



香港工業總會  
FHKI

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Federation of Hong Kong Industries

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Industry News

**Press Release**

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### **FHKI releases results of survey on HK manufacturers' R&D activities**

#### **Around 80 per cent HK enterprises plan to increase R&D expense in next three years**

A survey conducted by the Federation of Hong Kong Industries (FHKI) shows that around 80 per cent of responding Hong Kong enterprises plan to increase their research and development (R&D) expenditure over the next three years with an average increase of 18 per cent. None of the responding enterprises indicates to cut back their R&D spending.

More than 60 per cent of the responding Hong Kong enterprises increased their R&D expenditure by an average year-on-year growth of 20 per cent, while more than 30 per cent of respondents maintained their R&D expenditure. In the past year, around 70 per cent of the enterprises invested more than HK\$1 million for R&D purposes and the median was HK\$3.1 million. Some of the respondents invested heavily in R&D, of which three of them devoted more than HK\$100 million for their R&D activities.

The FHKI conducted the survey among its members in September and October this year and collected a total of 82 valid responses. FHKI Chairman Jimmy Kwok states that the survey aims to collect the latest statistics on manufacturing industry's R&D expense, R&D activities and its need of scientific and R&D expertise. The FHKI will propose appropriate support measures to the Government on the basis of the survey result obtained.

Mr Kwok points out, "The survey reveals that Hong Kong manufacturers have been proactively allocating capital and human resources for R&D purposes. While the survey was conducted before the announcement of *Policy Address* in October, we expect to see a greater catalytic effect on R&D investment when related initiatives are implemented, including the triple tax deduction for R&D expenses and profits tax cut. We urge the Government to work out the practical arrangement expeditiously so that the companies can make full use of the measures."

#### **R&D Activities**

Sixty per cent of the enterprises conduct in-house R&D only, while 35 per cent carry out both in-house and externally contracted R&D. Only a minority of five per cent outsource all



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R&D projects.

Hong Kong manufacturers mostly set up production lines in Mainland China and thus they mainly perform R&D activities there. About 40 per cent of them perform in-house R&D activities in both Hong Kong and Mainland China, whereas 32 per cent do so solely in the latter.

### **R&D Personnel**

Regarding R&D personnel, the number of R&D staff employed by Hong Kong manufacturers makes up about 5 per cent of their total employees on average. 34 per cent of the responding enterprises operate a research team of ten or below, while 32 per cent boast a team of 50 or above. The enterprises tend to expand their R&D team and enhance their R&D capability. Among the R&D personnel, 83 per cent were employed in Mainland China, approximately 12 per cent in overseas and five per cent in Hong Kong.

Mr Kwok says, "The survey indicates that Hong Kong manufacturers mainly conduct R&D activities and employed researchers in Mainland China. We see the co-operation between Hong Kong and Mainland China as a natural development, as many of them have set up business operations in both places. We hereby urge the Government to introduce support measures that would take cross-border R&D expenses into account."

The findings also indicate that some 60 per cent of enterprises are satisfied with the qualifications and experience, as well as the R&D capabilities of the researchers. However, the issue of shortage in R&D personnel warrants attention. The findings show that more than 30 per cent of the responding enterprises are short of researchers, which represents an average shortfall of seven researchers per company, accounting for 28 per cent of the total R&D personnel needed. Some 80 per cent of the respondents require their R&D personnel to be master degree or bachelor degree holders.

### **R&D Field**

The responding enterprises' R&D field is mainly on product development, followed by process innovations, key production supports and new material applications, ranging from 50 to 60 per cent. More than 80 per cent of the enterprises are eager to look for partners or new technologies which are related to product development. Sixty per cent of the enterprises state that their R&D deliverables are ready to be commercialised or adopted by other companies.



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Mr Kwok says, “Companies have to strive for innovations and keep up with the times in order to maintain their competitive edges under the ever-changing business environment and stand out from the fierce competition. Embracing the concept of Industry 4.0, which has long been advocating by the FHKI, helps the enterprises to achieve upgrading and transformation as the way out. According to the survey, approximately 90 per cent of the enterprises indicate the need of introducing Internet of Things (IoT) and production automation technologies, implying that they are recognising the importance of adopting new technology.”

He continues, “Nevertheless, the number of enterprises which have introduced and provided IoT technology takes up about 20 and 30 per cent of the total respondents respectively only. Half of the respondents have adopted production automation and provided related technology. We hope that more companies will step up their efforts in these two areas to boost the rate of application and production, thereby enhancing their competitiveness.”

### **R&D Capital**

The survey also reveals that more than 90 per cent of the responding enterprises finance their R&D projects themselves. The manufacturers hope to see Government assistance for R&D activities, including the provision of tax concessions (91 per cent) and financial subsidies (79 per cent). While more than 90 per cent of enterprises would like to be granted tax deduction for R&D expenses, as proposed in the *Policy Address*, enterprises also hope to see a larger amount of depreciation allowances (57 per cent), reduction of R&D capital expenditure interest (56 per cent) and exemption of patent and copyright income tax (49 per cent).

Mr Kwok urges the Government to offer greater support for Hong Kong enterprises to reinforce their strength by developing innovative R&D, and in turn drive the economic development in Hong Kong.

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