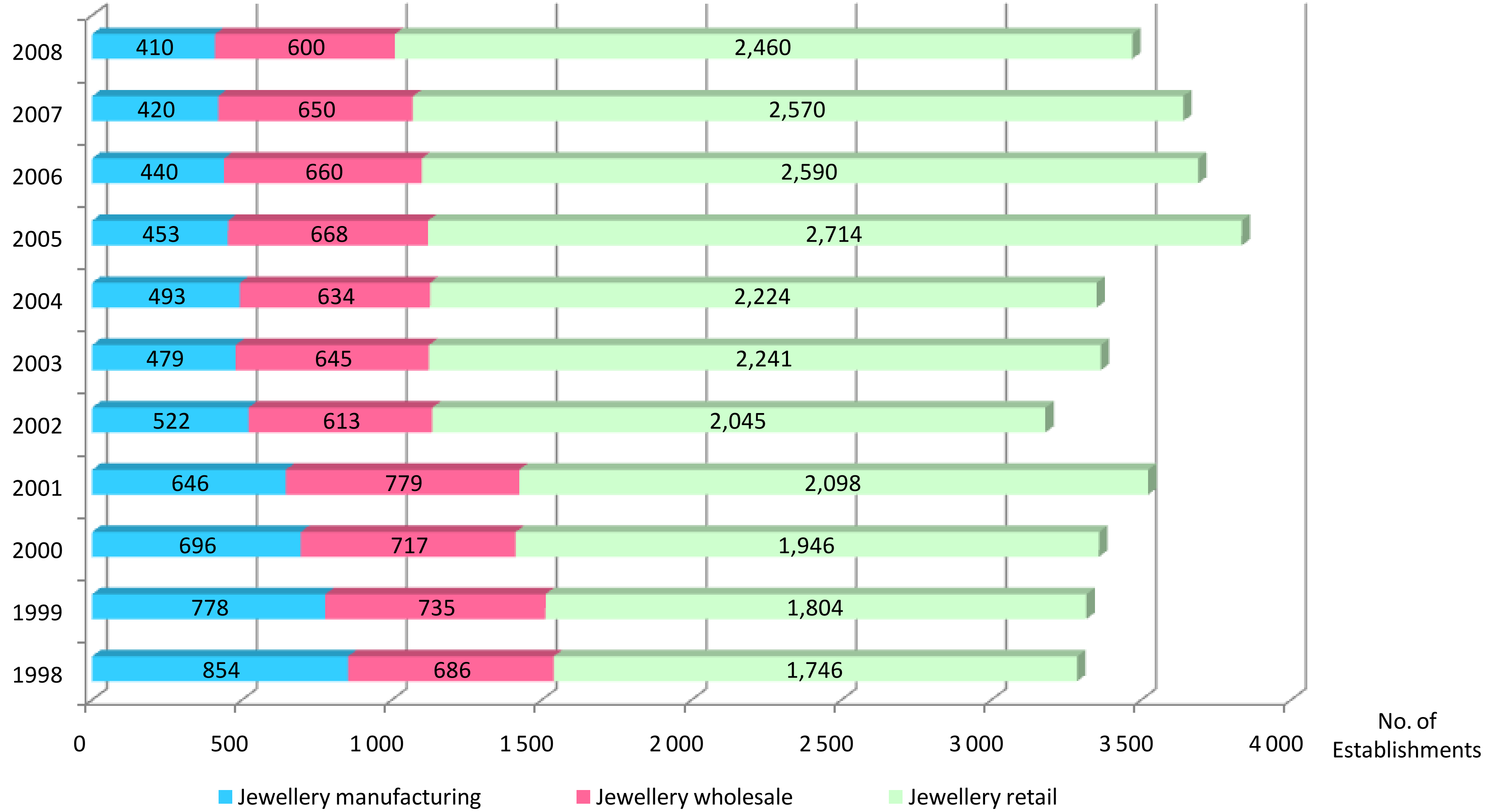
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in the Wholesale and Retail of Antiques and Works of Art and Craft in Hong Kong, 1998-2008



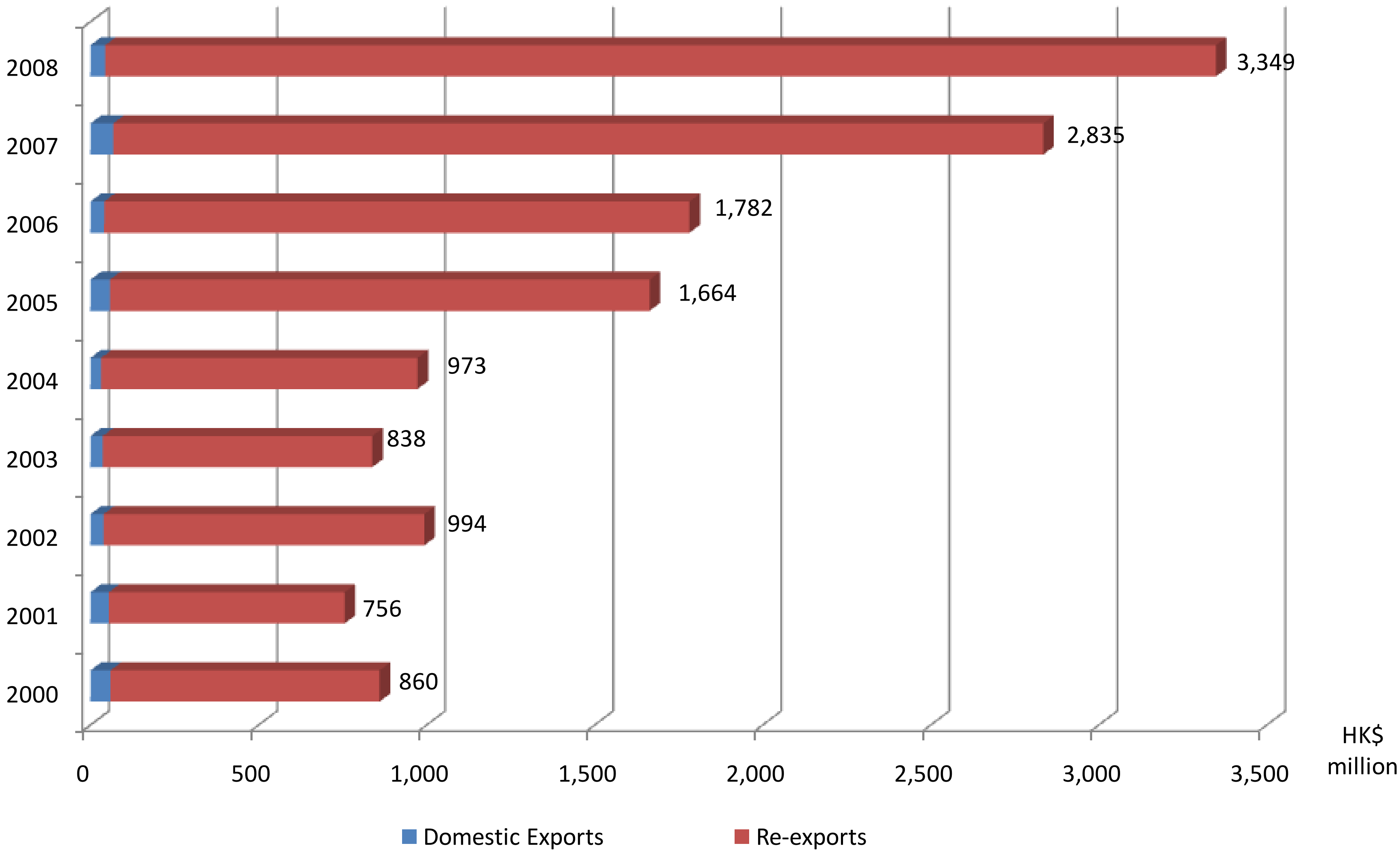
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Jewellery Industry: Manufacturing, Wholesale and Retail, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Hong Kong’s External Trade of Works of Arts, Collectors' Pieces and Antiques, 2000-2008



Source: Hong Kong Trade Statistics, Census and Statistics Department.

Hong Kong's Total Exports of Articles of Precious Jewellery of Metal, Pearls and Stones, 2007 and 2008

	2007 (HK$ million)	2008 (HK$ million)	2008 share (%)	YOY change (%)
USA	15,056	13,887	37.5	-7.8
UK	2,602	2,538	6.8	-2.5
Germany	1,212	1,321	3.6	+9.1
France	1,537	1,954	5.3	+27.1
Japan	1,395	1,368	3.7	-1.9
Switzerland	1,742	2,775	7.5	+59.3
Taiwan	662	647	1.7	-2.3
Singapore	932	1,173	3.2	+25.8
Others	8,692	11,410	30.8	+31.3
Total	**33,831**	**37,073**	**100%**	**+9.6%**

Source: Hong Kong Trade Statistics, Census and Statistics Department.

Current Situation and Key Issues: Art and Crafts (1)

- scattered players and diversified distribution channels, difficult to measure exact size of industry
- tiny domestic market, cannot support artists' survival
  - most artists only work on a part-time or freelance basis
- artworks can be purchased directly from artists, commissioned, or sold in galleries or the two major multinational auction houses, i.e. Sotheby's and Christie's

Current Situation and Key Issues: Art and Crafts (2)

- Hong Kong is ideal as an art trading platform or "Asian Art Centre" due to its geographical location and zero tariffs
  - auction houses from Asian countries like Korea and Singapore have set up offices in Hong Kong and consider Hong Kong as a gateway to the huge China market
- increasing demand for Chinese artworks from global collectors
- opportunity for Hong Kong with its quality image to develop into a regional arts/antiques auction centre
- local artists have limited presence in art fairs and exhibitions; many local galleries feature works of Chinese artists rather than local artists

Current Situation and Key Issues: Art and Crafts (3)

- lack of fine art training institutes
- lack of rich art and cultural atmosphere
- Hong Kong lags behind the Mainland and Taiwan in terms of crafts
  - lack of art stalls and flea markets
  - difficult for Hong Kong to compete with the Mainland's low costs and craftsmanship
  - established consumer culture – most people like buying branded and massively produced products; craftsmanship and uniqueness not valued

Current Situation and Key Issues: Art and Crafts (4)

- WKCD will hopefully create more opportunities for artists as developers become increasingly aware of the importance of cultural image
- infrastructures like JCCAC only provide space but no ongoing support for artists
- designating a district/area for artists can create synergies and clustering effects

Current Situation and Key Issues: Jewellery (1)

- Hong Kong is the world's 4th largest exporter of fine jewellery after Italy, the US and India
- high value-added industry with high entry threshold
- Hong Kong manufacturers are good at producing small stones jewellery with elements of contemporary fashion
- computer-aided design and manufacturing (CAD/CAM) systems, as well as computer numerically controlled (CNC) machine tools have enhanced traditional design and manufacturing processes

Current Situation and Key Issues: Jewellery (2)

- Asian jewellery manufacturers traditionally relied heavily on exports to the US and Europe (esp. the UK); these are however decreasing in importance and exports to emerging markets like the Mainland, India, the Middle East and Eastern Europe have seen rapid growth in recent years
- manufacturing processes have mainly shifted to the Mainland, though high value-added processes (i.e. design and marketing) are still retained in Hong Kong

Current Situation and Key Issues: Jewellery (3)

- Mainland consumers are still willing to pay a premium for Hong Kong brands
- CEPA – the Mainland has given all products of Hong Kong origin, including jewellery, tariff-free treatment starting from 1 January 2006
- increasing competition from other countries, i.e. Thailand and India, which have lower labour costs and advantages in acquiring raw materials
- lack of formal training (both design and management)

Current Situation and Key Issues: Jewellery (4)

- limited knowledge in production and exports (most people's knowledge of jewellery is at the retail level)
- global financial tsunami have huge impact, esp. for precious jewellery; some manufacturers expect the middle class to downgrade to lower-end products
- challenge of switching from OEM (Original Equipment Manufacturing) to ODM (Original Design Manufacturing) or OBM (Original Brand Manufacturing)

Section 11.4

Design

Description

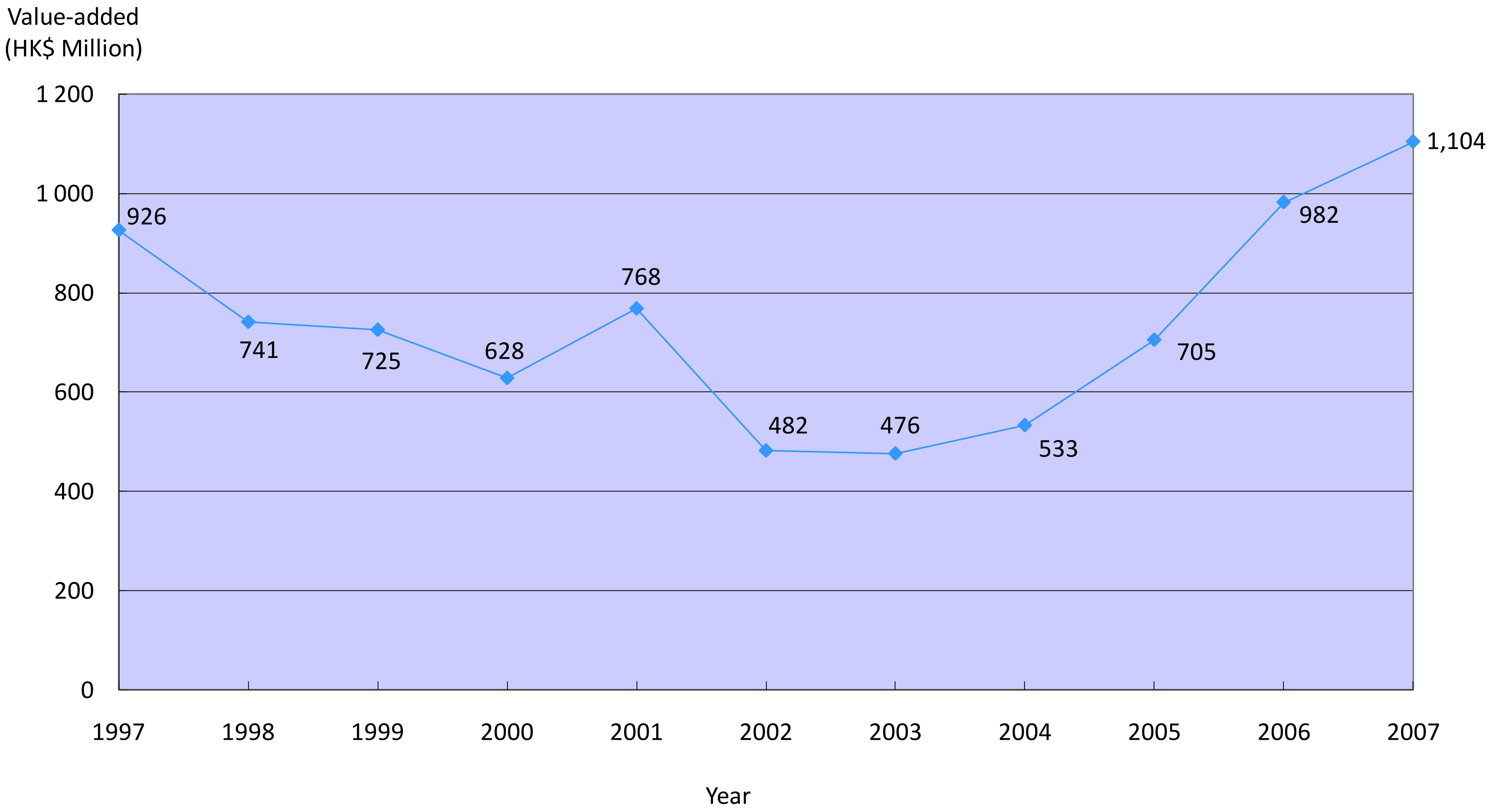
The activities of the **design** industry are defined as fashion design, graphic design, interior design and product design.

Key Statistics

- gross value-added of $1.1 billion in 2007
- total employment of 8,140 in 2008 (note: a large number of designers are working as employees for firms in non-design sectors and this is not reflected by current statistics)
- 2,430 firms in 2008

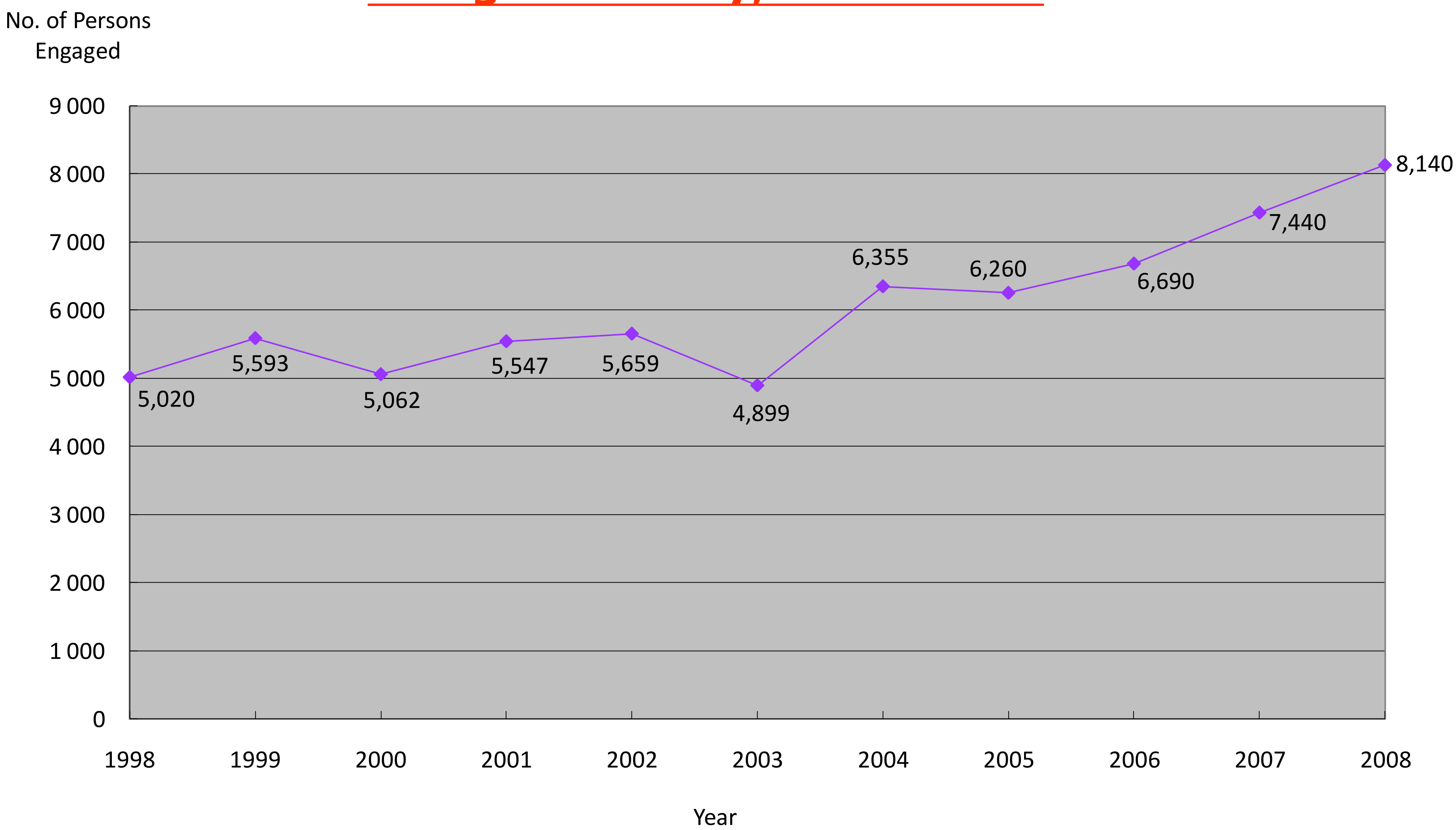
Source: Census and Statistics Department.

