

Table 1 Firms

Leather Company	Supermarket	Ice-cream Shop	Steel Bars Manufacturer
Design Firm	Juice & Jam Manufacturer	Coffee Grinding Factory	Electronic Products Store
Property Agency	Hotel	Textile Factory	AV Outlet
Construction Company	Paper Miller	Boutique	Travel Agency
Clement Production	Publisher	Computer Store	Salon
Timber Manufacturer	Stationery Wholesaler	Computer Programming Firm	Marketing & Advertising Firm
Shipyard	Furniture Manufacturer	Furniture Outlet	Bookstore

Seamen Training Centre	Insurance Agency	Seafood wholesaler	Bank
Truck Hire Company	Logistic Company	Restaurant	Design Firm
Tow Company	Fruit Store	Airline Company	Bakery
Farmers	Computer Manufacturer	Cafe	Recruitment Agency
Mobile Parts Manufacturing Company	Mobile Manufacturing Company	Mobile Wholesalers	Mobile Retailers
Computer Retailers	TOPCON	Plantation (Nursery)	Perfume Manufacturing Company

Hutchison	Cloth Manufacturing Company	Cloth Wholesalers	Garment Factory
Perfume Wholesalers	Perfume Retailers	Bonjour Cosmetic Centre	Garment Wholesalers
Apple Shop	Pork Seller in Wet Market	Café de Coral	Paper Wholesalers
Pork Supplier	Barbeque Shop	Paper Recycle Company	Magazine Company
Logging Firm	Furniture Manufacturing Company	Ikea	Toy Wholesalers
Computer Wholesalers	Furniture Wholesalers	Plastic Manufacturing Company	Toy Manufacturing Company

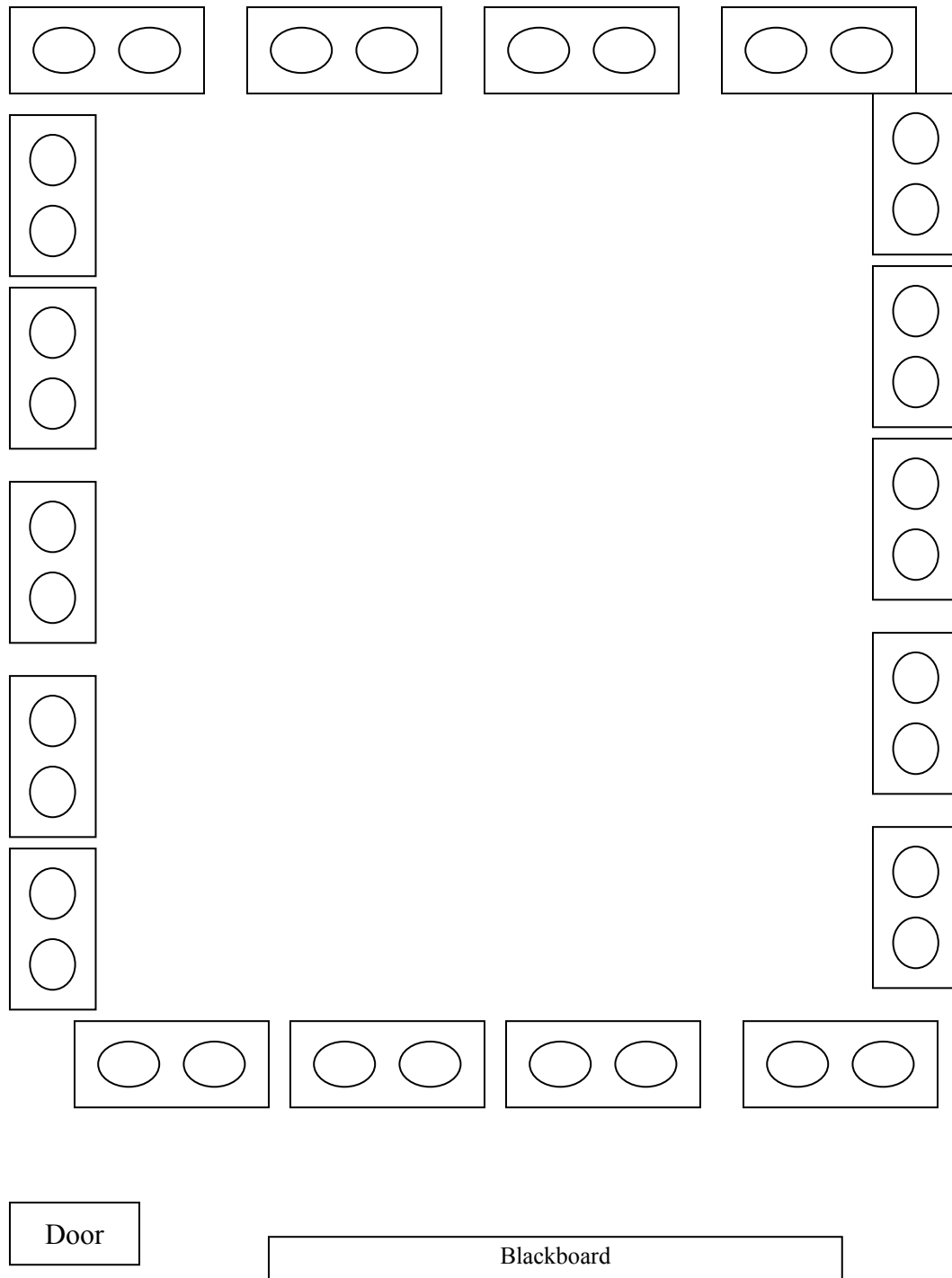
Toy R Us	Car Parts Wholesalers	Car Company	Iron Manufacturer
Car Parts Company	Car Wholesalers	Iron Recycle Company	Fan Wholesalers
Fan Retailers	Computer Wholesaling and Retailing	Computer Parts Manufacturing	Cosmetic Manufacturer

