

A light blue map of the Greater Bay Area is the background. It features a series of decorative dots in orange, blue, and white, arranged in a curved path across the map. The text is centered over the map.

RESEARCH REPORT

on Domestic Sales of Hong Kong Manufacturers in the Greater Bay Area

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Executive Summary

Jointly conducted by the GBA Think Tank under the auspices of the Federation of Hong Kong Industries (“FHKI”) and Standard Chartered Hong Kong, the “**Research Report on Domestic Sales of Hong Kong Manufacturers in the Greater Bay Area**” (the “Report”) aims at understanding the latest conditions of Hong Kong manufacturers with factory operations in the Greater Bay Area (GBA), and performance of domestic sales in Mainland China. Specific recommendations are made to relevant stakeholders to address the challenges raised by the industry. The expansion of domestic sales businesses can incentivise Hong Kong manufacturers to accelerate industrial upgrade and transformation, driving demand for producer services and giving a major boost to Hong Kong’s economic development.

Through questionnaire surveys, in-depth interviews, focus group discussions and literature review, this Report aims to understand the business strategies, trade barriers and other challenges encountered by Hong Kong manufacturers in the GBA as they pursue expansion in domestic sales. This Report also includes analysis on the latest quarterly data of the Standard Chartered GBA Business Confidence Index (“GBAI”) to obtain a broader view on how internal circulation economy affects the business strategies of companies in five major industries in the GBA.

Hong Kong companies are eager to capture huge business potential in the domestic market

The survey was conducted among members of FHKI and its Pearl River Delta Council from September to October in 2021. A total of 104 completed questionnaires were collected, of which 84 respondents have factory operations in the GBA. A majority of 83.3% is engaged in domestic sales, while most of them are also engaged in exports at the same time. Some enterprises have well established business in the domestic market, especially those who had entered it in earlier years. Nevertheless, many of them are still at the inception stage where export remains their major business. 83.1% of them have plans to further expand domestic sales in the coming two years, regardless of whether the return from domestic sales has already met the company’s expectation.

The huge market potential is the major driver for Hong Kong enterprises to invest or plan to invest in the domestic market, with an average score of 4.3 (5 being the highest), followed by “making full use of established business network” and “business upgrade and transformation”.

Strengthening R&D to seize the higher-end market

Strategically, Hong Kong manufacturers tend to invest more in product R&D and target the middle or high-end market. It is difficult for them to engage in price competition with Mainland competitors in the lower-end market due to the cost structure.

For finished goods, key sales channels are traditional e-commerce platforms, distributors, and business networks. Only 24.1% of the manufacturers of finished goods use social e-commerce platforms as their key sales channel. The intense competition and high advertising costs in the Mainland China’s



e-commerce platforms make it challenging for export-oriented, wholesale manufacturers to adapt to domestic retail business.

The rapid industrial growth in the Mainland also creates huge demands in intermediate products in recent years. Private enterprises and foreign brands are the key buyers for intermediate products. Since intermediate products manufacturers often meet their business partners in person to negotiate deals, they are particularly affected by border control measures during the pandemic.

Looking forward, 74% of respondents engaging/planning to engage in domestic sales believe that competition with their Mainland competitors will become more intense. Only 19.5% believe that Hong Kong enterprises can maintain their competitive advantage. Although the domestic market is vast, there are significant challenges for manufacturers to fully harness the opportunities therein.

Credit risk is the major obstacle for domestic sales expansion

“High credit risk” - with an average score of 4.12 (5 being the highest) - is perceived as the biggest obstacle among Hong Kong enterprises when they tap into the domestic market, followed by “stringent environmental policies and business regulations” (scored 3.97), “labour shortage” and “complex tax and administrative charges” (scored 3.94 each), and “insufficient IP protection”, “Intense competition on e-commerce platforms” and “Rising land cost/ rent” (scored 3.81 each). In addition, cross-border financial services are inadequate to meet enterprises’ business needs. 71.4% find that collection services are insufficient, while 66.2% pointed out that cross-border liquidity management services should be enhanced.

Key industries respond differently towards “dual circulation” strategy

The GBAI survey showed that the financial services and manufacturing and trading industries respond most positively towards the “dual circulation” strategy among the five key industries, while the innovation and technology (I&T) industry has the most positive forecasts on short to mid-term profits.

Policy Recommendations

The sizable and resilient domestic market presents an enormous business opportunity, incentivising Hong Kong manufacturers to upgrade their business and further invest in technology R&D. In this context, the HKSAR Government and relevant stakeholders should take actions in addressing the difficulties encountered by Hong Kong manufacturers to help them seize the opportunities in the GBA and bolster other economic activities such as R&D and financial services.