Value-Added of Hong Kong's Design Industry, 1997-2007



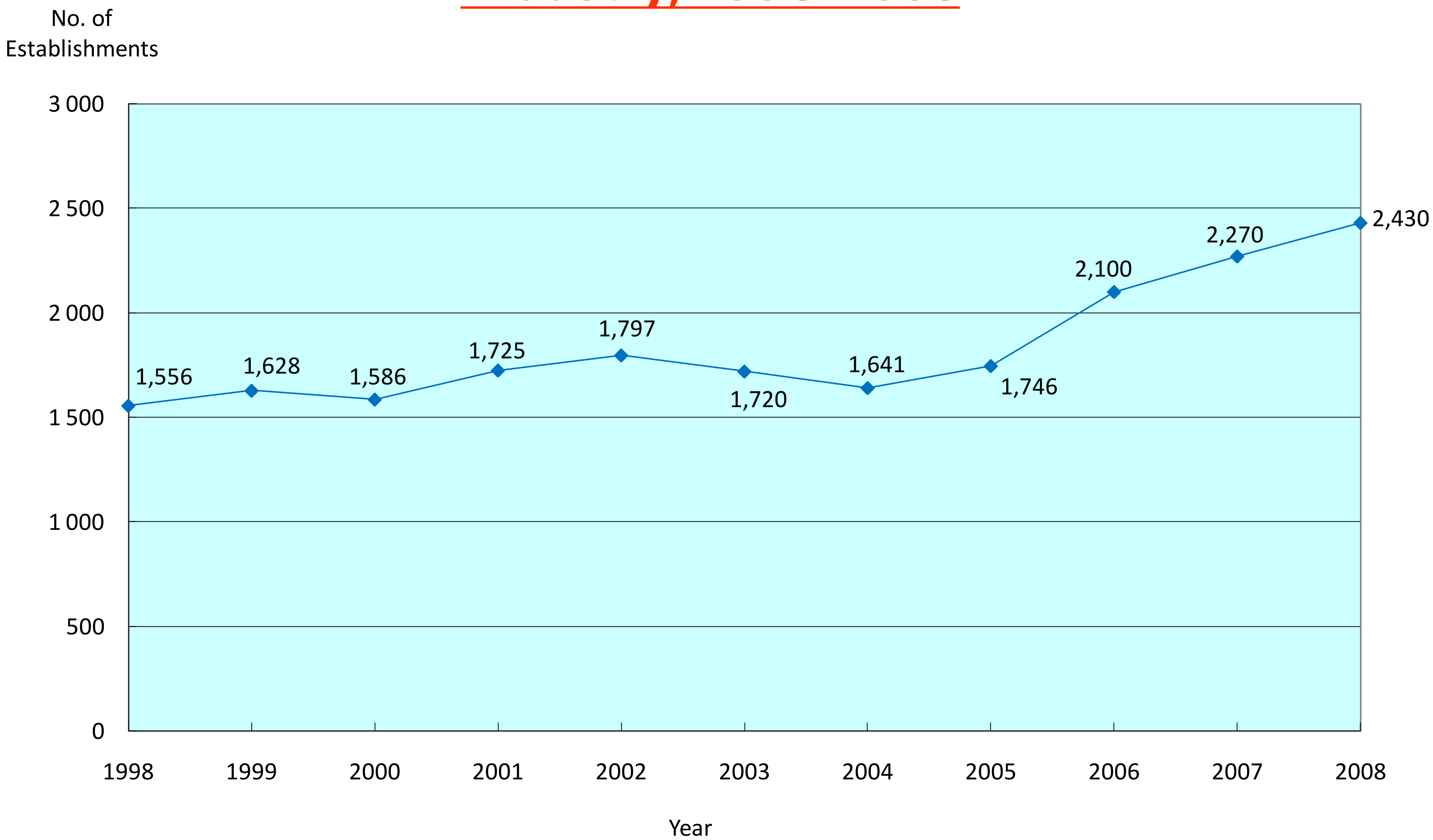
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Design Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Design Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Current Situation and Key Issues (1)

- high on the agenda of many countries as key in driving the innovation process and competitiveness
- important for all stages of businesses from product or service conceptualisation and development through to manufacture, marketing and the design of user experience
- conventional categories of design becoming blurred with increased emphasis on integrated approach to provide total design solutions
- many countries have also moved to highlight service design, including design for public service delivery

Current Situation and Key Issues (2)

- relatively well-organised sector with established professional associations such as the Hong Kong Designers Association (HKDA), the Hong Kong Interior Design Association (HKIDA), the Hong Kong Fashion Designers Association (HKFDA) and the Chartered Society of Designers (Hong Kong Chapter)
- Hong Kong at the cross-roads of Asia and as a regional window to world style and trends, has a well-established design community with experienced and professional talent with international exposure and outlook
- industry increasingly export-oriented

Current Situation and Key Issues (3)

- increasing demand from Mainland companies for Hong Kong firms to help them re-design their brands in order to go global
- challenge for local industries to advance from OEM to ODM and/or OBM
- the Government has devoted a significant amount of resources to promote and develop the industry, including the establishment of the Hong Kong Design Council, DesignSmart Initiative, Innocentre,etc.

Current Situation and Key Issues (4)

- small local market, lack of understanding on importance of long-term brand building and lack of space showcasing local designers' work as well as the lack of intermediaries between some designers (e.g. fashion designers) and potential clients are limiting development
- consensus among industry players that developing Hong Kong brands is crucial for the sector's development
- they also think that Hong Kong has potential to become Asia's design/fashion design hub

Section 11.5

Digital Entertainment

Description

The activities of the **digital entertainment** industry are defined as the publishing, research and development of games, production of animation, 2D/3D graphic production, multi-media production and electronic game centres.

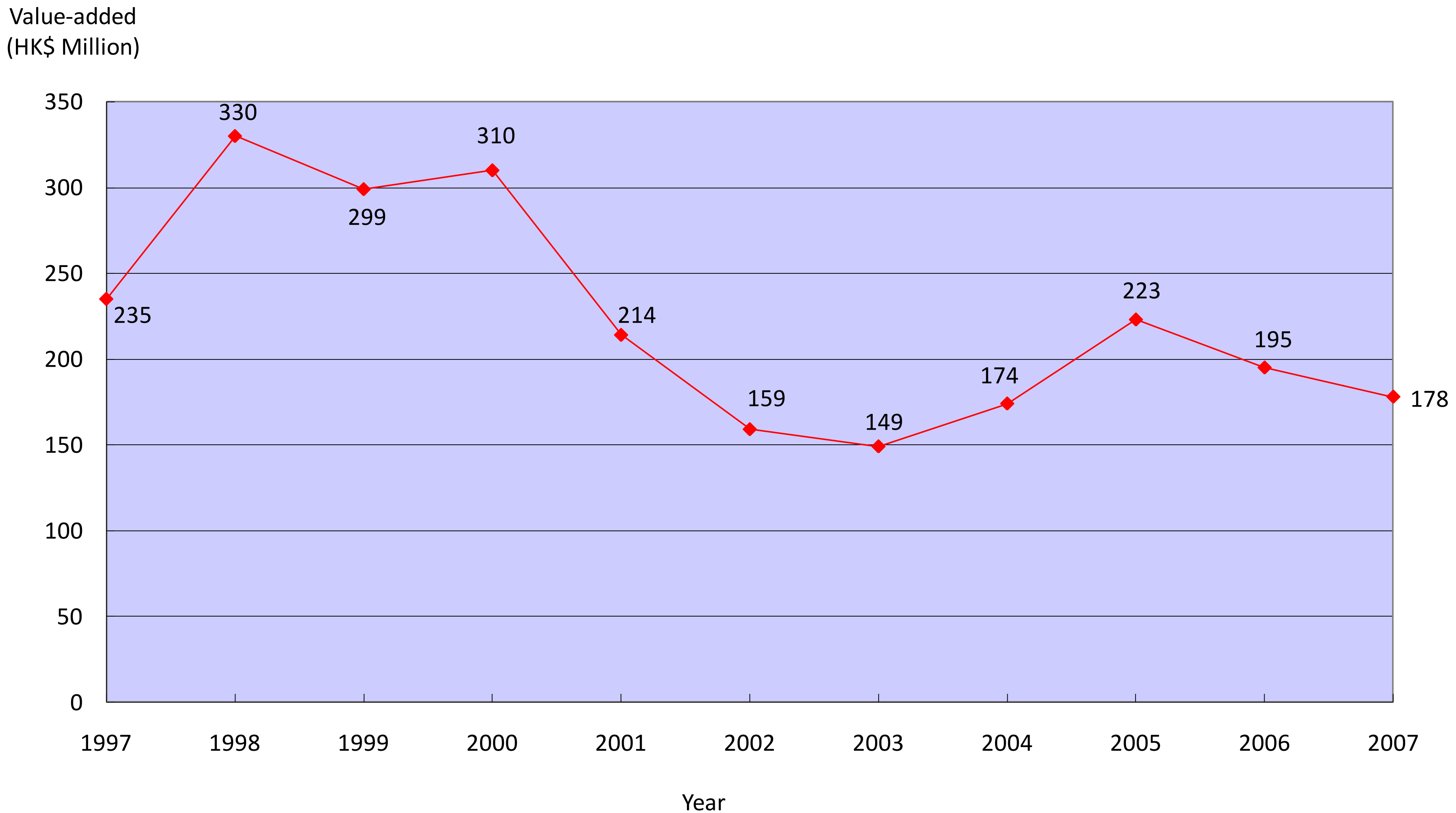
Key Statistics

- gross value-added of $178 million in 2007*
- total employment of 8,040 in 2008*
- 470 firms in 2008*
- breakdown of DE firms in 2006:**
  - 45% entertainment software/gaming
  - 30% computer animation & comics
  - 25% digital effects

* Census and Statistics Department.

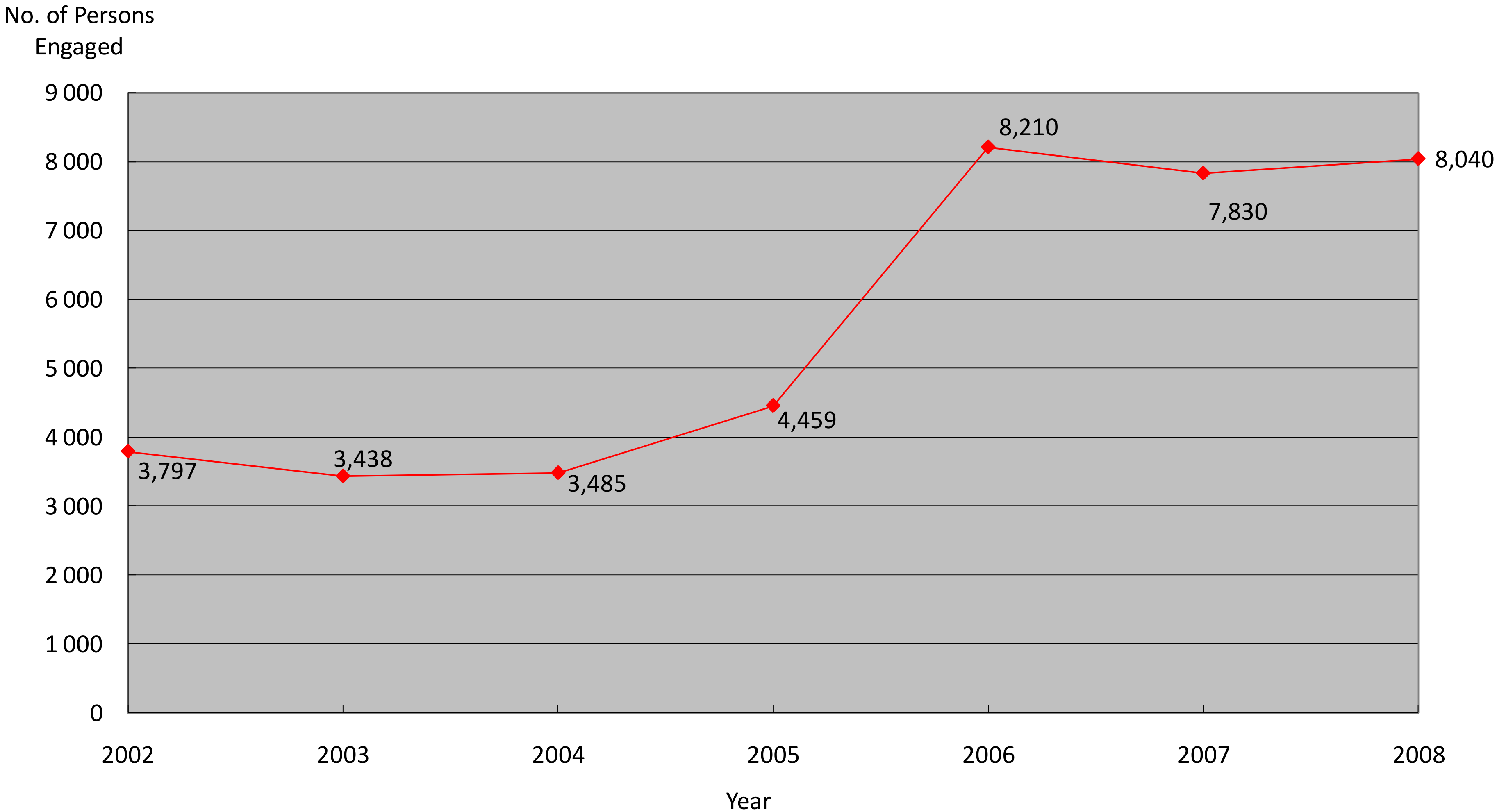
** Hong Kong Productivity Council "Hong Kong Digital Entertainment Survey 2006/07".

Value-Added of Hong Kong's Digital Entertainment Industry, 1997-2007



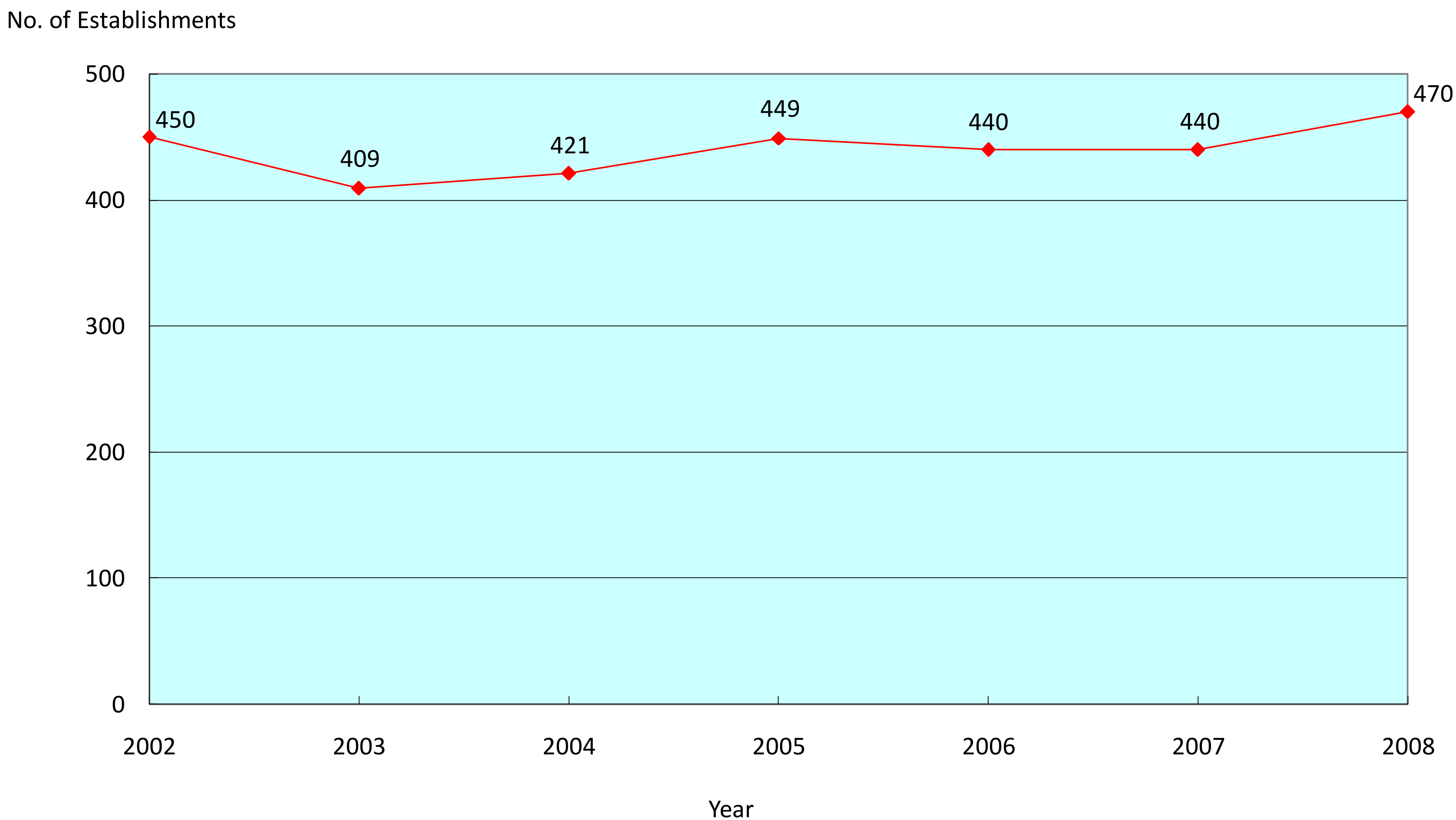
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Digital Entertainment Industry, 2002-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Digital Entertainment Industry, 2002-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Current Situation and Key Issues (1)

- value chain: comics→ animation → games → related products
- large number of small players, mostly SMEs
- good intellectual property rights protection and information and communication technology (ICT) infrastructure
- good general and technical skills and diversity in content
- small local market
- difficult to train and retain good talent
- high technological and labour costs

Current Situation and Key Issues (2)

- with huge initial/sunk costs (but small marginal costs), difficulties in obtaining financing
- lack of R&D and resources for technological advancement
- few successful locally produced animations over the years, e.g. McMug/McDull, with huge investment and high risks
- comics used to be one of the most popular forms of entertainment for teenagers, but declined (for over 50% compared with peak) with Internet, online games and other new entertainment/information platforms

Current Situation and Key Issues (3)

- current comics market about $700 million to $800 million annually
- rapid growth in the online games market in the last 10 years worldwide; Hong Kong market about $500 million per annum, but could grow to over $1 billion within three years
  - well-established business model and charging scheme
    - games are usually free, but users have to pay for weapons or accessories
- the Government has initiatives for supporting digital entertainment start-ups such as the incubation scheme at Cyberport

Current Situation and Key Issues (4)

- many production bases have been moved to the Mainland, resulting in scattered manpower and resources
- CEPA has facilitated Hong Kong companies in entering the digital entertainment markets in the Mainland; however, there are still many obstacles, e.g. complicated vetting procedures, restrictions in content
- significant growth dependent on success in opening up external markets, in particular the Mainland market

Section 11.6

Film and Video

Description

The activities of the **film and video** industry are defined as film production, distribution and exhibition.

Key Statistics

- gross value-added of $2.2 billion in 2007*
- total employment of 11,690 in 2008*
- 2,990 firms in 2008*
- 60 locally produced films released in 2007**
- about $350 million of exports of films in the form of videotapes, DVDs and other compact discs in 2007**

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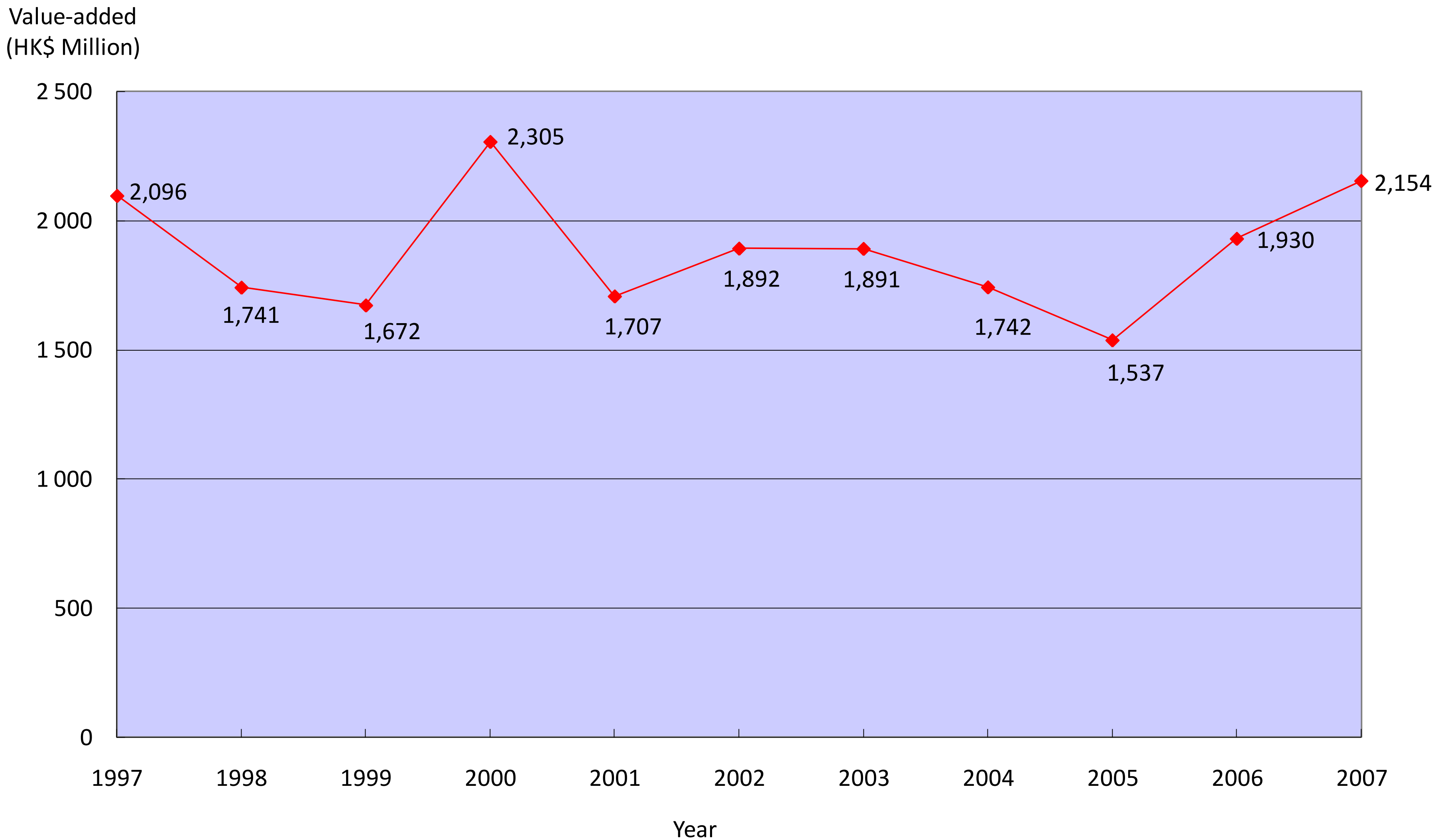
* Census and Statistics Department.