Table 2 Blackboard Arrangement

Rounds	Requirements	Results	Reasons
	<i>Underlined in the teaching plan.</i>		



Table 4: Suggested Sitting Plan



**Marks and Rewards**

- 2 point for each case of correct integration
- 2 point for each reasonable motive for integration.
- 1 point for recording & commenting integration of other groups.

Round No.	Requirements	The company(s) I chose	Type(s) / Motive(s)	Recording & commenting integration of other groups.	Reason(s) for your comments	Mark(s)
1						
2						
3						
4						

### Fact Sheet on Integration of Firms

Integration	Definition	Motives
<b>Vertical Integration</b>	<p>Occurs when firms at different stages of production of the same product combine together. This can be divided into backward &amp; forward integration.</p> <ul style="list-style-type: none"> <li>➤ <b>Vertical backward integration:</b> Vertical Backward integration occurs when a firm combines with another firm in its preceding stage of production.</li> <li>➤ E.g. a garment factory integrates backwards when it combines with a weaving factory, because weaving precedes garment-making in clothes production.</li> <li>➤ E.g. Cheung Kong (Holdings) Ltd integrated with Anderson Asia (Holdings) Ltd to ensure a steady supply of building materials.</li> <li>➤ <b>Vertical forward integration:</b> Vertical forward integration occurs when a firm combines with another firm in a later stage of production.</li> <li>➤ E.g. A garment factory integrates forwards when it combines with a boutique, since garment selling follows garment production.</li> </ul>	<p>Ensuring a steady supply of raw materials.</p> <p>Enjoy economies of scale</p> <p>Ensuring adequate market outlets.</p> <p>Enjoy economies of scale</p>
<b>Horizontal Integration</b>	<p>It takes place when firms producing the same product or at the same stage of production combine together.</p>	<p>Turning competitors into partners.</p>



	<ul style="list-style-type: none"> <li>➤ E.g. Hong Kong Bank took over Hang Seng Bank in 1964.</li> <li>➤ E.g. In 1998, British Petroleum acquired AMOCO.</li> </ul>	Enjoy economies of scale
<b>Lateral Integration</b>	<p>IT occurs when firms producing related products combine together.</p> <ul style="list-style-type: none"> <li>➤ E.g. The publication of the Apple Daily (蘋果日報) by the Next Magazine Publishing LTD(壹週刊出版有限公司)</li> <li>➤ E.g. Ah Yee Leng Tong was taken over by Café de Coral at HK\$14 million in May 1990.</li> </ul> <p>It occurs when firms in entirely different lines of production combine together.</p>	<p>Diversify production and reduce risk.</p> <p>Enjoy economies of scale</p>
<b>Conglomerate Integration</b>	<ul style="list-style-type: none"> <li>➤ E.g. Swire Pacific LTD (太古股份有限公司) is a conglomerate formed by integrating different firms engaging in aviation, property, industries, trading, marine services and insurance.</li> <li>➤ E.g. in 1972, the HK Land LTD took over the Dairy Farm Co., LTD</li> </ul>	<p>Diversify production and reduce risk.</p> <p>Enjoy economies of scale</p>

References:

1. LI, W. S, 1992. "New Introductory Economics 1. 2<sup>nd</sup> Ed". (Hong Kong: Longman Hong Kong Education).
2. Wong, D.M.B, Chan, T., 1997. "Elementary Economics for Hong Kong 1B, 4<sup>th</sup> Ed. (Hong Kong: Pilot Publishing Company Ltd).
3. 李兆麟，陳劍雄，2000•《生活經濟學1》〔香港：培生教育出版亞洲有限公司〕