Credit risks must be addressed to give domestic market full play

High credit risk is regarded as one of the key challenges encountered by Hong Kong manufacturers in domestic sales. Payment delay is a common phenomenon that places significant financial pressure on SMEs, weakening their incentive to expand domestic sales. In Hong Kong, the HKSAR Government should review the role of the Hong Kong Export Credit Insurance Corporation on a macro level as the safety net for Hong Kong manufacturers engaging in domestic sales. It may consider offering credit insurance to cater domestic trade, enhancing its underwriting capability for higher-risk markets, and simplifying processing



procedures for smaller business policy. Further strategic co-operation opportunities with Sinosure should be sought in insurance and credit management areas. At present, Sinosure's domestic trade credit insurance products mostly target corporate clients. If Sinosure can further extend their products to banks, credit risk exposure of banks can be effectively shared and reduced. Bank clients' receivable assets can be better utilised with more flexible and economical financing channels and solutions available.

Strengthening cross-border financial services

Considering the frequent interaction and the needs for cross-border fund flow management services between Hong Kong enterprises and their Mainland subsidiaries in daily operations, regulators may consider launching a pilot cross-border cash pool for SMEs in the GBA to facilitate the flow of cross-border funds to support Mainland subsidiaries in a more orderly and effective manner. At the same time, as SMEs have relatively limited internal resources, regulatory agencies may consider simplifying the application process and reduce the Mainland subsidiaries' uncertainty on the approval time of remittance transfer to attract more Hong Kong enterprises to invest in the Mainland cities in the GBA. It can also further actualise the implementation of "30 Financial Measures" in opening up markets and the internationalisation of RMB.

Given that many international banks provide cross-border financial services, the banking industry and the governments in Hong Kong and the Mainland should work more closely to review the credit risk management of cross-border businesses, strengthen the services of transaction banking, cross-border financing, payment, and other products to provide more diversified products and services to businesses.

Establishing GBA product quality standards

Product quality is one of Hong Kong manufacturers' greatest strengths. If manufacturers can take part in the formulation of GBA standards in key areas, they can help improve the quality performance of Mainland industries and consumers' preferences, as well as to enhance their own competitiveness. Therefore, the HKSAR Government should proactively discuss with Mainland authorities to engage Hong Kong manufacturers in setting standards that are simultaneously applicable in the GBA and internationally. For new types of products and services in the innovative and technology sector which have yet derived industry standards, the HKSAR Government should connect Mainland authorities with the local I&T sector to ride on Hong Kong's strength as an international I&T hub to set new standards for emerging industries together.

Empowering green industrial transformation

With the national goals of reaching carbon peak by 2030 and carbon neutrality by 2060, the environmental regulations in the Mainland will become more stringent and suppliers will be under pressure by larger companies to reduce carbon emissions. Hong Kong manufacturers must act swiftly in improving environmental performance and reduce energy-intensive production activities. Harnessing Hong Kong's R&D capability, the HKSAR Government should support Hong Kong manufacturers in R&D and application of green production solutions to meet decarbonisation and compliance requirements ahead of time.



From the perspective of international integration, the green finance framework in the Mainland is significantly different from those in Hong Kong and internationally. To enhance the incentives and inclusiveness of green finance among businesses, regulators in the Mainland and Hong Kong may consider facilitating the implementation of a pilot green finance framework in the GBA that more similar to Hong Kong and international standards, with the aims to give businesses an easier access to green financing solutions and to promote the development of innovative green products to contribute to the goal of carbon emission reduction.

This Report also makes policy suggestions on the **talent flow and I&T co-operation in the GBA, streamlining business regulations across 9+2 GBA cities, collaborations in intellectual property protection and promotion of the Hong Kong brand** to help Hong Kong enterprises expand domestic sales smoothly.



Foreword



The national “14th Five-Year Plan” outlines the formation of “dual circulation” economic pattern at full speed, with the domestic market as the main body to drive integration of internal and international circulations. This creates enormous opportunities for Hong Kong’s economy to better integrate into the overall national economic development. At the forefront of high-quality development, the Guangdong-Hong Kong-Macao Greater Bay Area is not only an important advanced manufacturing base but is also the best entry point for Hong Kong businesses to tap into internal circulation. Hong Kong manufacturers should seize the expanding Mainland market where demand for quality products is rising and take this opportunity to accelerate industrial upgrade and transformation. With the support of technology and innovation, Hong Kong industrial companies are well-positioned to take part in the internal circulation economy and break new grounds riding on the national economic strategy.

Hong Kong manufacturers often have their headquarters in Hong Kong and factories in the Mainland. The industries and businesses in the Mainland create demand for producer services in Hong Kong and make significant contributions to the local economy. Serving as an important link to translate I&T achievements to applicable solutions, the manufacturing sector can ride on the enormous domestic sales market to generate further demand for Hong Kong’s I&T and professional services markets, fuelling the growth of Hong Kong’s economy.

This timing and context led to this research collaboration between the Federation of Hong Kong Industries and Standard Chartered Hong Kong to obtain a deeper understanding of the latest conditions of Hong Kong manufacturers with factory operations in the GBA and the challenges they are facing, and to make policy recommendations to relevant stakeholders accordingly. It is our hope that, driven by the internal circulation economy, Hong Kong manufacturers can fully harness Hong Kong’s I&T capabilities and professional services to propel the “Made by Hong Kong” industries to greater success.