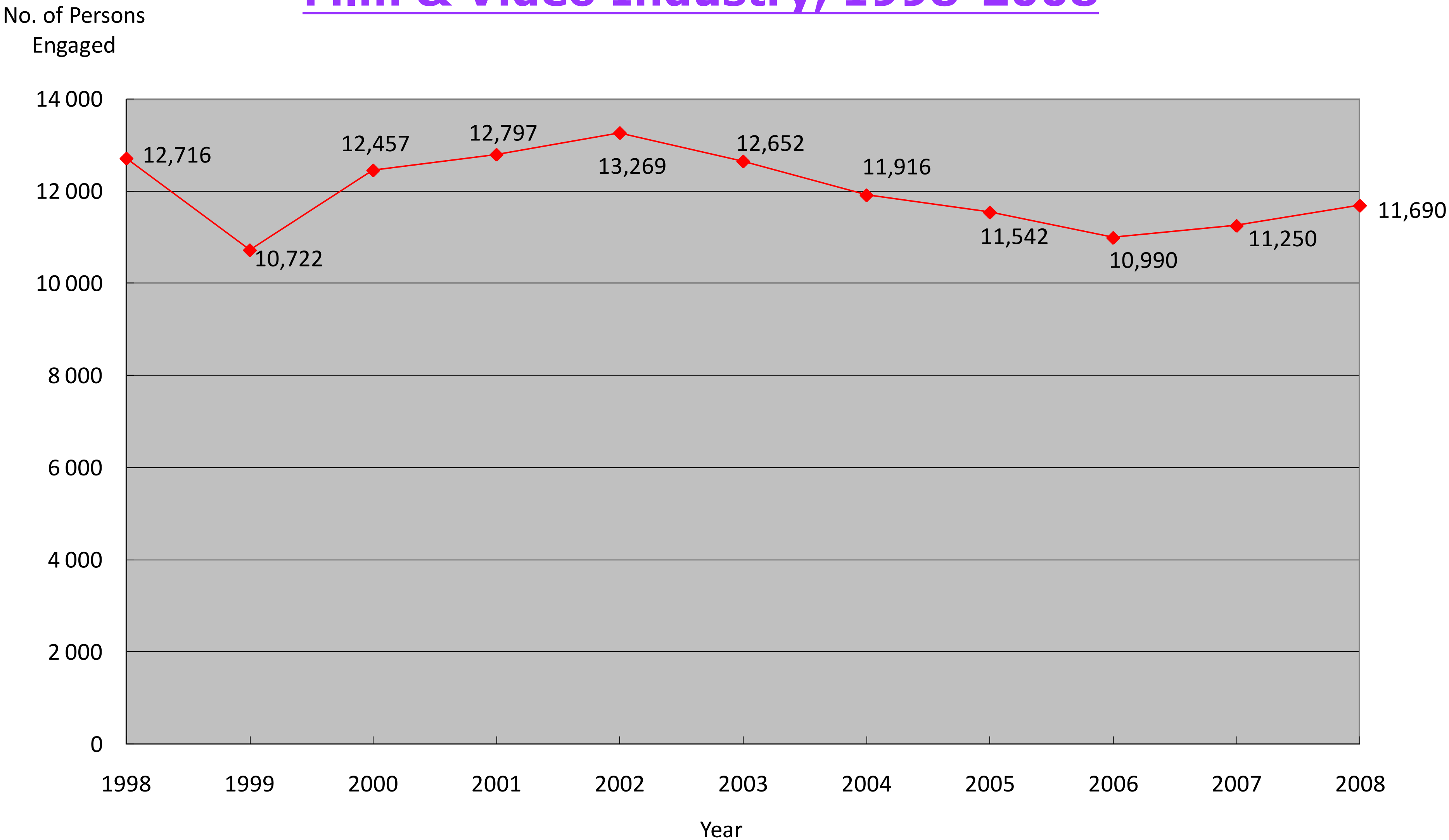
** "Guide to Filming, (2009/10 Edition)", Film Services Office, 27 March 2009, http://www.fso-tela.gov.hk/gui/ guide_to_filming_02_01.cfm.

Value-Added of Hong Kong's Film & Video Industry, 1997-2007



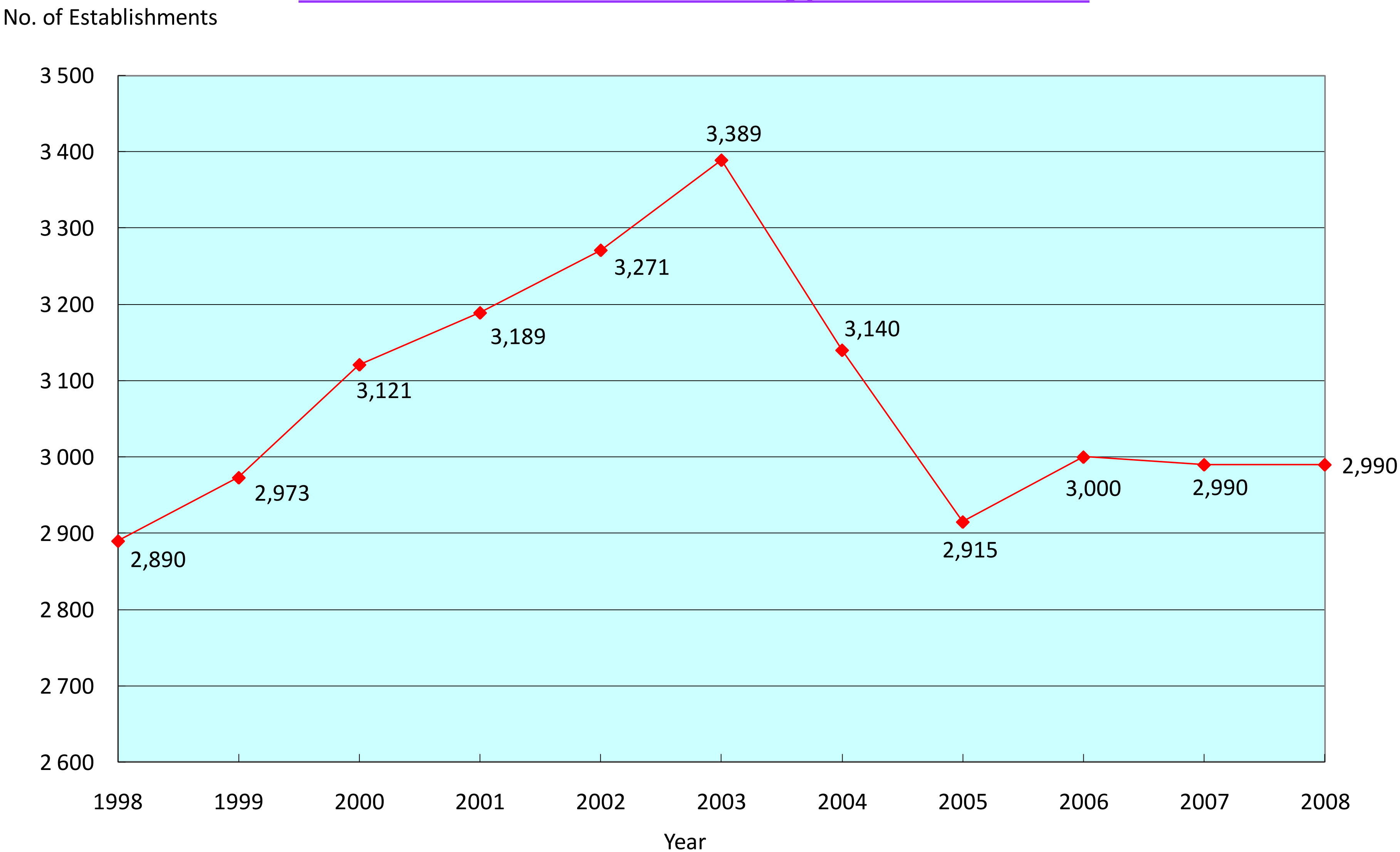
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Film & Video Industry, 1998-2008



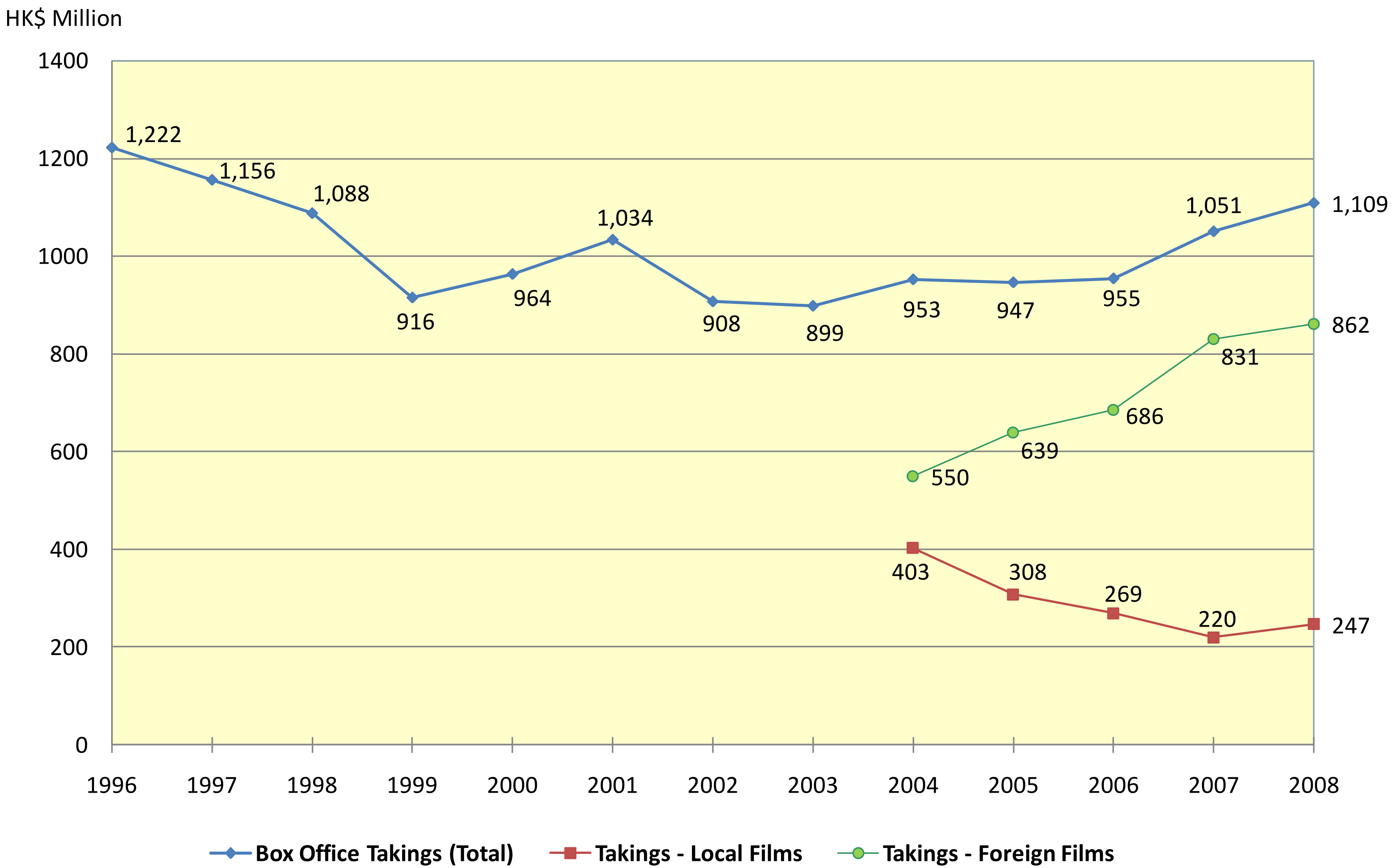
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Film & Video Industry, 1998-2008



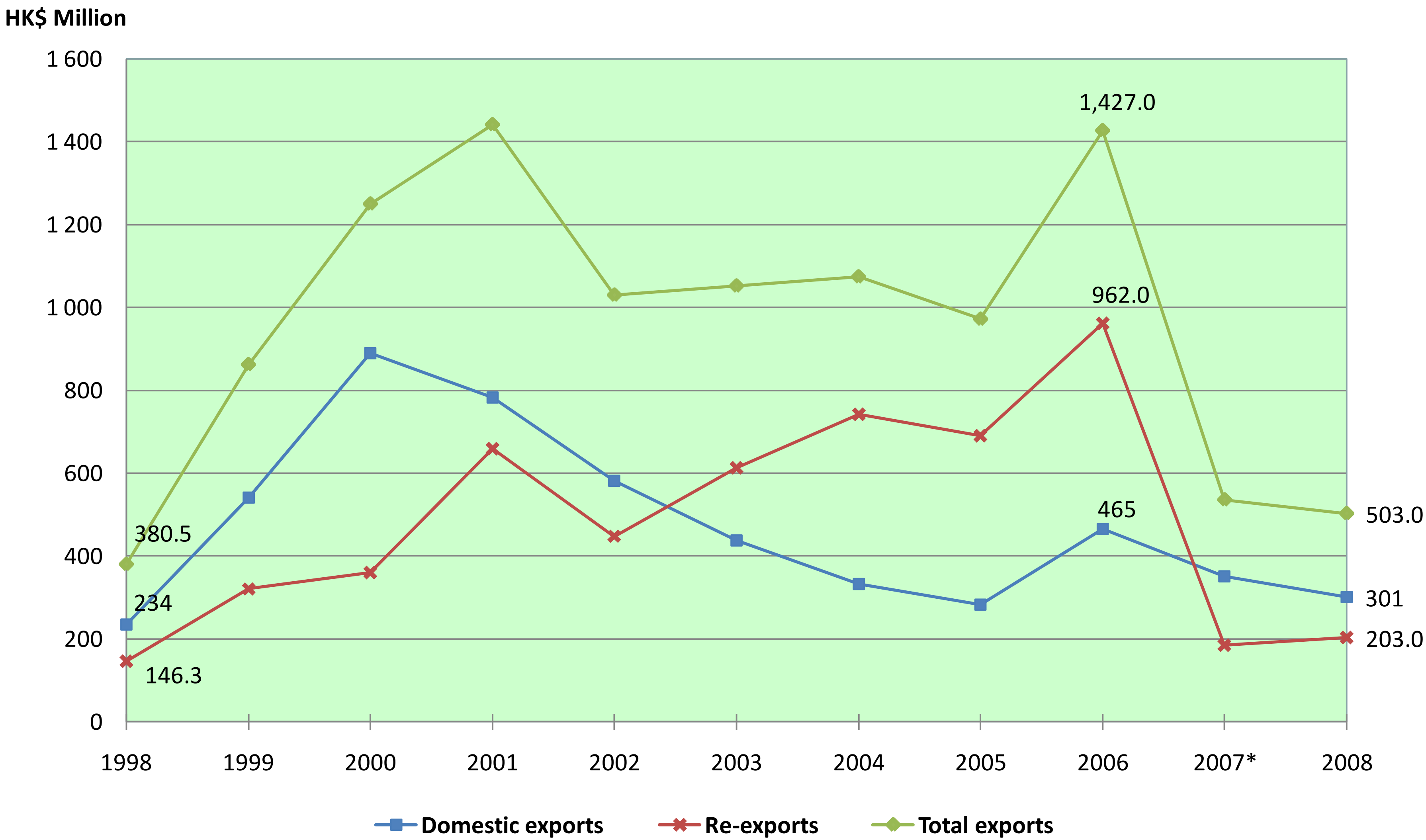
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Box Office Takings in Hong Kong, 1996-2008



Source: Statistical Digest of the Services Sector, Census and Statistics Department.

Export Value of Video Copies, 1998-2008



*Note: As from January 2007, the coverage of video discs and other recorded magnetic tapes has been revised. Trade figures since 2007 are not strictly comparable with figures in previous years.

Source: Statistical Digest of the Services Sector, Census and Statistics Department.

Current Situation and Key Issues (1)

- sophisticated market with long established history
  - Hong Kong is renowned as one of the major film producing centres in Asia, with a peak of 242 films produced in 1993, but number declining rapidly thereafter
- abundance of experienced talent with international exposure
- established international prestige
- independent filmmakers on the rise
- relatively effective anti-piracy measures

Current Situation and Key Issues (2)

- small local market, difficult for small-scale productions to succeed
- film financing now increasingly institutionalised internationally and Hong Kong could be a financing centre for Chinese films
- opening up of huge Mainland market – the future for the industry
- rising status of China also attracts increased interest in Chinese culture
- CEPA – advantages for entering the Mainland market which is seeing an increase of 1.65 screens a day

Current Situation and Key Issues (3)

- Hong Kong films still need to be distributed by Mainland distributors
- limit to the number of foreign titles that can be shown on Mainland screens
- sharing of resources with the Mainland and co-productions with Mainland filmmakers and actors/actresses will continue to be the trend, which also help to share investment risks
- focus is now on co-produced Chinese films instead of Hong Kong films, with production largely in the Mainland

Current Situation and Key Issues (4)

- hitherto no formal film school (Hong Kong Baptist University announced the establishment of a Film Faculty in 2009)
- Film Development Fund and Film Development Council provide marketing and other support as well as assistance for small-budget productions
- increasing competition from other countries, i.e. film industry is getting mature in Korea, Singapore and Taiwan
  - Taiwan may have CEPA eventually, and it has an advantage in language over Hong Kong (Mandarin)

Current Situation and Key Issues (5)

- digitisation of movie screens and development of a "**digital entertainment content delivery platform**" can greatly reduce production costs and create post-production opportunities; cinemas can be used for alternative purposes, e.g. conferences, concerts
- possible collaborations within the PRD region (huge population and market) for Cantonese culture-based movies
- cross-sector collaboration and migration of workers amongst the film, music and television sectors

Section 11.7

Music

Description

The activities of the **music** industry are defined as the production, distribution and retailing of sound recordings, administration of copyright in composition and recordings, live performances (non-classical), management, representation and promotion, song-writing and composition.

Key Statistics

- value-added figures not available from official statistics
- employment and establishments data subsumed under the “Performing Arts” sector

Hong Kong Record Market: Packages Sold and Retail Value

	1996		2000		2005		2007		2008	
	Pkg* (‘000s)	HK$ Million	Pkg* (‘000s)	HK$ Million	Pkg* (‘000s)	HK$ Million	Pkg* (‘000s)	HK$ Million	Pkg* (‘000s)	HK$ Million
Audio										
International	996	762	4,127	406	3,865	353	2,694	251	2,170	211
Chinese Repertoire	8,547	898	4,159	372	2,800	222	2,623	239	2,283	222
Japanese/Korean	325	34	781	74	207	20	364	35	279	28
Audio sub-total	9,868	1,694	9,067	851	6,405	593	5,481	524	4,532	460
Video	996	203	1,000	93	963	92	530	64	738	91
Total Retail	10,863	1,897	10,066	944	7,368	687	6,010	588	5,270	551
Digital Receipts		0		0		13		40		58
Total Market Revenue	**10,863**	**1,897**	**10,066**	**944**	**7,368**	**700**	**6,010**	**629**	**5,270**	**609**

* pkg = package. As a unit of sales, a package may contain multiple units, e.g. 3CDs and a VCD.

Source: IFPI Hong Kong, June 2009.

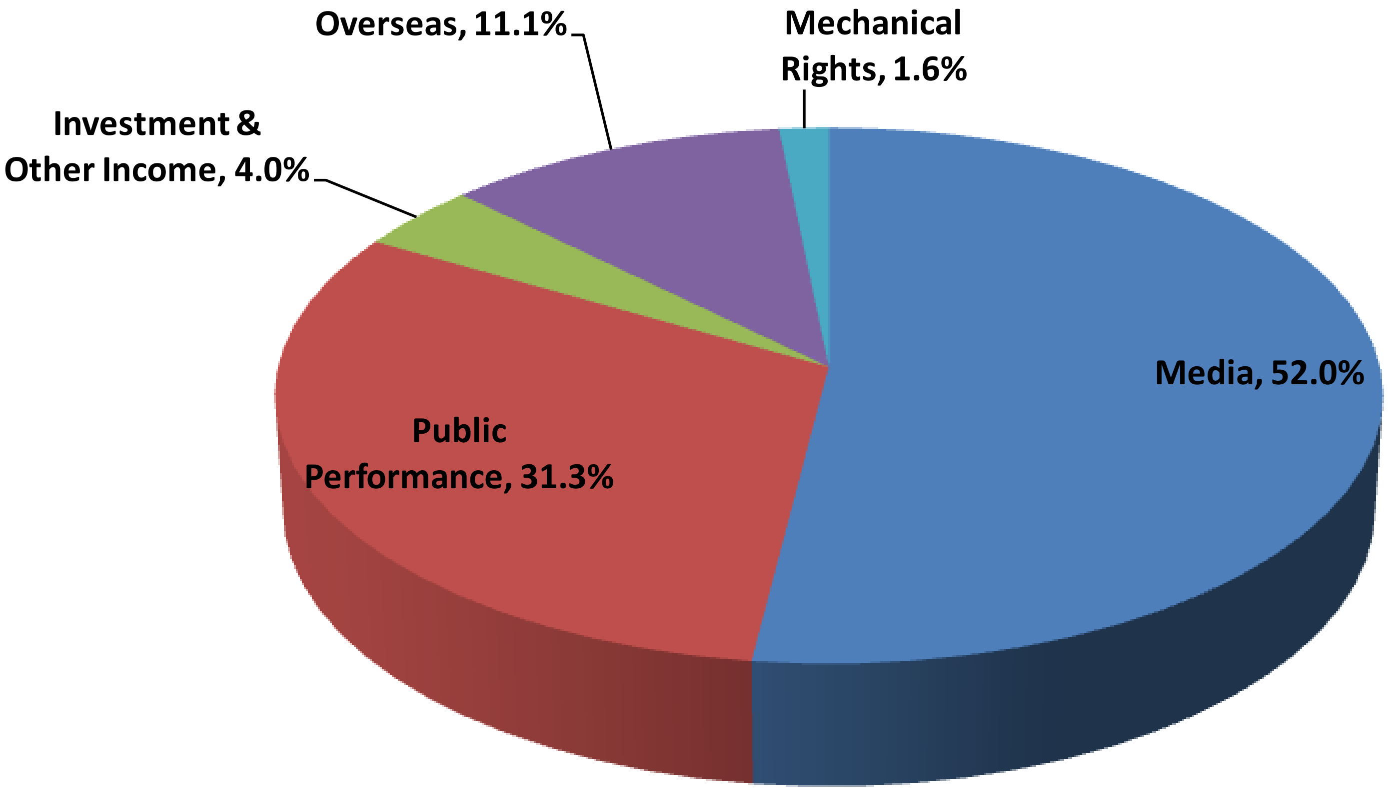
Copyright Management

CASH membership at end of 2007	2,993
Writers	2,703
Publishers	256
Successors	34

Source: Composers and Authors Society of Hong Kong “Annual Review 2007 & Highlights 2008”.

