

Legislative Council Panel on Commerce and Industry

**Supplementary Information on Assistance to Hong Kong Enterprises
in Tapping the Mainland Domestic Market**

At its meeting on 19 October 2010, the Legislative Council Panel on Commerce and Industry requested the Administration to provide supplementary information on assistance given to Hong Kong enterprises in tapping the Mainland domestic market and the number of employees hired by major manufacturing industries in Hong Kong. This note sets out the requested information.

Assisting Hong Kong enterprises in tapping the Mainland domestic market

2. One of the major initiatives in the “Framework Agreement on Hong Kong-Guangdong Co-operation” is to encourage Hong Kong enterprises to tap the Mainland domestic market. The HKSAR Government has been assisting Hong Kong enterprises in opening up the Mainland domestic market through various efforts, including the following:

(I) Conveying the trade’s views to the Mainland authorities

- The HKSAR Government maintains close dialogue with the trade through various channels, including the “Task Force to Support the Processing Trade”, LegCo Members and business associations to understand their views and concerns. The Economic and Trade Offices of the HKSAR Government in the Mainland (Mainland Offices) also maintain close liaison with Hong Kong enterprises operating in the Mainland. On the other hand, we keep in close contact with Mainland authorities at various levels (including through the “Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade”) to convey the trade’s views on problems encountered in the process of opening up the Mainland market, and discuss with them improvement measures, including simplifying the procedures for Hong Kong enterprises to open

distribution and retail outlets, strengthening the protection of intellectual property rights, simplifying the procedures for quality supervision and inspection, etc.

(II) Domestic sales forums and trade fairs

- The HKSAR Government supports and encourages Mainland provinces and cities to organise more business matching forums and trade fairs (e.g. the “Guangdong Foreign-invested Enterprises Commodities Fair” held by the Guangdong authorities in Dongguan). The Hong Kong Trade Development Council (HKTDC) also organises many trade fairs in the Mainland to enhance the awareness over Hong Kong brand products, e.g. the second “Hong Kong Consumer Products Expo” held in Guangzhou in January this year, the “Style Hong Kong Show” held in Fuzhou, Shenyang and Jinan in April, August and October respectively.

(III) Providing information on Mainland market

- The Trade and Industry Department (TID) and Mainland Offices disseminate information on trade-related policies, legislation and measures to Hong Kong enterprises by means of circulars and newsletters. TID’s website includes a dedicated page on business information on Mainland China, with hyperlinks to the economic and trade websites of 190 Mainland authorities. This platform facilitates Hong Kong enterprises in getting access to trade-related information on the Mainland.
- In addition, HKTDC publishes useful research materials, such as “Guide to Selling in China”, “Domestic Sales Strategy” and “Profiles of Mainland Cities as Key Consumer Markets”, to update Hong Kong traders on the latest developments in the Mainland market. These publications, together with the profiles and statistics of Mainland provinces and cities, have been uploaded onto HKTDC’s website for reference of the trade. In April this year, HKTDC launched a Design Gallery online shop on Taobao, an online trading platform in the Mainland, so that Hong Kong traders can showcase their products directly to Mainland consumers through the internet.

(IV) Assisting enterprises in branding development

- The HKSAR Government also attaches importance to assisting enterprises in developing brands for tapping the Mainland domestic market. In 2009-10, TID allocated grants of more than HK\$3.4 million under the SME Development Fund (SDF) to support a number of projects relating to the development and promotion of Hong Kong brands (including the setting-up of showrooms in large-scale exhibitions to showcase Hong Kong products). The SDF also granted over HK\$1 million to fund surveys and research projects on Mainland domestic sales conducted by a SME support organisation. TID will encourage more eligible organisations to apply for funding under the SDF for projects aiming to promote brands, and to tap the domestic market and other new markets.
- In December 2009, TID and HKTDC co-organised for the first time a high-level conference entitled “Brand-building - Opening up the Ten Trillion Mainland Domestic Market”, during which entrepreneurs who successfully tapped the Mainland market were invited to share their experience and business insights. Professionals were also invited to speak on topics such as distribution channels in the Mainland, labour laws, customs declaration and taxation, etc. In view of the positive response from participating enterprises, TID and HKTDC will co-organise again a high-level conference entitled “Optimising Branding Strategies to Venture into the Mainland Consumer Market” on 2 December 2010.

(V) Extending the insurance coverage of the Hong Kong Export Credit Insurance Corporation (ECIC)

- In view of the fact that many Hong Kong enterprises have relocated the production processes outside Hong Kong and set up subsidiaries in the Mainland or overseas, ECIC, after detailed study and discussions with the Government, will extend insurance coverage to contracts between Hong Kong enterprises’ wholly owned subsidiaries and their buyers. The extension would offer Hong Kong enterprises better credit risks protection when developing businesses in overseas

and Mainland markets. ECIC is now working on the implementation details. It is expected that the new arrangements could commence early next year.

The number of employees hired by the major manufacturing industries in Hong Kong

3. According to the latest "Quarterly Report of Employment and Vacancies Statistics" by the Census and Statistics Department, the number of employees hired by five major manufacturing industries in Hong Kong (as at June 2010), are as follows:

- i. Food products and beverages: 25,558 (21.3%)
- ii. Printing and reproduction of recorded media: 19,369 (16.2%)
- iii. Wearing apparel: 15,263 (12.7%)
- iv. Electronics: 9,913 (8.3%)
- v. Textiles: 6,377 (5.3%)

The above five industries account for about 64% of the total employment of the manufacturing sector.

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