Dr Sunny Chai

Chairman, Federation of Hong Kong Industries

March 2022



Foreword



I am honoured to take part in the GBA Think Tank established by the Federation of Hong Kong Industries and the release of this Research Report. The Report findings show the challenges and opportunities faced by various stakeholders of Hong Kong manufacturers in the Greater Bay Area, and the findings are a valuable asset to help us better understand both our corporate and individual clients in the GBA under the "dual circulation" strategy.

The Greater Bay Area, consisting of the 9+2 cities, contributes up to 12% of the national GDP, driven by the enormous development and opportunities in the area. Guangzhou plays the leading role in manufacturing, trading, and logistics, while Shenzhen is a globally renowned area in I&T, combined with Hong Kong as the international financial centre providing professional and premier banking services for the clients in the GBA.

Although the pandemic has placed temporary pressure on economic growth and has limited travel in the area, our clients can enjoy cross-boundary banking services with the help of cutting-edge FinTech and digital banking. Standard Chartered will continue to support the development of GBA as the financial hub of the region, by facilitating more cross-boundary financial services such as Wealth Management Connect, developing financial innovations, offering green and sustainable financing, setting up a GBA centre in Guangzhou and nurturing young talents in the GBA.

Anthony Lin

CEO, Greater Bay Area, Standard Chartered

Vice Chairman, GBA Think Tank, Federation of Hong Kong Industries

March 2022



1. Research Objectives and Methodology

1.1 Background and Objectives

In 2020, the Mainland Government outlined the strategy to expand China's market scale and potential domestic demand through the formation of the "dual circulation" economic pattern, with a focus on domestic circulation. Subsequently, to alleviate the impact of sluggish export markets on businesses, Guangdong province launched a series of measures that supported the domestic sale of export products to encourage and facilitate export companies to broaden sales channels.

This Report was jointly conducted by the GBA Think Tank under the auspices of the Federation of Hong Kong Industries ("FHKI") and Standard Chartered Hong Kong. Combining qualitative and quantitative methods, the research targeted Hong Kong manufacturers who had factory operations in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") to understand their participation in domestic sales and short-term business expansion plan. The Report then made policy recommendations that addressed the challenges raised by the industry to relevant stakeholders. Since Hong Kong manufacturers often have their headquarters in Hong Kong and factories in the Mainland, if businesses could seize the enormous domestic sales market and take this opportunity to accelerate industrial upgrade and transformation, it can create a sustained demand for producer services and high-value-added economic activities in Hong Kong – such as technology R&D, design, logistics and trading, financial, legal and insurance services – to inject new impetus for the local economy.

1.2 Methodology

The research team conducted a questionnaire survey, in-depth interviews, and a focus group discussion to understand the conditions of Hong Kong manufacturers with domestic sales business, their strategies in the domestic market, and the trade barriers and other challenges they have encountered. In addition, the research team analysed the latest findings of Standard Chartered GBA Business Confidence Index ("GBAI") quarterly survey to understand how internal circulation economy affected the business strategy of companies from five key industries in the GBA.

1.2.1 Questionnaire, in-depth interview and focus group discussion

The target of the questionnaire survey included members of FHKI and its Pearl River Delta Council. A total of 104 valid questionnaires were collected during September and October in 2021. Moreover, the research team conducted in-depth interviews with ten Hong Kong industrialists from August to November and a focus group discussion in November that same year to understand their first-hand experiences of exploring the domestic market. Participants of the focus group discussion mostly came from emerging and innovation and technology (I&T) industries to study whether the obstacles they encountered in the process of expanding domestic sales business were like those of traditional manufacturing industries.



1.2.2 Standard Chartered GBA Business Confidence Index

GBAI is the first forward-looking quarterly survey in the market that looks at the business sentiment and synergistic effects across cities and industries in the GBA. Jointly presented by the Standard Chartered Hong Kong and the Hong Kong Trade Development Council, the GBAI is based on information drawn from quarterly surveys of over 1,000 companies operating in the GBA across different industries, including manufacturing and trading, retail and wholesale, financial services, professional services, and I&T.

To have a more comprehensive understanding of the outlook towards domestic sales market across industries, the FHKI and GBAI research teams included questions related to the national dual circulation strategy in the 2021 Q4 survey.



2. Conditions of Domestic Sales

Key findings



2.1 Respondents' background

Out of 104 valid questionnaires received, 84 respondents (80.8%) have factory operation in the GBA (**Fig. 1**), over 60% have 500 or less employees (**Fig. 2**). Majority of them are manufacturing computer/electronic products, plastics, metals, toys, and electrical appliances (**Fig. 3**).