Sources of CASH Income, 2007

Gross income in 2007: HK$161 million



Source: Composers and Authors Society of Hong Kong “Annual Review 2007 & Highlights 2008”.

Current Situation and Key Issues (1)

- Hong Kong was and is still one of the freest music markets in the world
- Canto-pop has entertained all Chinese communities in the world in the last few decades and is a strong component of the music industry; there is still a big market in the Pearl River Delta region and in overseas Chinese communities
- thriving karaoke entertainment culture has helped
- established star-making business model

Current Situation and Key Issues (2)

- thriving industry had promoted artists of high regional visibility and recognition and related industries such as stage productions and television and radio
- strong exposure to Western music in the 60s and 70s with promotion by radio stations, but declining in the last decade with less music programmes in media
- youngsters in recent years generally have a narrower exposure to Western music and mainly consume Chinese and Japanese music
- downturn since 2000 almost entirely due to music piracy, first from pirate CDs and then illegal downloads via the Internet, resulting in significant decline in industry revenue

Current Situation and Key Issues (3)

- classical music sales less affected with different clientele; live music performances also less affected
- revival of the industry will only happen with new and proper online copyright legislation with effective enforcement and/or support from ISPs
- other countries have dealt with online copyright protection by introducing an effective method in ISP Liability – Safe Harbour in law that gives opportunity for the introduction of “Graduated Response” in deterring illegal file sharing by turning off the internet account of the offender after 3 strikes (in progress: EU, France, UK; introduced as law: New Zealand, Taiwan)

Section 11.8

Performing Arts

Description

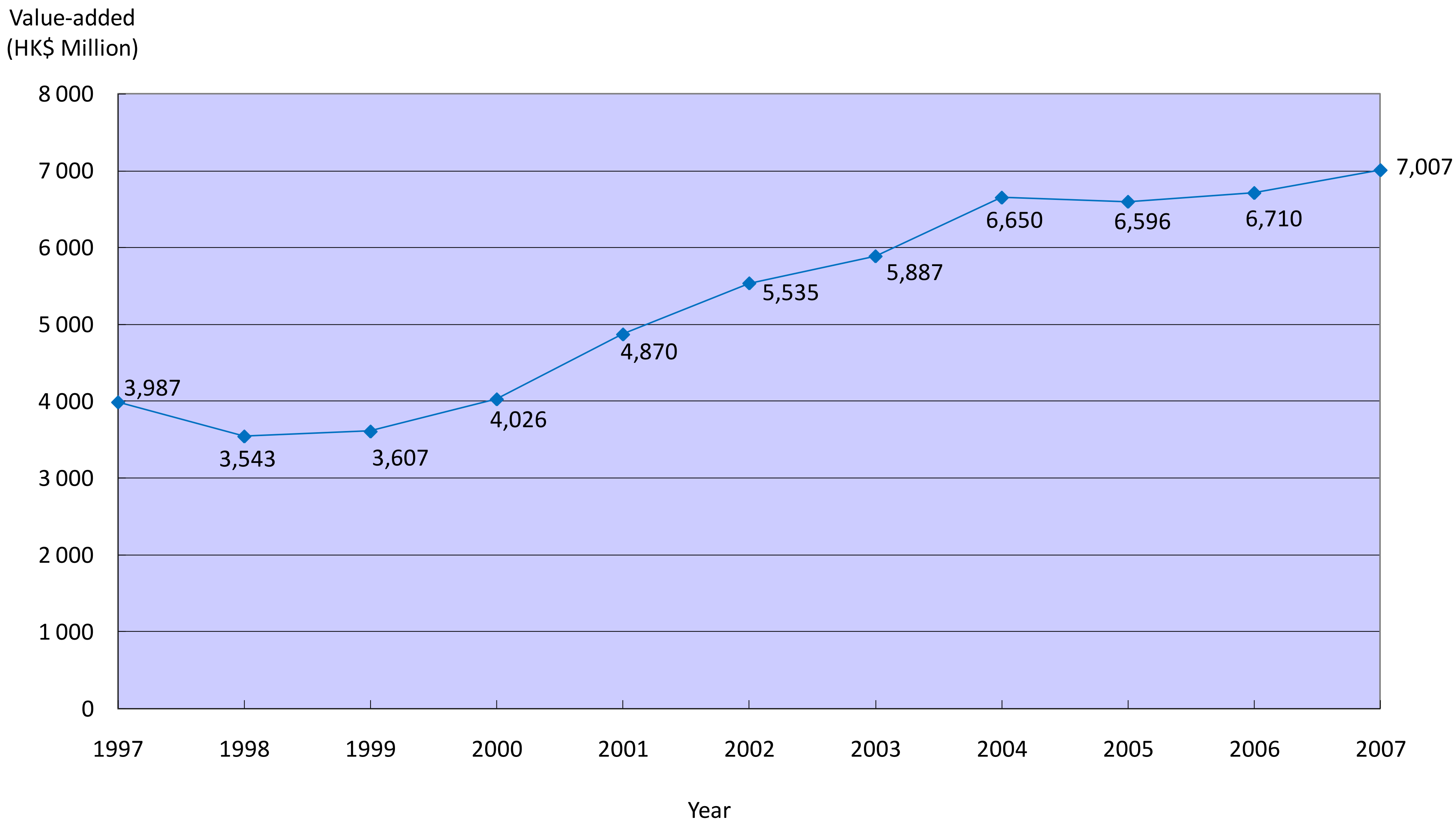
The activities of the **performing arts** industry are defined as performance production, live performance, touring, costume design and making, lighting and stage designing, sound and music composing and production.

Key Statistics

- gross value-added of $7.0 billion in 2007 (together with the "Television and Radio" sector)
- total employment of 4,380 in 2008
- 1,170 firms in 2008

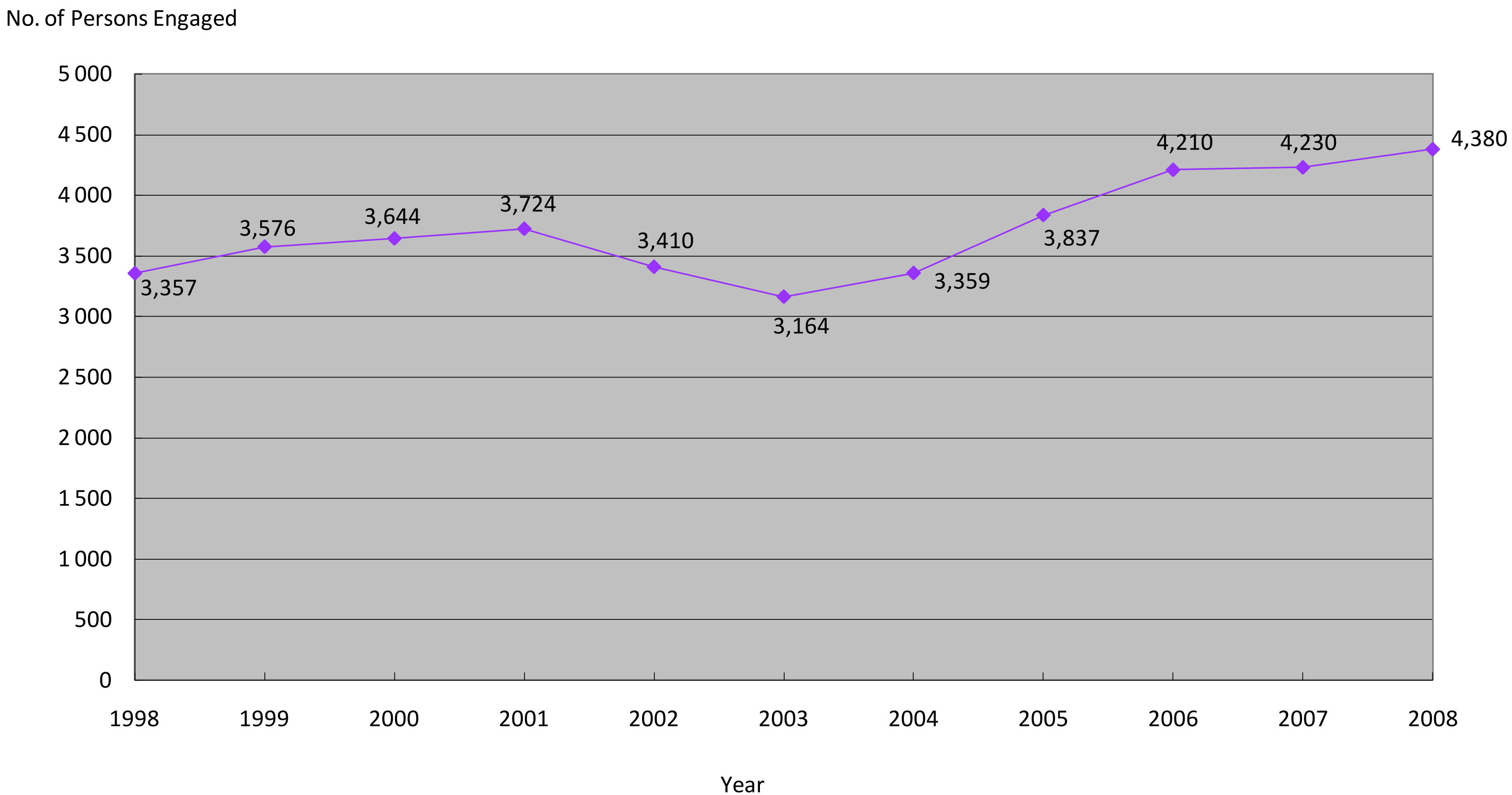
Source: Census and Statistics Department.

Value-Added of Hong Kong's Performing Arts and TV & Radio Industries, 1997-2007



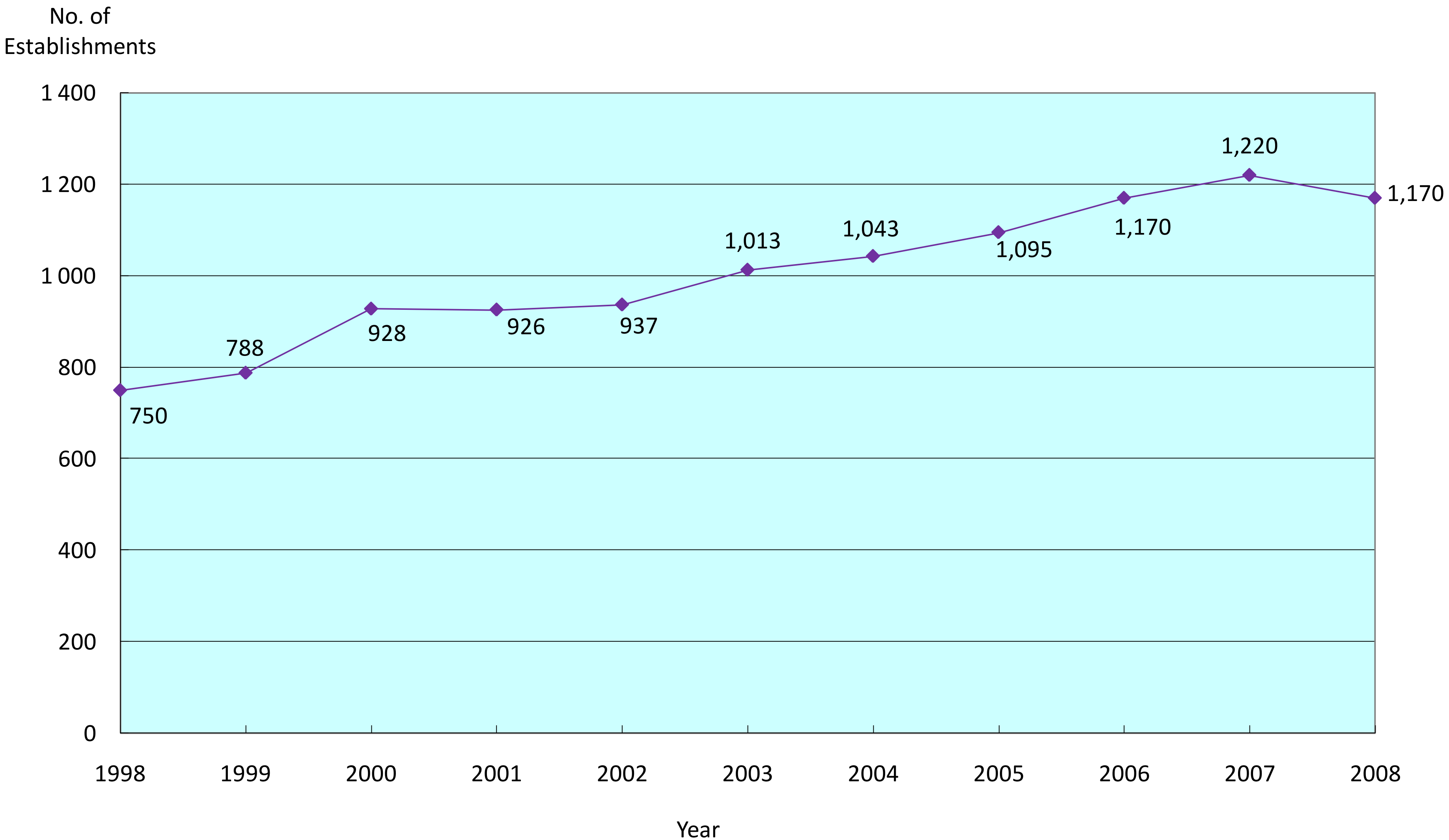
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Performing Arts Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Performing Arts Industry, 1998-2008



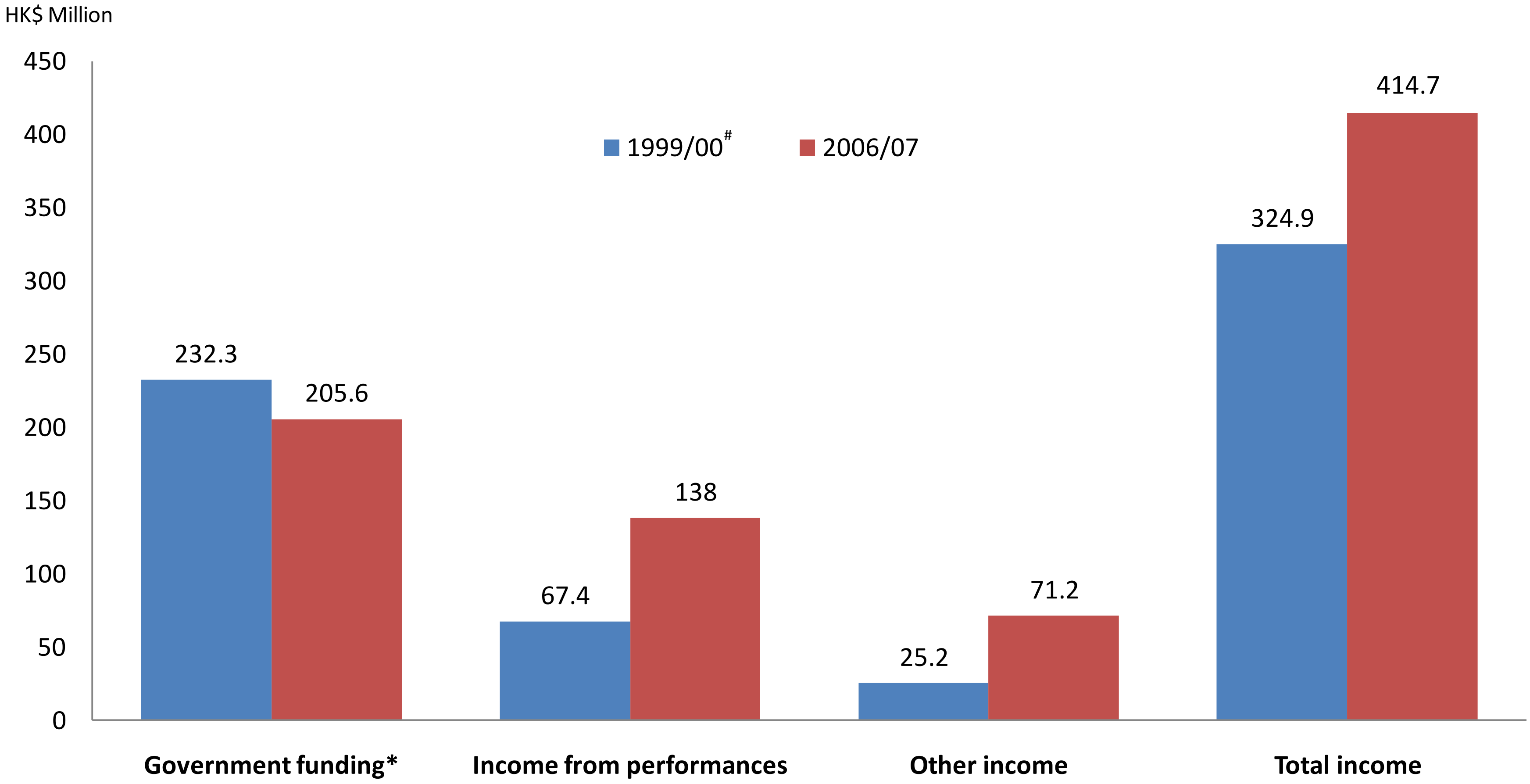
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Government Subvention to Major Performing Arts Groups, 2007-2010

	Subvention for 2007-08 (HK$ million)	Subvention for 2008-09 (HK$ million)	Subvention for 2009-10 (HK$ million)
Hong Kong Philharmonic Society	56.5	61.6	62.1
Hong Kong Chinese Orchestra	48.2	53.1	53.1
Hong Kong Sinfonietta	13.5	19.9	20.7
Hong Kong Repertory Theatre	26.6	29.7	29.9
Chung Ying Theatre Company	5.1	9.4	9.3
Zuni Icosahedron	4.8	9.0	10.5
Hong Kong Dance Company	27.3	30.7	31.4
Hong Kong Ballet	24.9	31.5	32.2
City Contemporary Dance Company	12.1	14.2	14.2
Theatre Ensemble	4.6	Nil	Nil
Total	**223.7**	**259.0**	**263.4**

Source: “Annex A”, Legislative Council Paper No. CB(2)1464/08-09(01).

Revenue Source of Major Subvented Performing Arts Groups, 1999/00 and 2006/07

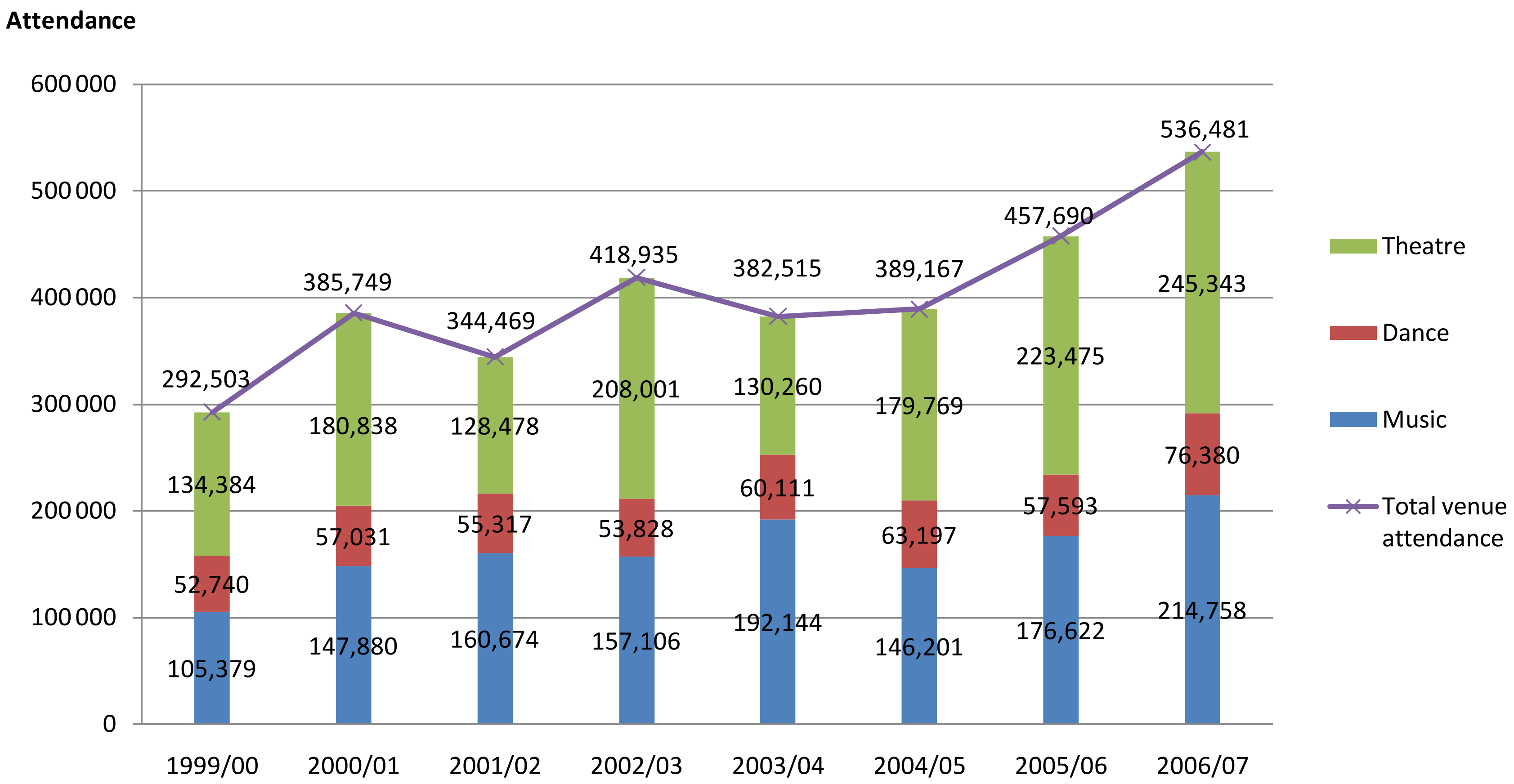


* Government funding only includes the regular amount granted annually by LCSD and ADC.