Fig. 1 Factory operations in the GBA

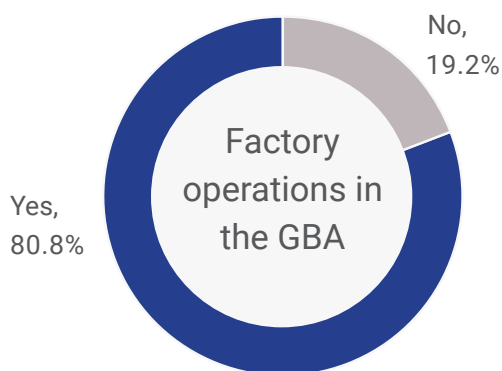


Fig. 2 Number of employees

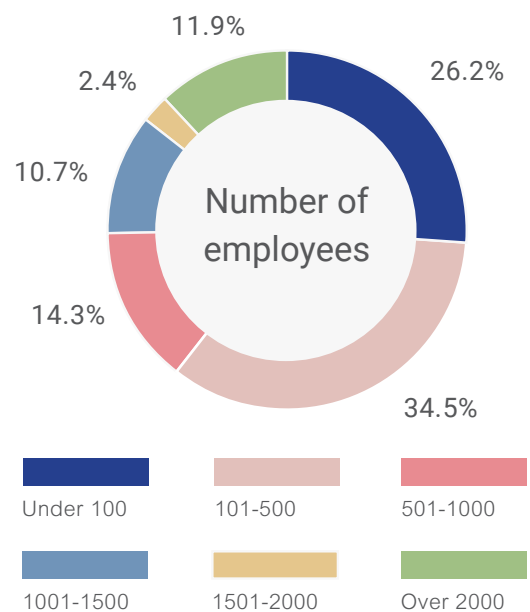
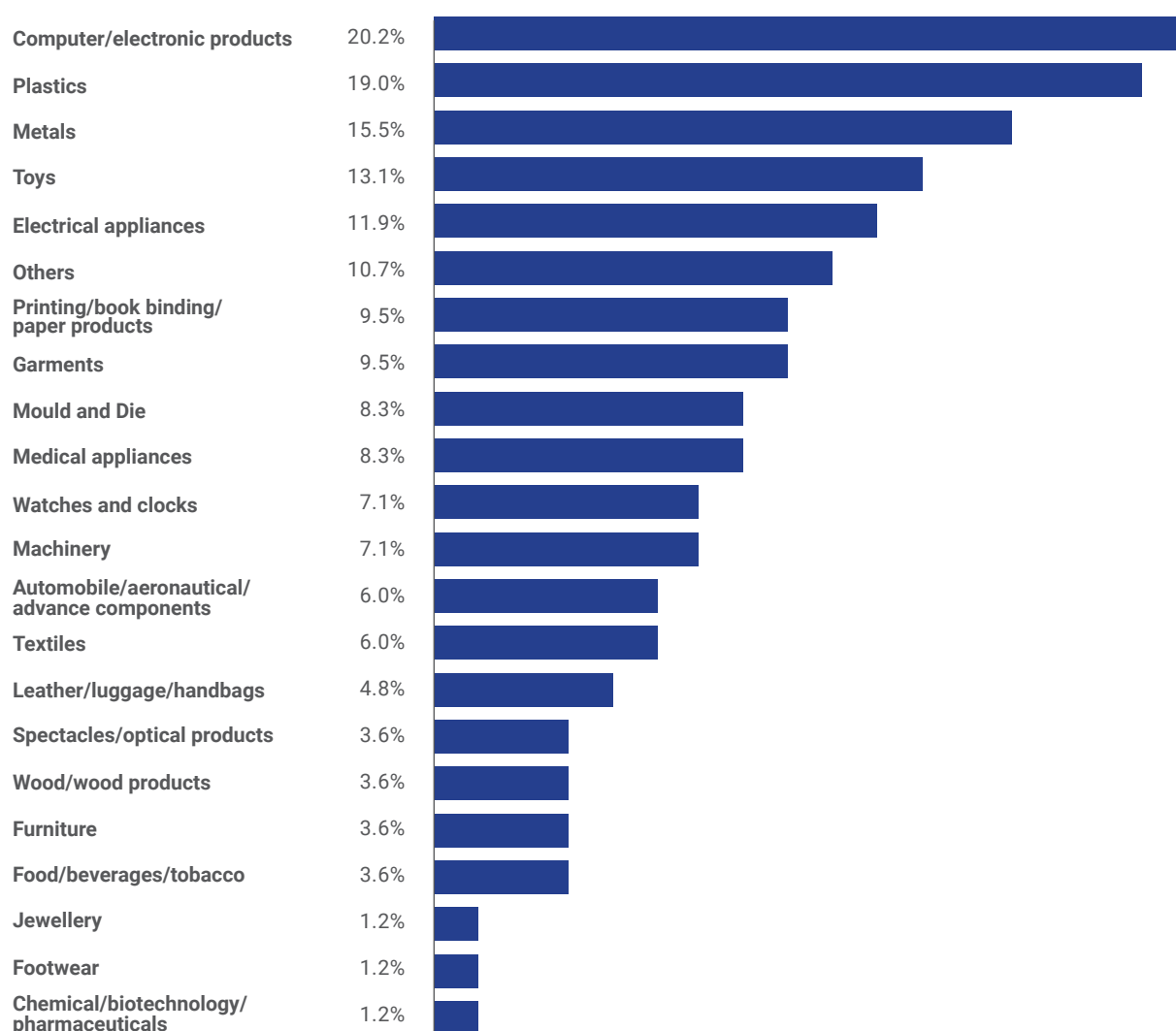


Fig. 3 Types of industries (multiple options)



2.2 Hong Kong businesses are eager to expand domestic sales

Most of the Hong Kong manufacturers operating in the Mainland today were first set up in Hong Kong and relocated production lines to the Mainland during the 80s and 90s. Traditionally, their major clients came from Europe and the United States. The “Made by Hong Kong – The Way Forward for HK Industries” report published by FHKI in 2021 studied the contribution of Hong Kong manufacturing export enterprises to the country’s overall manufacturing exports between 2000 and 2016. The report found that there were approximately 15,000 (4.6% of total) Hong Kong manufacturing export enterprises in Mainland China in 2016, but they contributed approximately 19.0% of the country’s overall manufacturing export. The figures indicated that Hong Kong manufacturers are more inclined to export markets than Mainland enterprises¹.

As a result of the global economic landscape and rising purchasing power in the Mainland, most Hong Kong businesses have attempted to expand into the domestic market at some point. When China’s external trade reduced dramatically after the 2008 financial crisis, the Chinese Government put forward

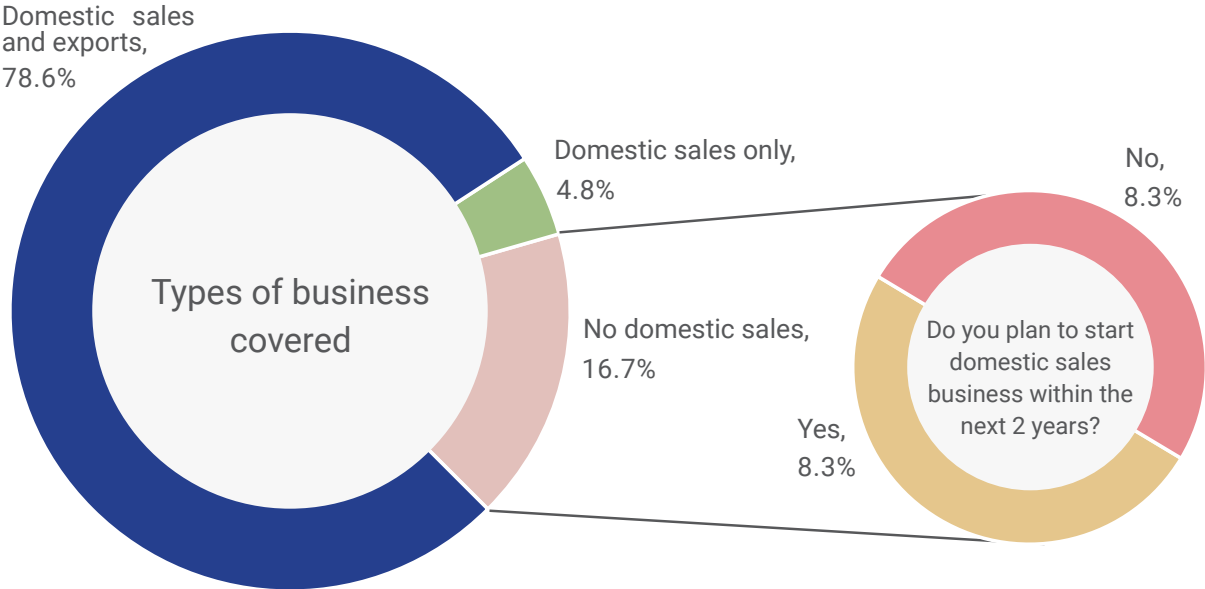
¹ FHKI (2021). Made by Hong Kong – The Way Forward for HK Industries.



“Home Appliances Going to the Countryside” (「家電下鄉」) policy and organised exhibitions to support the domestic sales of products originally intended for export, incentivising Hong Kong enterprises to start their domestic sales business. In recent years, the Mainland market have shown great resilience under the impact of China-US trade tension and global economy downturn caused by the COVID-19 pandemic. While maintaining their export business, some Hong Kong manufacturers increased the share of domestic market to stabilise overall sales. The “China +1” model gradually emerged for manufacturers to cover both external trade and domestic sales more effectively.

The survey results show that majority (83.3%) of the 84 respondents with factory operations in the GBA are operating domestic sales business, and most of them cover both export and domestic trades. Only a very small proportion covers solely domestic sales business (Fig. 4). Half of the 16.7 % respondents who are not operating domestic sales business plan to start in the next 2 years.