The data of 1999/00 includes estimates for the Hong Kong Repertory Theatre, Hong Kong Dance Company, Hong Kong Chinese Orchestra and Hong Kong Philharmonic Orchestra in the year.

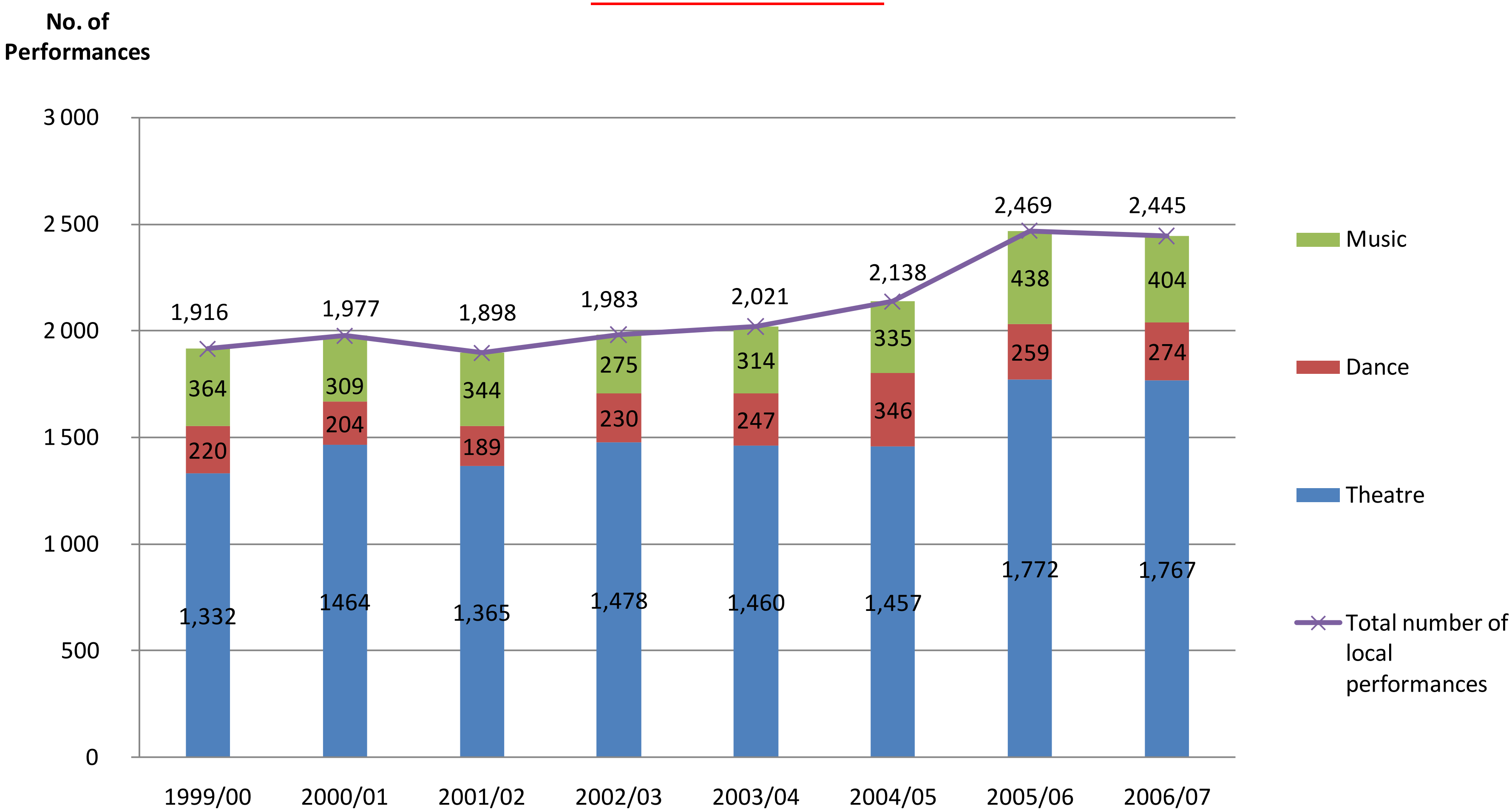
Source: *artnews*, Hong Kong Arts Development Council, May 2009 (Vol. 5), p.14.

Distribution of Venue Attendance Among Three Sectors, 1999–2007



Source: *artnews*, Hong Kong Arts Development Council, May 2009 (Vol. 5), p.10.

Distribution of Local Performances Among Three Sectors, 1999–2007



Source: *artnews*, Hong Kong Arts Development Council, May 2009 (Vol. 5), p.11.

Performance and Attendance Figures of the Theatre, Dance and Music Sectors in Taipei, 2004

	Number of Performances	% of Total Performances	Total Annual Attendance	% of Total Annual Attendance
Theatre	1,207	45%	663,000	42%
Dance	287	11%	175,000	11%
Music	1,209	45%	753,000	47%
Total	**2,703**	**100%**	**1,590,000**	**100%**

Source: *Cultural Statistics 2004*, Council for Cultural Affairs, Executive Yuen, Taiwan, as quoted in *artnews*, Hong Kong Arts Development Council, May 2009 (Vol. 5), p.12.

Performance and Attendance Figures of the Theatre, Dance and Music Sectors in Singapore, 2007

	Number of Paid Performances	% of Total Paid Performances	Total Annual Paid Attendance	% of Total Annual Paid Attendance
Theatre	1,824	58%	687,000	50%
Dance	358	11%	127,000	9%
Music	948	30%	547,000	40%
Total	**3,130**	**100%**	**1,360,000**	**100%**

(all figures are rounded off)

Source: The latest issue of *Singapore Culture Statistics* issued by the National Arts Council of Singapore, as quoted in *artnews*, Hong Kong Arts Development Council, May 2009 (Vol. 5), p.12.

Current Situation and Key Issues (1)

- cultural services are heavily Government-driven with few commercially operated professional groups; PIP Cultural Industries Ltd., Spring-time Stage Productions Ltd. and a few Cantonese *xiqu* troupes are the exceptions
- lack of, though growing, private sector support for and engagement with arts and culture
- Government support comes in the forms of direct subventions, venue support as well as programme presentation

Current Situation and Key Issues (2)

- the Government supports 9 “flagship” performing arts companies through the Committee on Performing Arts, and the Hong Kong Arts Development Council supports small to medium-sized groups as well as budding arts groups and other activities and programmes

- suggestions made for new and more sustainable funding models for arts and culture include the introduction of matching funds and tax incentives to increase private support, and consideration of using the Lotteries Fund to be the prime source of public support (refer to the UK’s experience)

- public support for the arts and culture should be positioned as an investment for all and not as subsidies for the enjoyment of a few

Current Situation and Key Issues (3)

- plenty of activities but general lack of a vibrant arts and culture ambience in the community
- “high arts” regarded as a privilege for the rich and wealthy
- absence of platforms for arts criticism and mass promotion
- Cultural and Heritage Commission report in 2003 recommended a “community driven” approach to the arts and less Government direct involvement, but not much has changed
- building up the cultural fabric and arts education at schools perceived to be important in changing the landscape of arts and culture and building up a creative class and consumer base for arts and culture

Current Situation and Key Issues (4)

- many have lobbied for the introduction of an arts and culture TV channel to promote the arts and as a platform for public education
- the West Kowloon Cultural District (WKCD) project presents an opportunity for facilitating change, but there is concern that it is development-driven, with inadequate attention given to and debate on its mission, position and the "software" of the project
- WKCD should also bring about a rethink of performance venue and museum operations as well as the training of arts and cultural practitioners and managers
- suggestion to have a Department for Culture within the Government to champion arts and culture development

Section 11.9

Publishing

Description

The activities of the **publishing** industry are defined as book publishing, newspaper publishing, magazine publishing and digital content publishing.

Key Statistics

- gross value added of $13.7 billion in 2007*
- total employment of 48,500 in 2008, the largest employer among the creative industries*
- 7,470 firms in 2008*
- As at 31 Dec. 2007, there were 19 Chinese newspapers, 13 English newspapers (including one in Braille), 7 bilingual newspapers and 5 Japanese newspapers; of the Chinese newspapers, 14 cover mainly local and overseas general news

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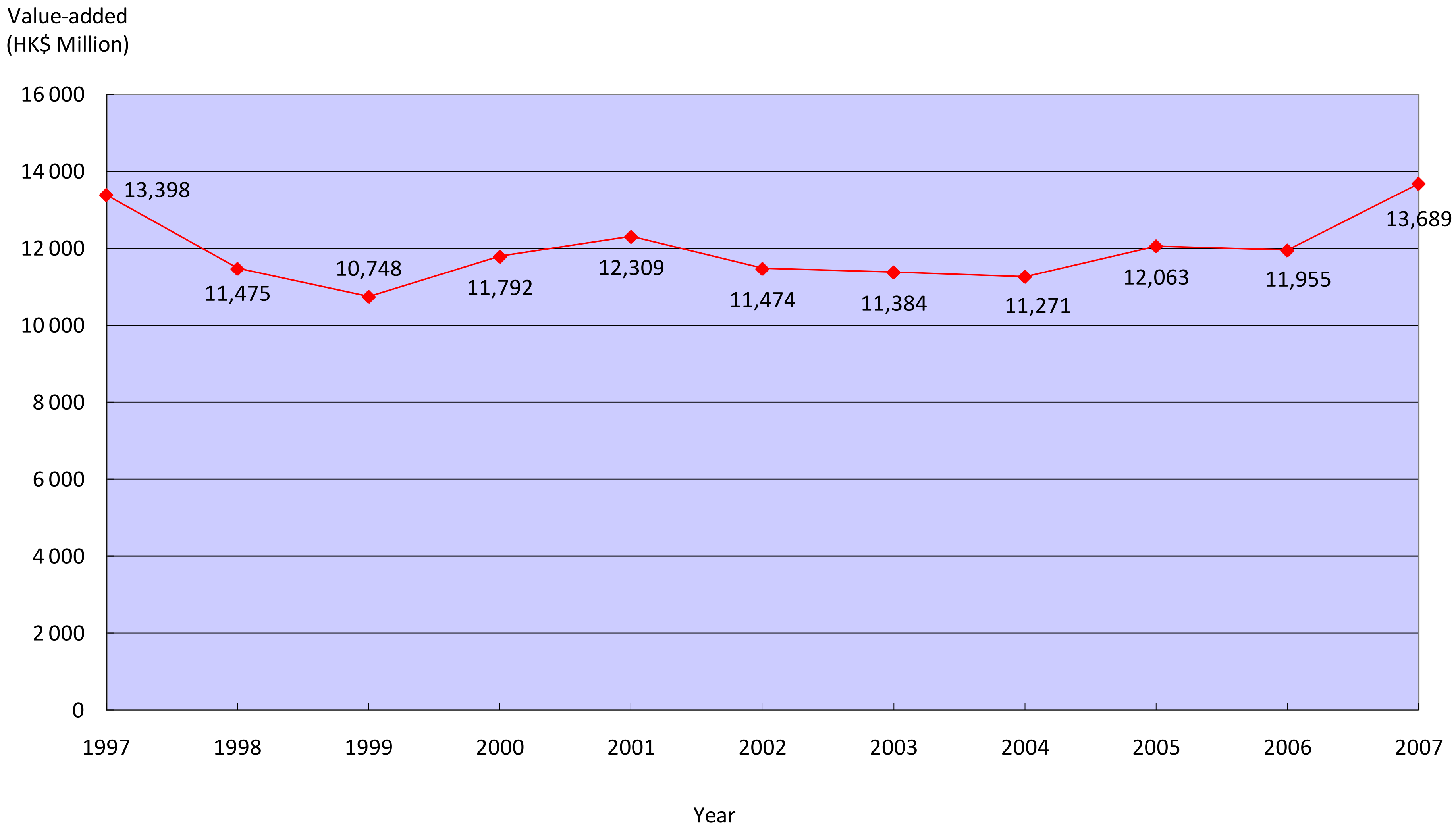
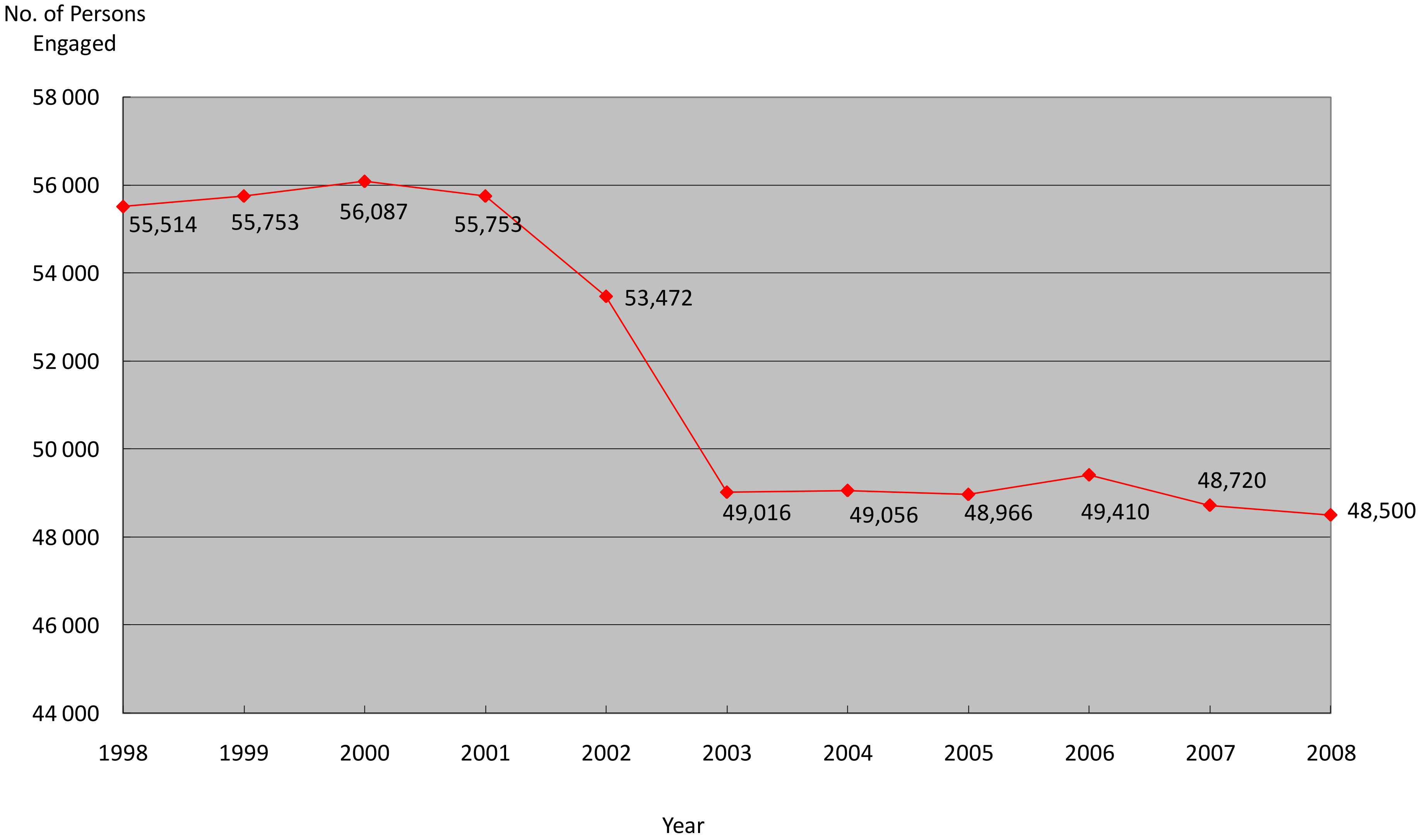
* Census and Statistics Department.

Value-Added of Hong Kong's Publishing Industry, 1997-2007



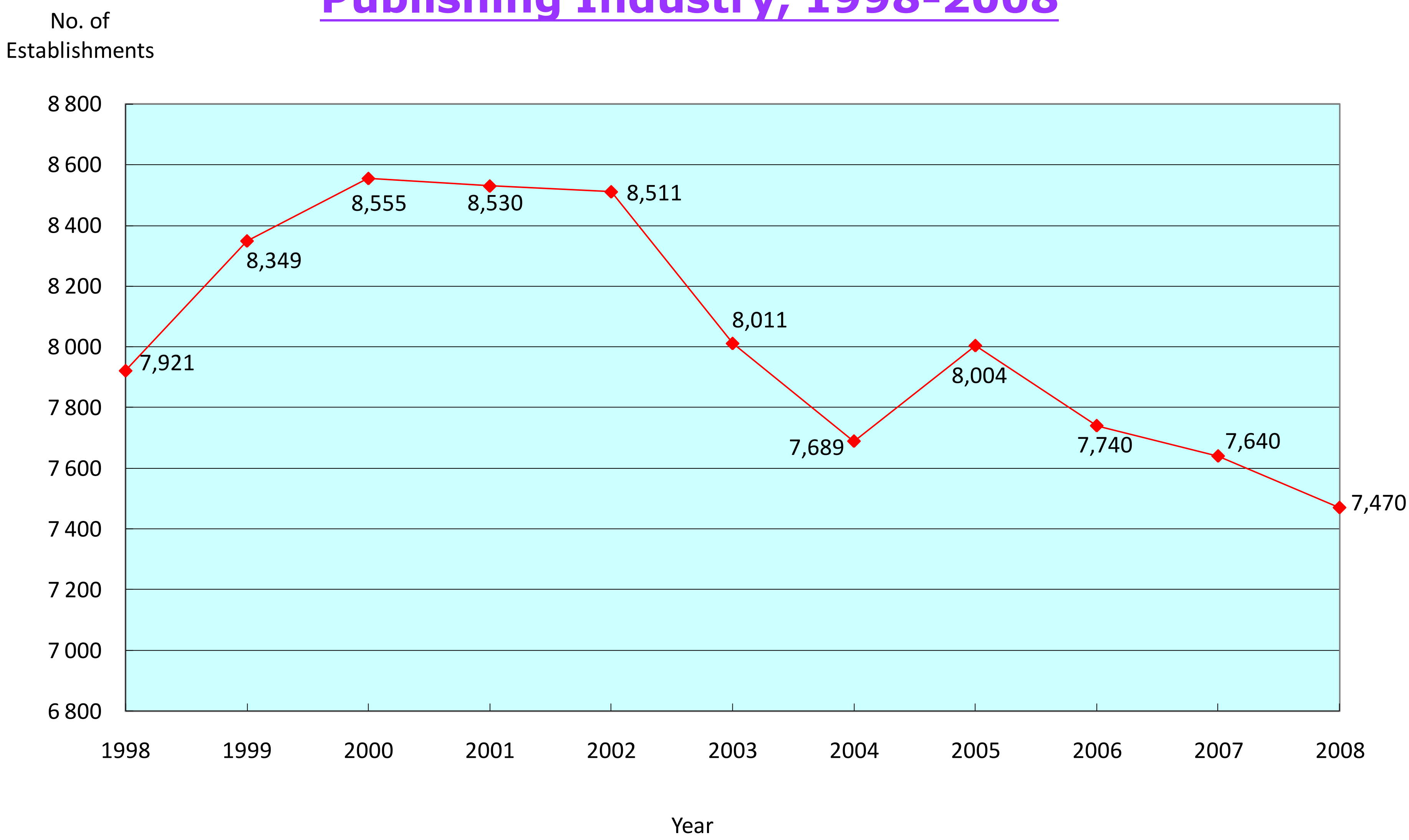
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Publishing Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Publishing Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Turnover and Profit of Selected Listed Media Companies, 2007 and 2008

	Year ended 31/03/08		Year ended 31/03/09	
	Turnover (HK$ million)	Net Profit (HK$ million)	Turnover (HK$ million)	Net Profit (HK$ million)
Hong Kong Economic Times Holdings Ltd.	946	134	841	64
Next Media Group	3,484	521	3,292	258
Oriental Press Group Ltd.	1,836	312	1,638	379

Sources: Annual Reports of Hong Kong Economic Times Holdings Ltd., Next Media Group and Oriental Press Group Ltd.