Fig. 4 Types of business covered



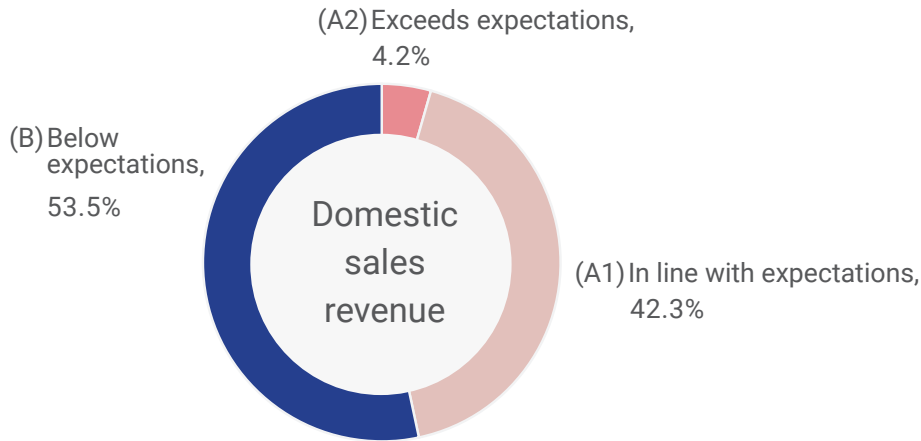
2.3 First movers gain competitive advantages

In terms of business performance, 53.5% of respondents with factory operations and domestic sales business in the GBA says the revenue from domestic sales business is lower than expected, whereas 46.5% says the revenue is in line with or higher than their expectation (Fig. 5). Regardless of revenue, 83.1% of respondents would expand their domestic sales business within the next 2 years.

Hong Kong manufacturers tend to expand domestic sales businesses based on characteristics of the Mainland market and to cover the upstream and downstream of the supply chain. For instance, some would utilise the manufacturing know-how and technologies accumulated over the years to invest in R&D of smart production facilities and technology transfer. A company representative said that continuous investment in green and automation equipment is essential for their operation to comply with new environment regulations and maintain cost control for the domestic market.



Fig. 5 Domestic sales revenue



Among the respondents with factory operations in the GBA who are already operating/would operate domestic sales, 68.8% of enterprises predict to see less than 20% growth in domestic sales within the next 2-3 years; very few enterprises predict zero to negative growth (**Fig. 6**). The research team divided the responses into two groups according to domestic sales revenue for further analysis: (A) In line with or exceeds expectations; and (B) below expectations². Results show that the former holds a more positive outlook on business prospects, while their domestic sales also take up a larger share of their overall sales. Over 40% (40.6%) of Group (A) respondents predict over 20% growth in their domestic sales within the next 2-3 years, more than double of Group (B) (15.8%). 27.3% of Group (A) respondents say that domestic sales make up 41% to 60% of their overall turnover, while another 12.1% says that this share is over 80% (**Fig. 7**).

Fig. 6 Predicted growth in domestic sales within the next 2-3 years

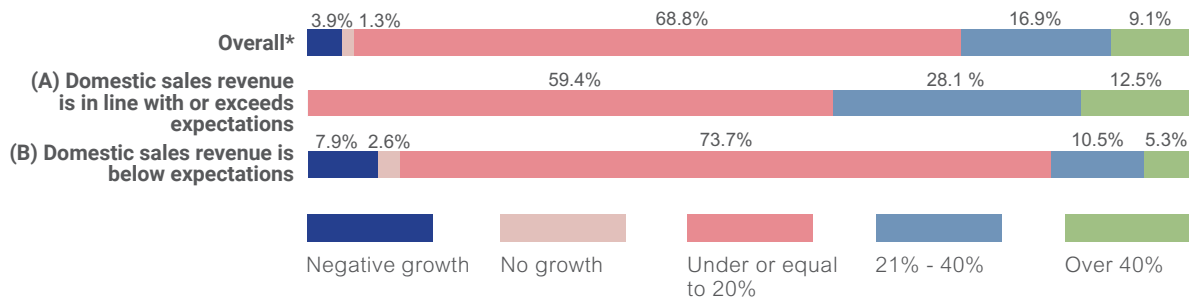
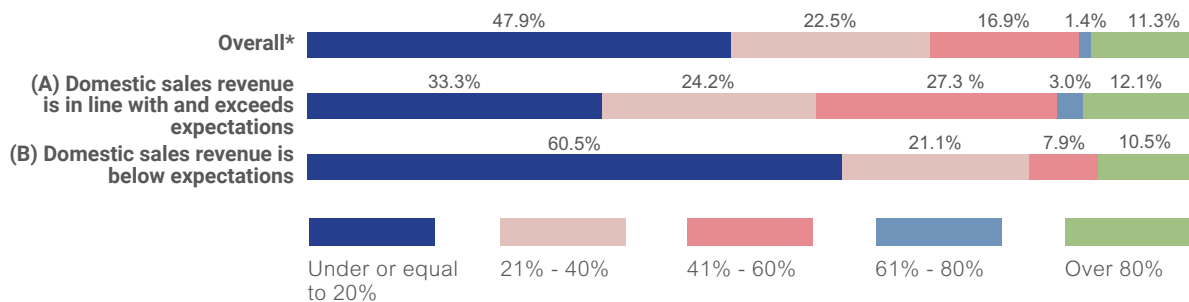


Fig. 7 Domestic sales as a percentage of overall turnover

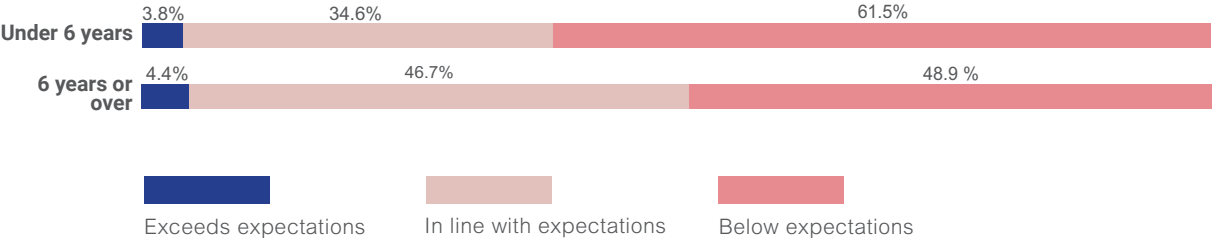


² The question on domestic sales turnover was directed only to respondents who were engaged in domestic sales, but some other questions were also given to respondents who planned to start domestic sales in the near future, so some of the "overall" figures in the following parts of the Report also covered respondents other than Group A and B. The figures are marked with "*" in such cases.

Upon separating the respondents into a group that have conducted domestic sales for over 6 years and another for under 6 years, the research team found that a larger proportion of the former group considered their revenue from domestic sales to be in line with or exceeded their expectations than those in the latter group (Fig. 8).

Since the Mainland market used to be less competitive when the business and sales model was relatively straightforward, Hong Kong manufacturers that entered the domestic sales market in earlier years have developed competitive advantages more easily. In the past decade, the domestic market has undergone tremendous changes in terms of consumption levels, market demand and sales channels. It has become increasingly difficult for Hong Kong manufacturers to grasp the rapid changes in the Mainland. Those starting domestic sales business now find it more challenging to build their presence, and thus are generally more reserved in future business growth.

Fig. 8 Business performance by year of experience in domestic sales



2.4 Trends of enterprises in upgrading and diversifying businesses

While original equipment manufacturing (OEM) has been the mainstream business model of Hong Kong manufacturers, many have attempted to build original brands and develop more diverse business lines. Among the respondents with factory operations and domestic sales business in the GBA, 80.3% of them are engaged in OEM, more than half are engaged in original design manufacturing (ODM) or original brand manufacturing (OBM), and 19.7% are engaged in OBM with franchised brands. In terms of turnover, 35.2% are OEM-led³ whereas 21.1% are OBM-led (Fig. 9).

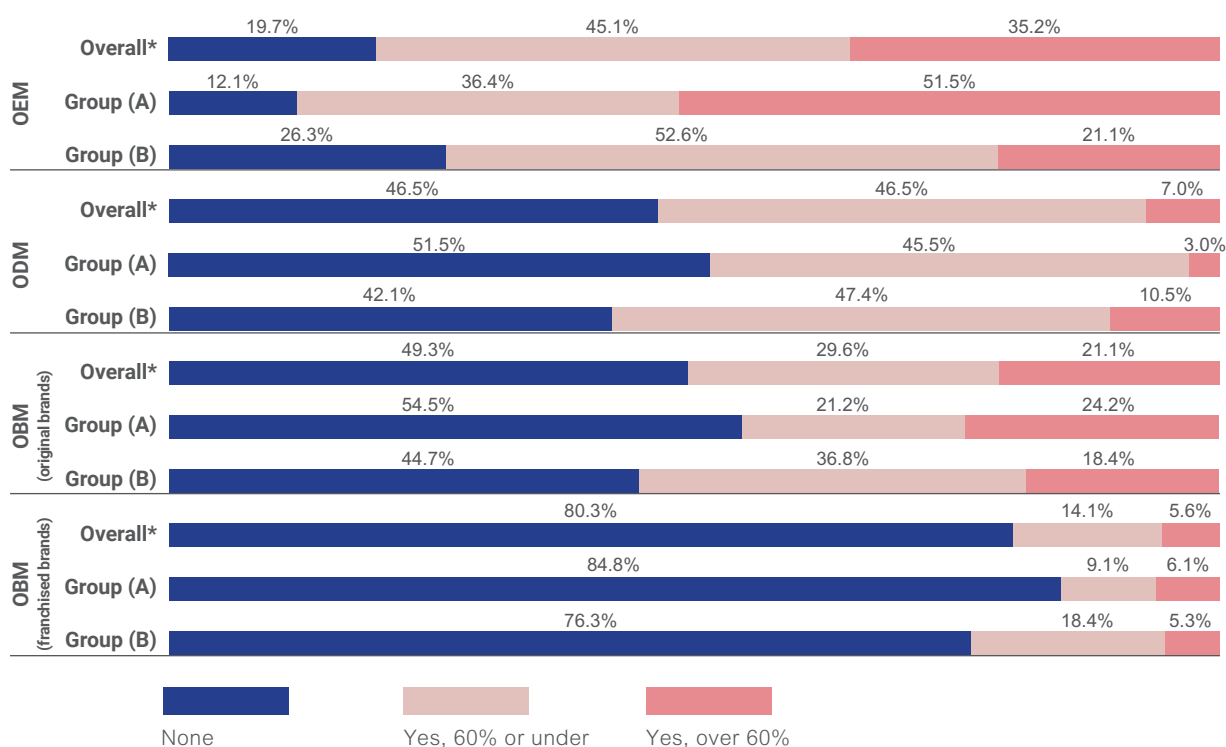
Among Group (A) respondents whose revenue is in line with or exceeds expectations, OEM-led enterprises made up 51.5% of the group, more than double of the 21.1% in Group (B) whose revenue is below expectations. On the other hand, OBM-led enterprises made up of 24.2% of Group (A), slightly higher than the 18.4% in Group (B). As OBM business is laden with challenges and uncertainties, OEM-led model allows businesses to predict their domestic sales revenue more accurately.