Current Situation and Key Issues (1)

- Hong Kong is a world-renowned printing and publishing centre, and one of the three major bases of Chinese publishing (the others being the Mainland and Taiwan)
- presence of prominent international publishers
- freedom of expression and information and excellent communication network are seen as important assets for the industry
- market consolidation for newspapers and magazines which are experiencing continuing decline in advertising revenue

Current Situation and Key Issues (2)

- "big three" popular Chinese newspapers (*Oriental Daily*, *Apple Daily* and *The Sun*) commanding the lion's share of readership
- many branching out into other publications and services
- the Internet has a huge impact on the traditional publishing industry, but people are still not used to paying for online information
- main challenges – digitisation and e-publishing
- big market for educational e-publishing

Current Situation and Key Issues (3)

- Hong Kong has the potential to become a Chinese reading hub with an advantage in language (knowledge of both traditional Chinese and simplified Chinese); it also has a long established English reading culture
- language limitation, with “Hong Kong-style writing” not readily accepted by Mainland and Taiwan readers
- most people are only interested in reading local publications such as popular fiction and books and magazines on finance and entertainment; non-popular titles difficult to survive
- comic books have also passed their prime

Current Situation and Key Issues (4)

- printed books still expected to be the mainstream in the next 10 years
- printed and e-books can co-exist, especially for specialised publishing where the business model is well established (i.e., law books)
- high land prices and rentals limiting competition in book retailing and making it difficult for book cities or clusters to emerge
- limited scale of local market

Current Situation and Key Issues (5)

- opportunity for collaboration/integration within the Pearl River Delta region:
  - market is big enough (larger than Korea) and well established
  - region has similar cultural background and popular culture
  - won't pose significant threat to ideology of the Central Government
  - resources can be shared
- proposal to increase Hong Kong's presence in international book fairs
- writing, publishing management and printing engineering (applying technologies to improve production methods) talents are perceived to be important for industry development

Section 11.10

Software and Computing

Description

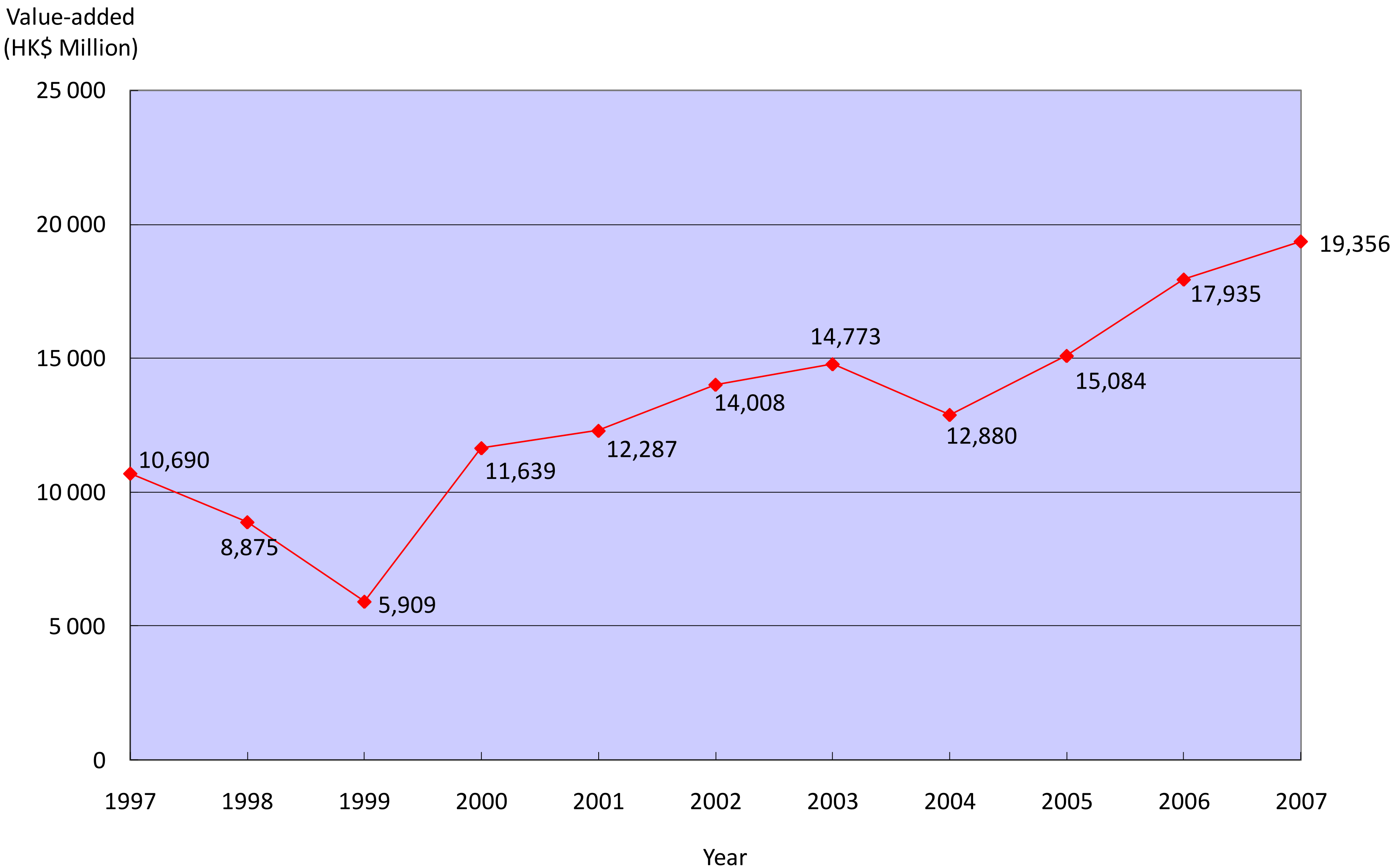
The activities of the **software and computing** industry are defined as software design and architecture, programming of system software or software products, testing and quality assurance, system/information engineering, system integration, packaging and internet services.

Key Statistics

- gross value-added of $19.4 billion in 2007, of which $11.0 billion was software development and $8.4 billion was software distribution and internet services
- total employment of 35,980 in 2008
- 6,120 firms in 2008
- imports of software products of $2.9 billion and exports of $3.3 billion in 2008

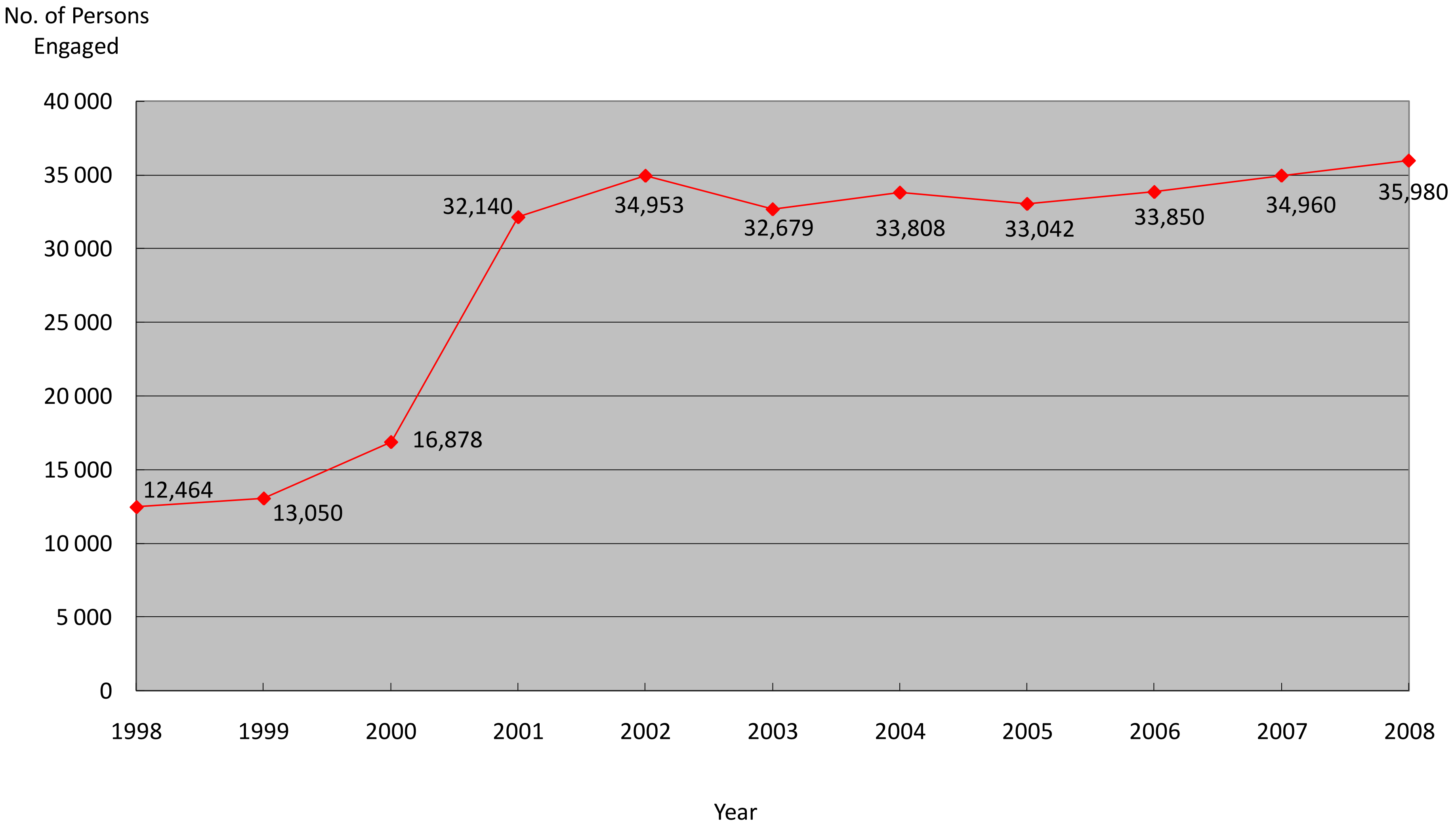
Source: Census and Statistics Department.

Value-Added of Hong Kong's Software & Computing Industry, 1997-2007



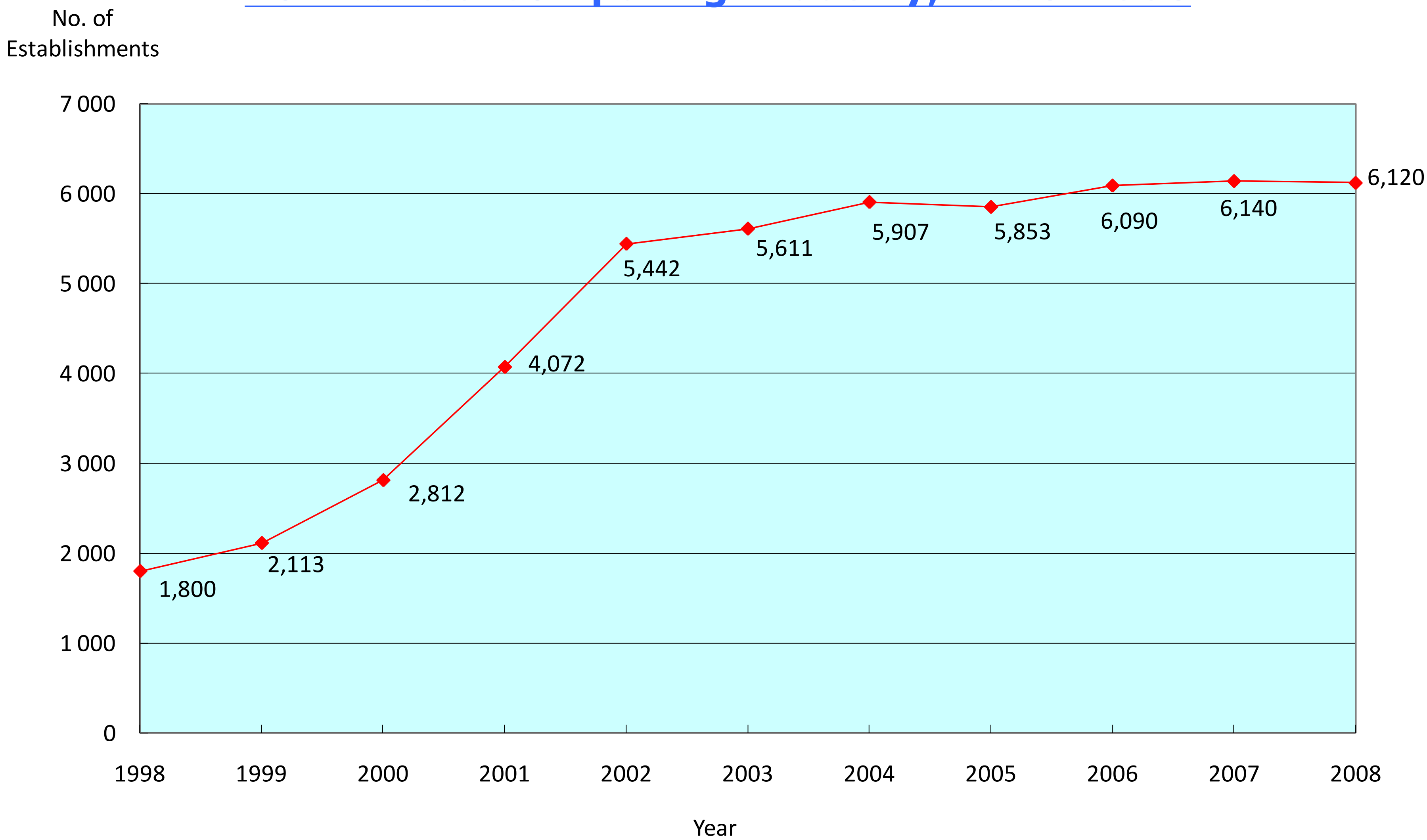
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's Software & Computing Industry, 1998-2008



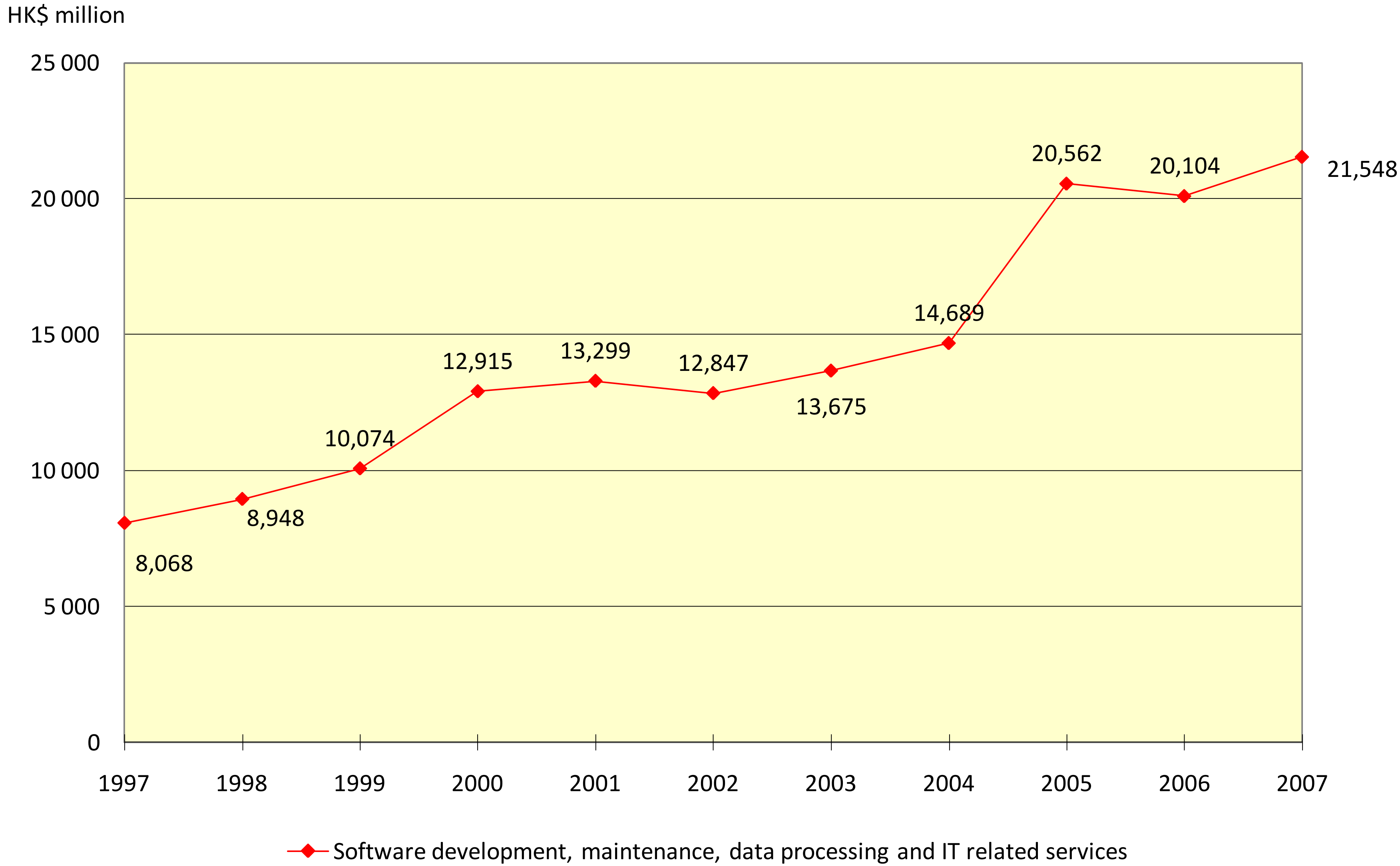
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's Software & Computing Industry, 1998-2008



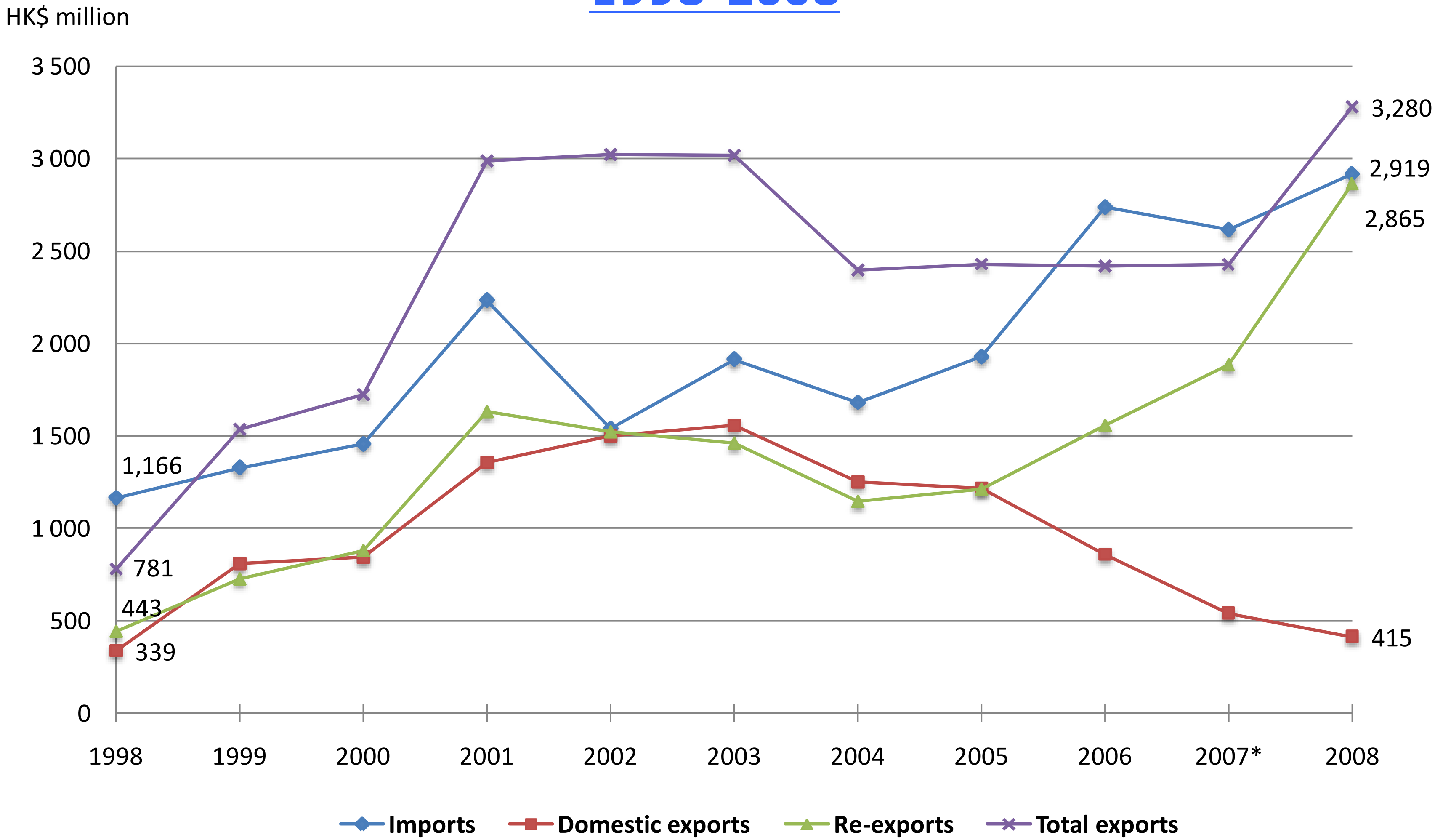
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Business Receipts of Hong Kong's Software Industry, 1997-2007



Source: Program of Annual Economic Surveys, Census and Statistics Department.

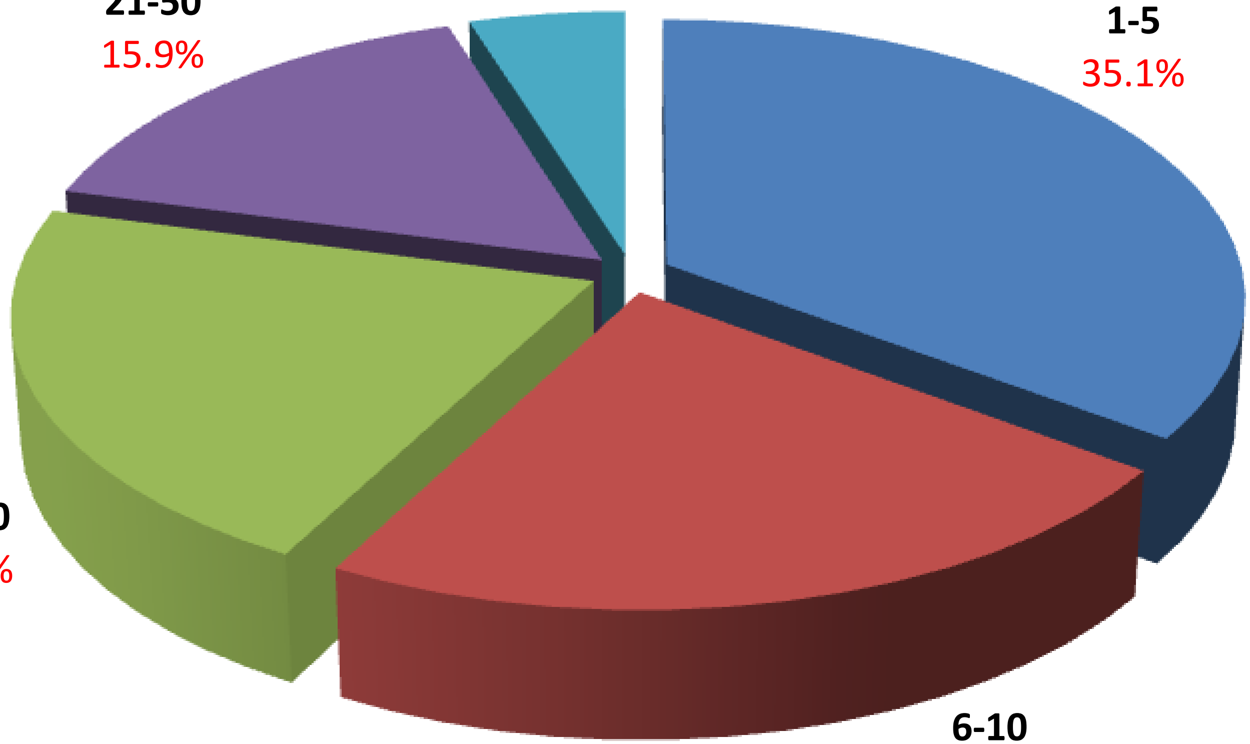
Hong Kong's Imports and Exports of Software Products, 1998-2008



* As from January 2007, the coverage of computer hardware and computer software has been revised. Trade figures since 2007 are not strictly comparable with figures in previous years.

Source: Statistical Digest of the Services Sector, Census and Statistics Department.

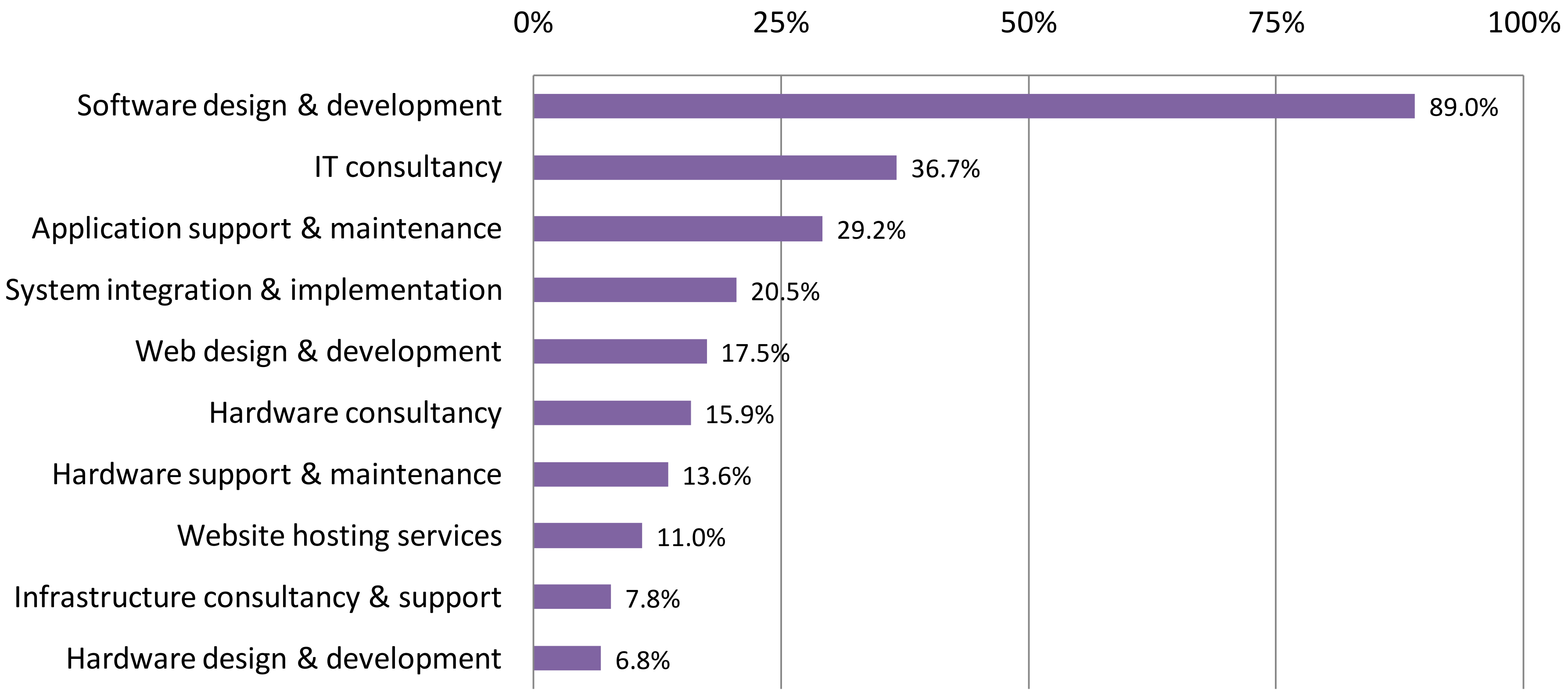
Hong Kong's IT services sector is mainly composed of SMEs



Note: Figures above represent the number of persons employed per firm

Source: Hong Kong Productivity Council "Study on Hong Kong IT Services Sector 2006".

Major IT Services Specialised by IT Firms, 2006



Note: the above percentages represent the proportion of firms engaged in various activities

Source: Hong Kong Productivity Council "Study on Hong Kong IT Services Sector 2006".

Current Situation and Key Issues (1)

- most important value contributor amongst all creative industry sectors and growing fastest
- a cross-sectoral industry impacting on other sectors of the creative economy
- strong on application, quality assurance and marketing, and having good infrastructural support

Current Situation and Key Issues (2)

- according to the “Study on Hong Kong IT Services Sector 2006” (HKPC):
  - majority of IT companies were SMEs (over 95%)
  - 89% of the companies provided software
  - major IT services specialised include software design and development (89%) and IT consultancy (36.7%)
  - geographic markets served: Hong Kong 78.2%, Mainland 12.7%, others 9.1%
  - 33.8% of the surveyed companies had operations in the Mainland
  - 72.4% of the surveyed companies were interested in developing the Mainland market
  - 14% of the interviewed companies had branch offices overseas

Current Situation and Key Issues (3)

- Industry support
  - **Funding**
    - Innovation and Technology Fund
    - SME funding schemes
  - **Marketing**
    - SME Export Marketing Fund
    - large-scale international IT fairs, trade missions, conferences
    - promoting the competitive advantage of Hong Kong's IT products and success stories
    - business matching platforms (e.g. www.siic.org.hk; www.itsolution.org.hk)

Current Situation and Key Issues (4)

- **Image building**
  - strengthen industry collaboration (e.g. Hong Kong ICT Awards)
- **Quality and standards**
  - promotion of CMM/CMMI
  - SI Qualification Certification
- **Education**
  - IT training courses
  - public seminars about the advantages of IT adoption

Current Situation and Key Issues (5)

- according to the “Hong Kong IT Industry Study 2005” (HKPC):
  - major difficulties in doing business in **Hong Kong**:
    - keen competition between similar products
    - high operation cost
    - small domestic market
  - major difficulties in doing business in the **Mainland**:
    - entry barriers
    - unfamiliarity with legal environment
    - late payments/bad debts by customers

Current Situation and Key Issues (6)

- the Government is a large IT user, but most of its projects are not assigned to local firms
- small firms have no motivation to take on big projects since local demand is enough for their survival
- lack of an intermediary between supply and demand
- Hong Kong can play an intermediary role between the Mainland and the rest of the world by helping Mainland firms to internationalise their products

Section 11.11

Television and Radio

Description

The activities of the **television and radio** industry are defined as programme production, acquisition, licensing and distribution, channel packaging, programme services (scheduling, airtime and/or channel marketing and sales) and transmission.

Key Statistics (1)

- gross value-added of $7.0 billion in 2007 (including the "Performing Arts" sector)*
- total employment of 7,700 in 2008*
- 30 firms in 2008*
- 2 domestic free TV service providers (ATV and TVB) with 4 analogue channels and 8 SDTV and HDTV channels (Aug. 2008)**

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* Census and Statistics Department.

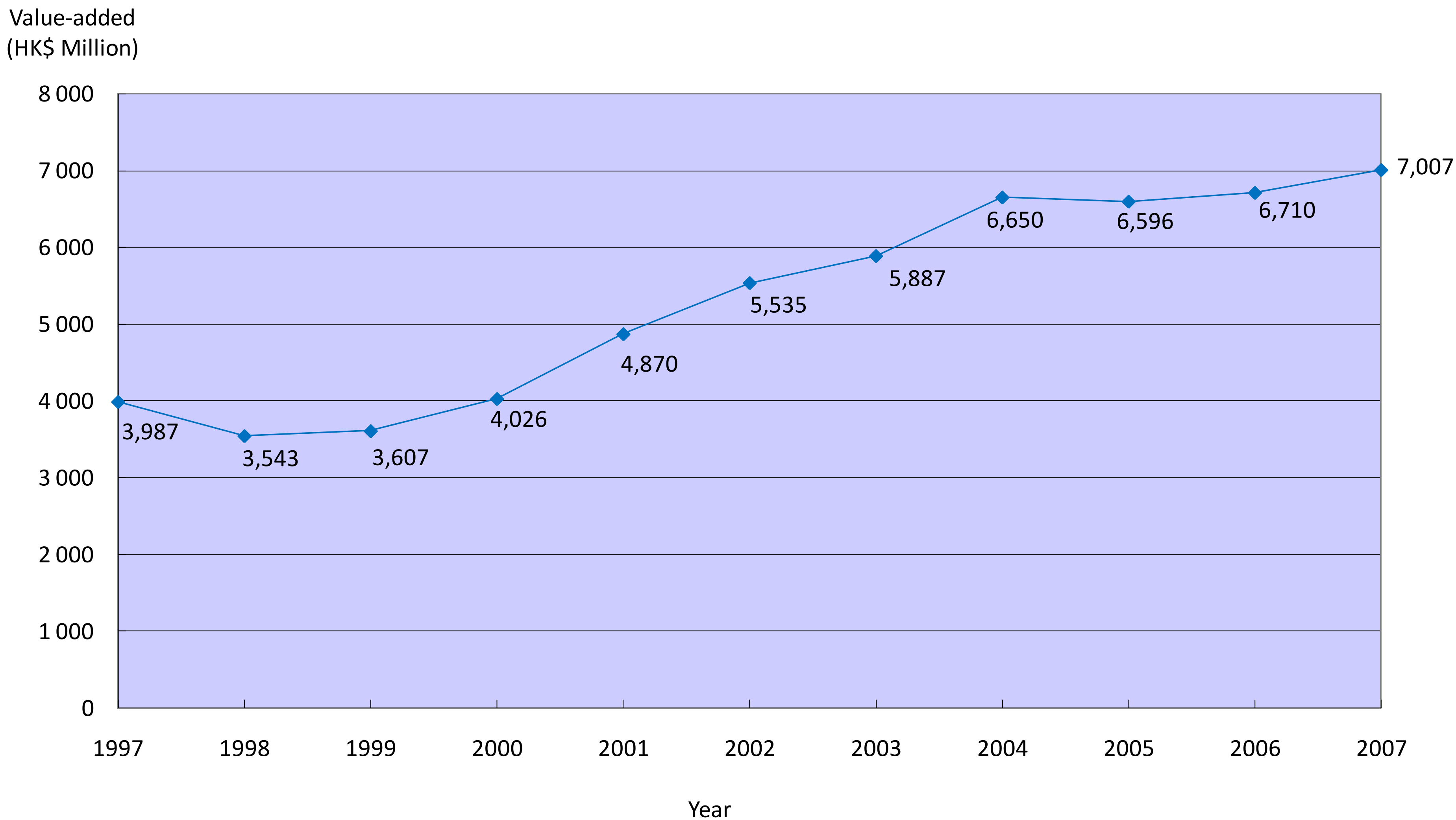
** Broadcasting Authority Annual Report 2007-2008.

Key Statistics (2)

- 3 domestic paid TV service providers with 293 channels (Aug. 2008)
- HK Broadband Network Ltd. providing 79 TV channels on a subscription basis via the internet (Aug. 2008)
- Hong Kong viewers can also access 47 channels provided by the 16 non-domestic TV service licensees (Aug. 2008)
- 2 sound broadcasting licensees (HK Commercial Broadcasting and Metro Broadcast), together with RTHK (a Government department), they provide 13 radio channels

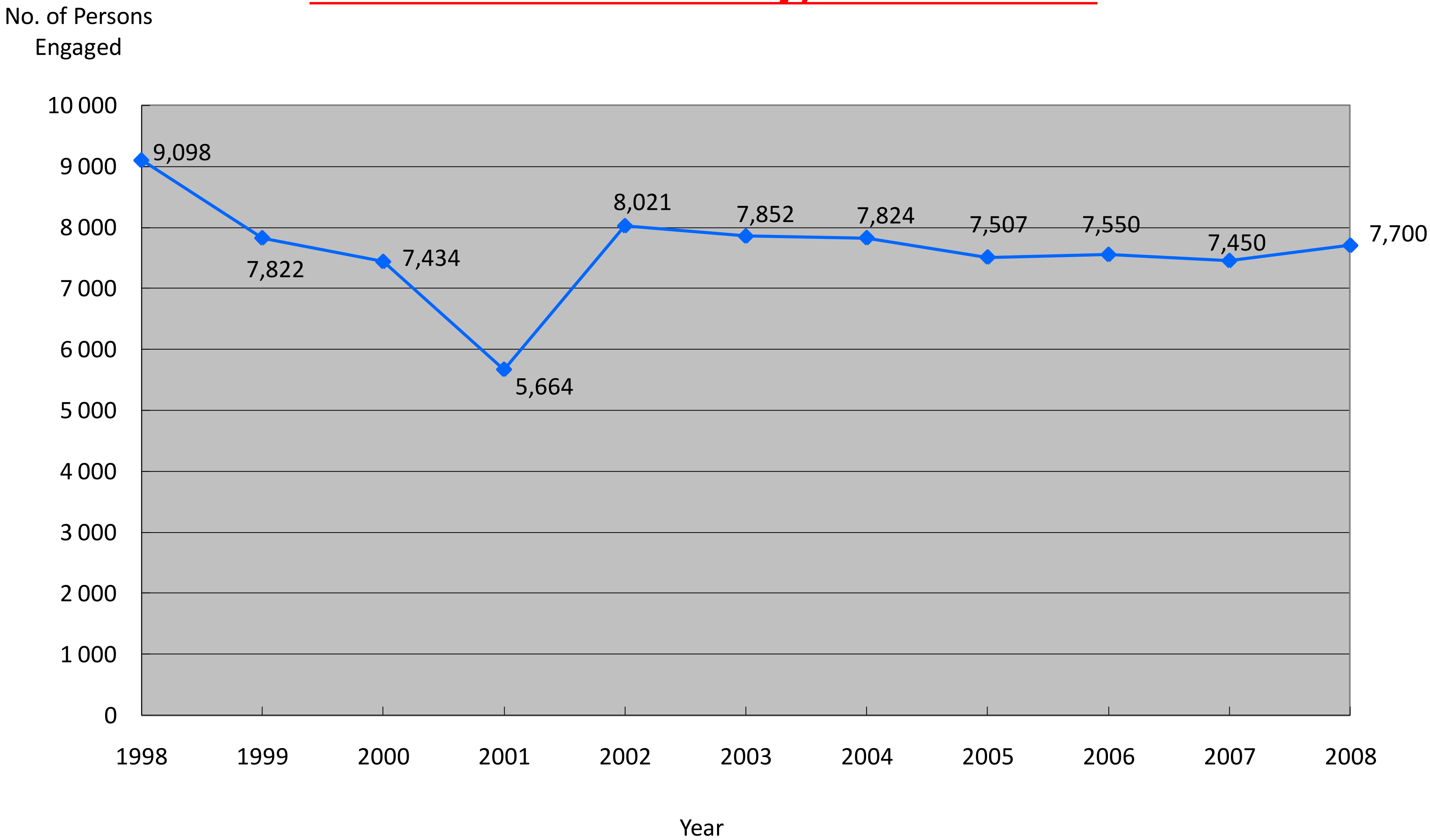
Source: Broadcasting Authority Annual Report 2007-2008.

Value-Added of Hong Kong's Performing Arts and TV & Radio Industries, 1997-2007



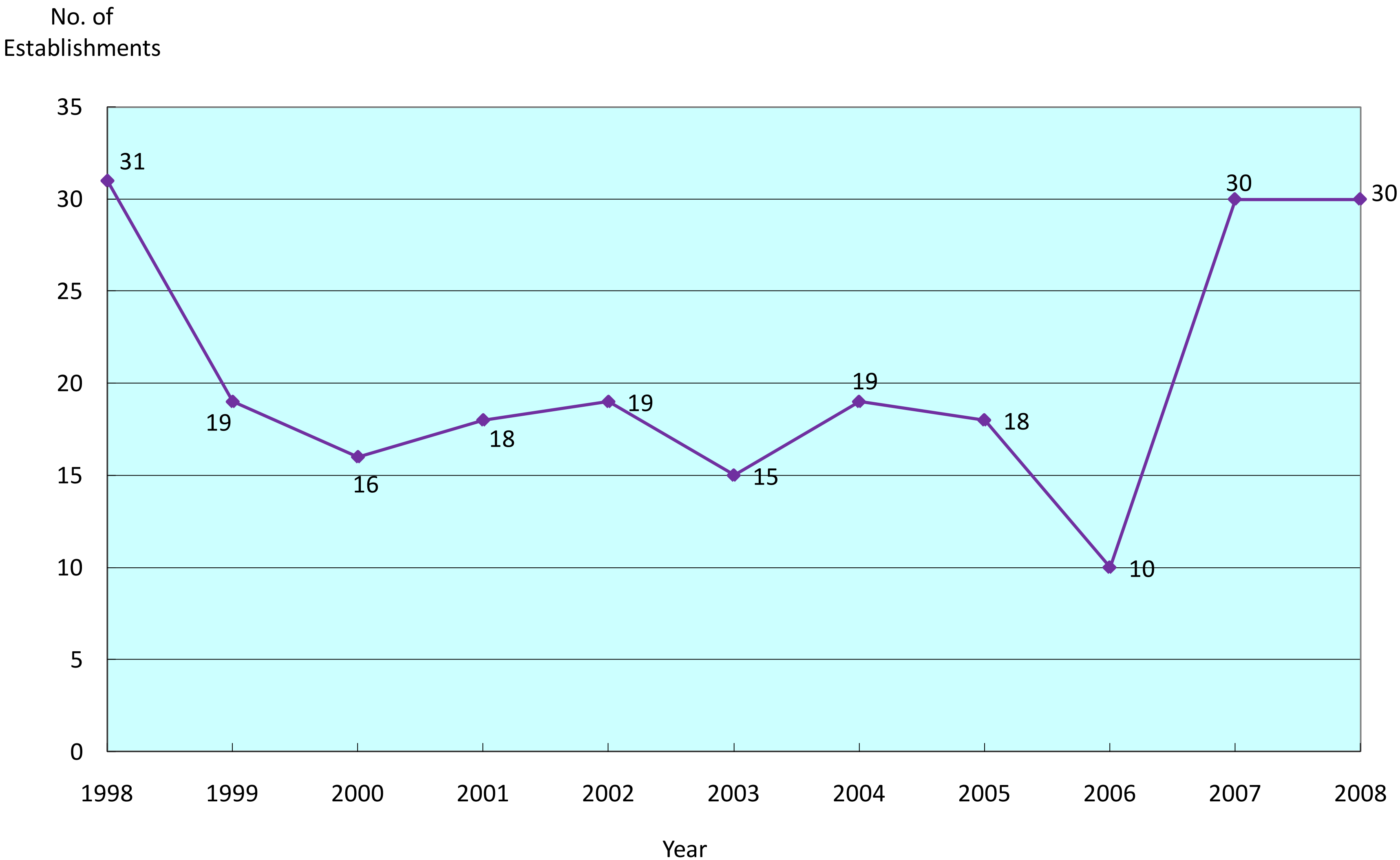
Source: Programme of Annual Economic Surveys, Census and Statistics Department.

Number of Persons Engaged in Hong Kong's TV & Radio Industry, 1998-2008



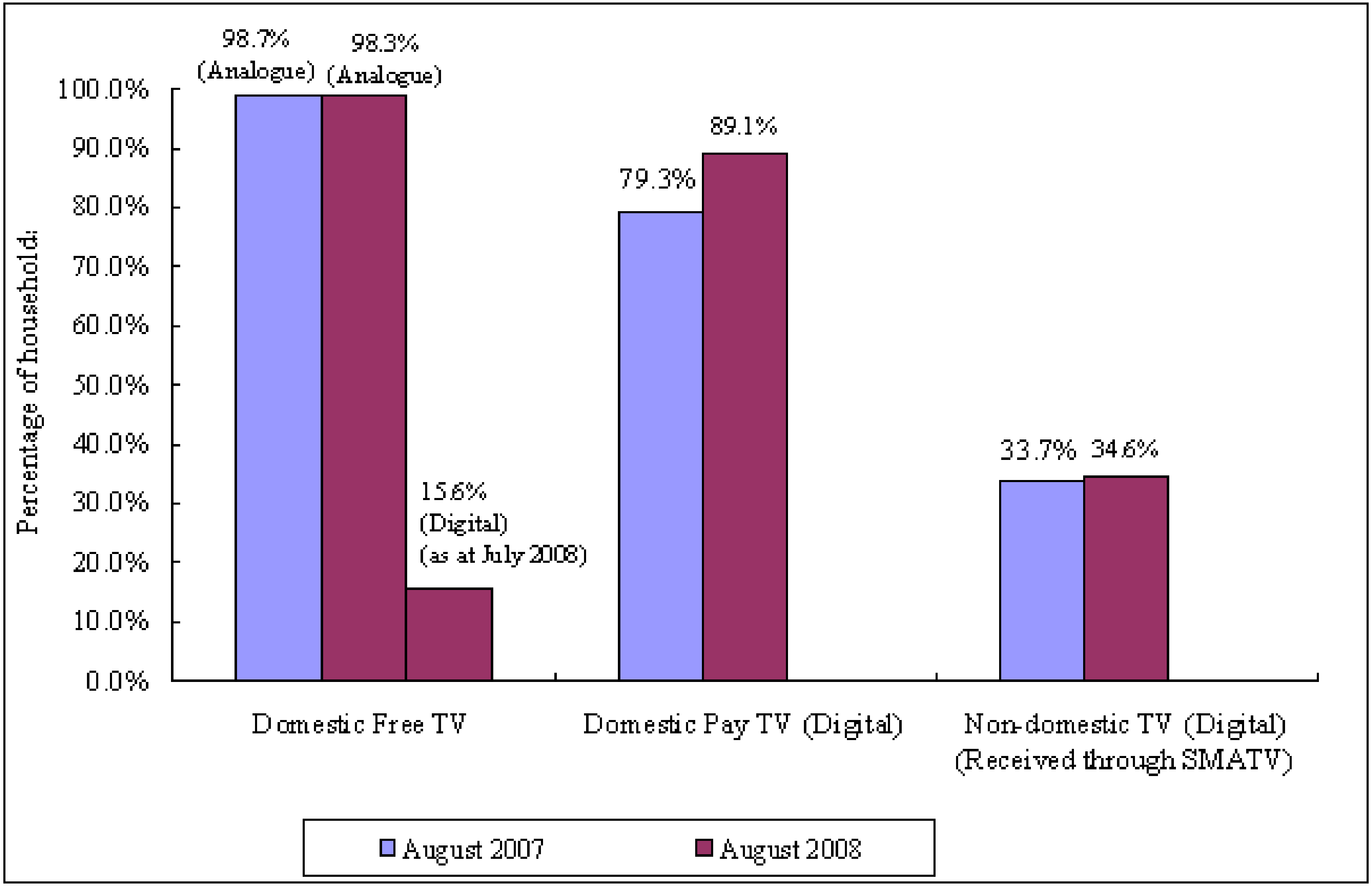
Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Number of Establishments in Hong Kong's TV & Radio Industry, 1998-2008



Source: Quarterly Survey of Employment and Vacancies, Census and Statistics Department.

Penetration of Licensed Television Services in Hong Kong, 2007 and 2008



Source: Broadcasting Authority Annual Report 2007-2008.

TV and Radio Consumption in Hong Kong (all persons aged 15 and above), 2007

Watched free TV in past month	98.8%
Watched paid TV in past month	46.8%
Listened to radio broadcast in past month	66.5%

Source: Broadcasting Authority "Broadcasting Services Survey 2007".

Revenue and Profit of Listed TV Companies, 2001, 2007 and 2008

	TVB		i-Cable		Phoenix	
	Revenue	Profit	Revenue	Profit	Revenue	Profit
	(HK$ million)					
2001	3,265	670	1,931	167	714	50
2007	4,326	1,264	2,304	183	1,180	279
2008	4,407	1,055	2,080	(111)	1,392	287

Source: Annual reports of Television Broadcasts Limited, i-Cable Communications Limited and Phoenix Satellite Television Holdings Limited.

Current Situation and Key Issues: TV (1)

- the two domestic TV stations (ATV and TVB) have long history and experience, as well as developed technical, programming, production and marketing expertise
- free TV has passed its peak and is seeing a drop in both advertising revenue and viewership
- TVB’s dominant market position (at 85% and 75% share of the free TV market for Chinese and English programmes respectively) perceived as having an adverse effect on quality

Current Situation and Key Issues: TV (2)

- TVB and ATV commenced digital terrestrial television broadcasting in Dec. 2007 – both licensees introduced new digital channels in both standard definition and high definition formats in addition to simulcasting their existing analogue channels in digital broadcasting*

- heavy capital investments resulted in less spending on talent and programme quality

- more paid channels and programmes providing more choices, but not yet posing threat to free TV

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* Broadcasting Authority Annual Report 2007-2008.

Current Situation and Key Issues: TV (3)

- the Internet, new media and social networking have resulted in less TV viewing by the younger generation
- TV stations launching/relaunching Internet portals to retain audience and revenue
- paid TV concentrating on news, sports and entertainment platforms, with keen competition and market becoming saturated, resulting in aggressive pricing
- enhanced content and service quality will be the key determinants of success

Current Situation and Key Issues: Radio (1)

- relatively stable listenership, but increasing portion via means other than the radio (e.g. the Internet)
- bulk of income from advertisements, but apart from spot advertisements, more now in other forms such as sponsored programmes and/or events, with increasing business from public sector organisations
- all operators are now building interactive online platforms, resulting in “narrow-casting”

Current Situation and Key Issues: Radio (2)

- creativity and talent are a radio station’s key assets
- radio stations must constantly adapt to changing market conditions
- future of RTHK pending Government review and decision, with a body of public opinion arguing for an independent public broadcaster like the BBC

Section 12

Findings and Conclusions

Section 12.1

Hong Kong's Advantages, Opportunities,

Limiting Factors and Challenges

12.1.1

Hong Kong's Advantages & Opportunities (1)

- open and free society for information, capital, talent and goods flow
- robust IP protection framework
- pluralistic and cosmopolitan society
- confluence of Eastern and Western ideas and cultures
- good IT and communications infrastructure
- long history and solid foundation of many creative sectors

12.1.1

Hong Kong’s Advantages & Opportunities (2)

- experienced talents with good international exposure, adaptability and sound management/marketing skills
- easy access to efficient support services
- benefiting from Mainland hinterland for production facilities and talent support; large potential market and strategic alliances for exports
- ready adoption of new technology
- established quality image
- West Kowloon Cultural District Project

12.1.2
Hong Kong's Limiting Factors & Challenges (1)

- small domestic market
- high costs, in particular high land costs
- difficulty in retaining and attracting talent
- increasing competition and Hong Kong's advantages quickly eroding
- importance of design and branding not well recognised
- government procurement policy does not promote creativity
- difficult for SMEs to scale-up and to embrace new technology

12.1.2

Hong Kong’s Limiting Factors & Challenges (2)

- lack of R&D, information and mapping
- creativity not well nurtured and promoted
- not enough formal or skills training to groom new talent
- arts and culture not treasured
- not enough interdisciplinary collaboration
- lack of coherent, inter-disciplinary Government policy for promoting/developing creative industries

12.2 How the sectors are doing

- established but matured, with little prospect for growth:

  Advertising; Architecture; General Publishing; Television and Radio

- facing major challenges:

  Music; Magazine and Newspaper Publishing

- have the potential to grow, given the necessary support:

  Art, Antiques and Crafts; Digital Entertainment; Film and Video; Performing Arts

- growing:

  Design; Software and Computing

Section 12.3

What the Creative Industries Mean to Hong Kong

12.3.1 Contribution

- overall economic contribution of the creative industries has remained at more or less the same level (about 4% of GDP and 5% of employment in last decade), i.e. growing at the same pace as the economy
- this compares favourably with Tourism (3.4% contribution to GDP and 5.6% of employment in 2007) and Manufacturing (2.5% contribution to GDP and 4.9% of employment in 2007)

12.3.2 Limitations of Statistics

- Government and public sector not included but they are important consumers and providers of creative services
- increasingly blurred boundaries between different sectors of the creative industries
- large creative workforce in other sectors of the economy
- induced impact and spillover effects on wider economy not included

Hence, the importance and contribution of the creative industries are likely to have been understated.

12.3.3 Not whether but how

- globalisation, technological development and the knowledge economy have changed the nature of industries and competitiveness (see Section 5 of this report)
- the question is not whether to develop the creative industries, but *how* to facilitate their development and growth to maximise their impacts on and contributions to the creative economy

12.4 Major Drivers for Creative Industries Development in Hong Kong

- nurture of creativity, arts and culture
- talent development, attraction and retention
- collaboration with the Pearl River Delta region and leveraging on Hong Kong's links with the Mainland
- development of creative clusters
- greater collaboration with other industries in developing creative economy
- Government commitment and facilitation

12.5 General Suggestions of Interviewees (1)

- need to preserve and enhance Hong Kong’s key strengths and advantages as competitors are catching up fast
- promote the development of Hong Kong into:
  - an arts and antiques auction centre
  - an Asian design hub
  - a vibrant creative city
- review Government procurement policy to put greater emphasis on creative elements and facilitate the participation of SMEs

12.5 General Suggestions of Interviewees (2)

- promote the collaboration of different sectors of the creative industries as well as between the creative industries and the rest of the economy, i.e. encouraging all industries to be creative and innovative
- better mapping of the creative industries and their relations with the wider economy
- seek more liberalisation measures under CEPA to develop the Mainland market for creative industries
- more promotions overseas by organisations such as the Trade Development Council for Hong Kong branded products and services

12.5 General Suggestions of Interviewees (3)

- greater collaboration with the Pearl River Delta region, in particular Shenzhen, with geographical proximity and common language
- build up the software/capacity for development of the creative industries, including information and research, knowledge and skills, and the nurture of creativity and a rich cultural environment
  - more education and training programmes targeted at manpower needs of the creative industries, taking technological developments fully into account

12.5 General Suggestions of Interviewees (4)

- provide more opportunities such as incubation schemes, mentorship and apprenticeship programmes for newcomers, as well as more international exchange opportunities
- introduce a more sustainable model for supporting arts and culture
- a more structured approach to promoting arts education in schools
- consider the establishment of a TV arts and culture channel, perhaps using the vehicle of a public broadcaster like RTHK

12.5 General Suggestions of Interviewees (5)

- make use of the opportunities brought about by the West Kowloon Cultural District project to review policy on museums, performance venues and the public sector's involvement therein
- Government/industry/academia collaboration in more research
- benchmarking with and learning from overseas experience
- encouragement of public art and more imaginative use of public space; consider "Percent for Art" scheme

12.5 General Suggestions of Interviewees (6)

- promote the use old buildings and sites for the development of creative clusters and review land and development regulations to promote their development

- top-level Government commitment to and support for the development of creative industries, with a high-level, cross-functional agency adopting an integrated approach to promote their development

Section 13

Recommendations

13.1

Topics Recommended for Further Study

- wider application of design
- impact of digital technology on Hong Kong's creative industries
- social network and the creative industries

13.2

The Hong Kong Ideas Centre has made 11 specific recommendations with information and ideas gathered from the study and input from its members. Full recommendations and related images can be viewed at the Centre's website:

www.ideascentre.hk

13.3 The 11 Recommendations

A. Turning Hong Kong into a Vibrant Creative City

1. Establishing a “Creative *IN* Zone” in Central District and Making Hollywood Road a World Famous Creative Street

2. Organising Creative Events in the 18 Districts of Hong Kong

3. Promoting Hong Kong as a Regional Creative Hub through Signature Asian Creative Industry Events

4. Promoting Public Art

13.3 The 11 Recommendations

B. Providing Good Hardware and Software Support for the Development of Creative Industries

5. Facilitating and Supporting the Development of Creative Clusters

6. Providing Support for New Entrants

13.3 The 11 Recommendations

C. Laying Solid Foundations for the Development of Creative Industries

7. Establishing a Television Channel for Arts, Culture and Creativity
8. Nurturing Creativity and Building Up Hong Kong's Cultural Fabric
9. Developing the Evidence Base for the Creative Industries: Creative Industries Mapping
10. Government/Industry/Academia Cooperation in Developing Creative Talent

13.3 The 11 Recommendations

D. Strengthening and Consolidating Government Support for the Creative Industries

11. Establishing a Creative Industries Task Force and Upgrading the Status of the Create Hong Kong Office

Acknowledgements

Acknowledgements

We would like to acknowledge the contribution and support of the following individuals to this study:

Mr. Lawrence Fung, Chairman, **Mrs. Anna Lai**, Executive Director, **Ms. Leonie Ki**, Advisor and other directors and advisors of the Hong Kong Ideas Centre for ideas generation and development, review of study report and recommendations as well as general guidance and support

Ms. Vivian Fung, Assistant Manager of the Hong Kong Ideas Centre, for her logistics support

Ms. Snowy Lam for her illustration of the "Creative *IN* Zone" in Central District

Mr. Cliff Lui and **Mr. Jackie Lai** for their photographic support

Professor Desmond Hui and his team, whose "Baseline Study on Hong Kong's Creative Industries" (Sept. 2003) provides the framework for our analysis of the different sectors of Hong Kong's creative industries

Mr. H.W. Fung, Commissioner for Census & Statistics and **Mr. Joseph Wong**, Senior Statistician, of the Census and Statistics Department, HKSAR Government, for providing updated official statistics for the study

Acknowledgements

In addition, we would like to thank the following individuals for providing assistance and/or offering views, comments and suggestions for this study:

Ms. Angelina CHAN, Founder & Createur, S plus S International Limited

Mr. Henry CHAN, Executive Director, Li & Fung Limited

Mr. CHAN Kin Bun, Executive Director, Hong Kong Repertory Theatre

Ms. Liza CHAN, Marketing Executive, Neuberg ArtSpace

Dr. CHAN Man Hung, Vice Chairman & President, Sino United Publishing (Holdings) Limited

Dr. Thomas CHAN Man Hung, Head, China Business Centre, The Hong Kong Polytechnic University

Ms. May CHAN, News & Public Affairs Director, Hong Kong Commercial Broadcasting Limited

Ms. Rachel CHAN, Founder & Chief Catalyst, InnoFoco

Professor CHAN Wing Wah, Chairman, Composers and Authors Society of Hong Kong Limited

Mr. Koyo William CHEUNG, Fashion Executive Director, Koyo Jeans

Ms. Lu Lu CHEUNG, Creative Director, Rolls Group Limited

Ms. Celina CHIN, Executive Director, Hong Kong Chinese Orchestra

Mr. Fritz CHIU, Principal Consultant, IT Industry Development, Hong Kong Productivity Council

Acknowledgements

Mr. Felix CHUNG, Chairman, Hong Kong Apparel Society Limited

Mr. Ricky FUNG, Chief Executive Officer, IFPI (Hong Kong Group) Limited

Mr. Wellington FUNG Wing, Secretary-General, Hong Kong Film Development Council

Mr. HO Wai, President, Hong Kong Film Critics' Association

Professor Desmond HUI, Director, Centre for Culture and Development, The Chinese University of Hong Kong

Mr. Adrian KAM, Project & Creative Director, i Character Limited

Ms. Leonie KI, Managing Director, New World China Enterprises Projects Limited

Ms. Jahyun KIM, Assistant Manager, Community Arts Education Team, Korea Arts & Culture Education Service

Mr. KO Tin Lung, Artistic Director, Chung Yin Theatre Company

Mr. Charles KWAN, General Manager, Sino United Publishing (U.S.) Inc.

Mr. Dicky KWOK, Marketing Director, Fast Base Enterprises Limited

Ms. Anna KWONG, Director, Anna Kwong Architects & Associates

Ms. LAM Pei, Studio 803, Jockey Club Creative Arts Centre

Acknowledgements

Mr. Billy LAU, Chairman, Hong Kong Jewellery & Jade Manufacturers Association

Mr. LAU Nai Keung, Research Fellow, China Business Centre, The Hong Kong Polytechnic University

Ms. Grace LEE, Marketing Director, Hong Kong Design Centre

Ms. Michelle LEE, Art Consultant, Neuberg Arts Development Limited

Ms. LEE Oi Lin, Deputy Executive Director (Projects), Vocational Training Council

Mr. LEUNG Kwok Shing, Artistic Director, Hong Kong Dance Company

Professor Bernard LIM, Principal, AD+RG Limited

Mr. Victor LO, Chairman, Hong Kong Design Centre

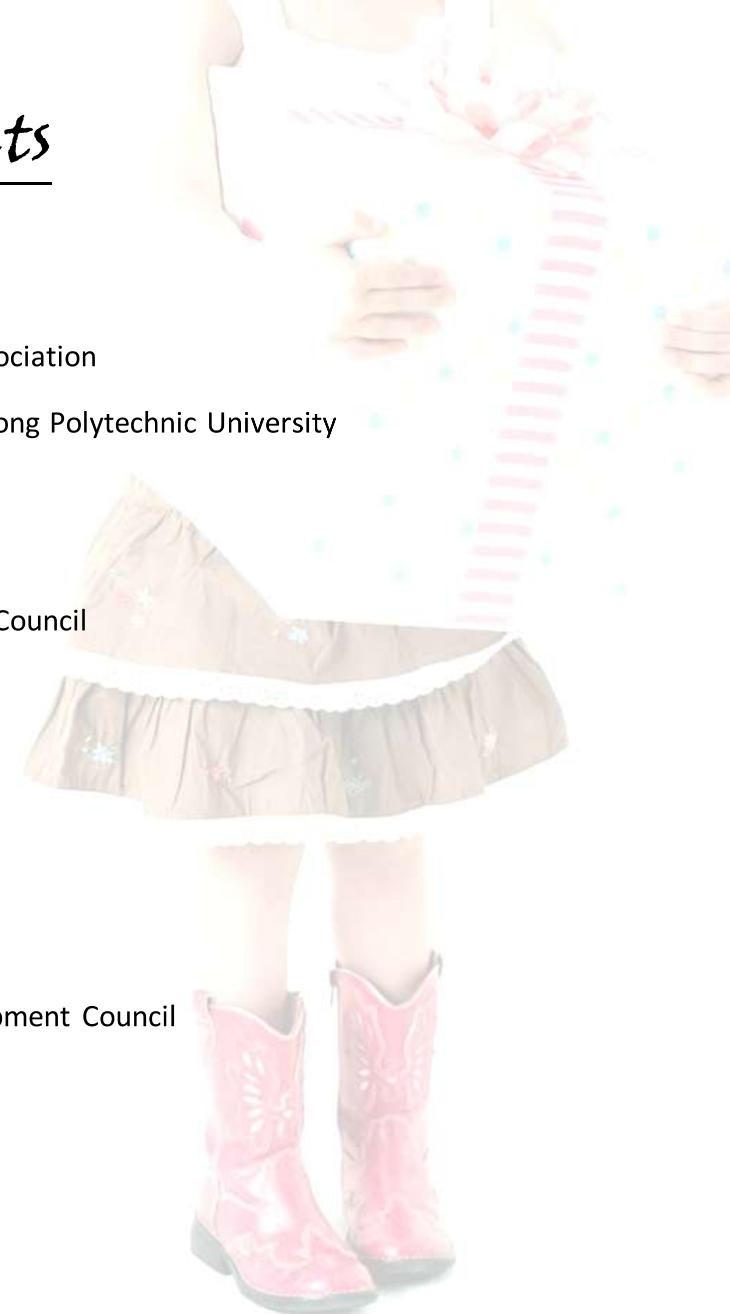
Mr. Eddie LUI, Executive Director, Jockey Club Creative Arts Centre

Mr. Lawrence MO, Chief Executive Officer, KanHan Technologies Limited

Ms. Eileen MOK, Manager, Planning & Research, Hong Kong Arts Development Council

Mr. Victor NG, Managing Director, Micom Tech Limited

Mr. Horace PAN, Vice Chairman, Hong Kong Interior Design Association



Acknowledgements

Mr. Gabriel PANG, Chairman, Hong Kong Digital Entertainment Association

Mr. Tony SHU, Executive Secretary, Movie Producers and Distributors Association of Hong Kong Limited

Mr. Kyran SZE, Managing Director, Aedas (Hong Kong) Limited

Mr. TSANG Sing Ming, Deputy Controller, External Affairs Division, Television Broadcasts Limited

Mr. Alan WAN, President, Jade Dynasty Publications Limited

Mr. Addy WONG, Chairman, Hong Kong Jewelry Manufacturers' Association

Mr. Raymond WONG, Director, Mandarin Films Distribution Company Limited

Mr. Mathias WOO, Executive Director, Zuni Icosahedron

Mr. Nicholas YANG, Chief Executive Officer, Hong Kong Cyberport Management Company Limited

Mr. Kevin YEUNG, Chairman, Hong Kong Fashion Designers Association

Ms. Mimi YEUNG, Fashion Director, CHINMAKK Consultancy & Business Services Limited

Mr. Louis YU, Chief Executive, Hong Kong Arts Development Council

Dr. Royce YUEN, Chairman, The Association of Accredited Advertising Agencies of Hong Kong

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