The above findings show that Hong Kong enterprises are adjusting business models depending on the unique nature of each industry to ensure they adopt the fittest model in the domestic sales market, and thus present a picture of diversified development.

³ Over 60% of turnover is generated by OEM activities.



Fig. 9 Domestic sales business model (by turnover distribution)



2.5 Hong Kong enterprises aiming at huge market potentials in the Mainland

For Hong Kong manufacturers in the GBA, the major factor that attracts them to invest in the domestic sales business is the “enormous market potential”, with an average score of 4.3, followed by “making full use of established business network” and “business upgrade and transformation” (Table 1). Overall, the average score of “national policy support” is only 3.3. Manufacturers reflected that the policy supports are mainly aimed at high-tech industrial enterprises, whereas traditional industrial enterprises cannot benefit as much. At the same time, “cost reduction” and “cross-border investment and financing facilitation” scored the lowest, reflecting how respondents tend not to consider those two as factors attracting them to develop domestic sales business.

Table 1 Major factors attracting respondents to develop/plan to develop domestic sales business

(5 for strongly agree; 1 for strongly disagree)	Average score		
	Overall*	Group (A)	Group (B)
Enormous market potential	4.3	4.44	4.16
Making full use of established business network	3.8	4.00	3.71
Business upgrade and transformation	3.6	3.78	3.53
Requested by clients	3.6	4.06	3.32
Diversifying investment	3.6	3.63	3.53
Enhanced business environment in the Mainland	3.5	3.72	3.39
Hedge against losses in other markets	3.4	3.38	3.37
National policy support	3.3	3.59	3.11
Cost reduction	2.9	3.09	2.74
Cross-border investment and financing facilitation	2.8	2.91	2.79

3. Types of Products and their Respective Sales Channels in Domestic Sales Businesses



3.1 Intense competition on e-commerce platforms

E-commerce has developed rapidly in recent years and is now the most widely adopted sales channel. According to statistics from the Ministry of Commerce⁴, the national e-commerce transaction volume reached RMB 37.21 trillion in 2020, a year-on-year increase of 4.5%. Among them, the e-commerce transaction volume of products was RMB 27.95 trillion. National online retail sales reached RMB 11.76 trillion, of which the online retail sales of physical goods reached RMB 9.76 trillion, a year-on-year increase of 14.8%.

However, many Hong Kong manufacturers spoke of the extremely high advertising cost and immensely intense competition in both traditional and social e-commerce platforms that made it very difficult for SMEs to stand out. It is worth noting that establishing their business network continues to be the main sales channel for Hong Kong manufacturers, indicating that the reputation they established in the Mainland over the years is working in their favour.

Among the respondents who are operating/would operate domestic sales, nearly half produce/would produce solely finished goods, while about a quarter produce/would produce solely intermediate products (**Fig. 10**). Their target customers and sales channels are different. More than half of the manufacturers of finished goods rely on traditional e-commerce, distributors, and business network as the main sales channels. Only 24.1% intend to use social e-commerce as the main sales channel (**Fig. 11**).

⁴ Ministry of Commerce of the People's Republic of China (2020). China E-Commerce Report. <http://dzsws.mofcom.gov.cn/article/ztxx/ndbg/>



The manufacturers of finished goods interviewed by the research team stated that the major challenges of operating on Mainland e-commerce platforms are not limited to the fierce competition and high advertising costs, but also the short delivery time for wholesale orders and high return rate for retail orders (Table 2). Despite the huge potential of the Mainland consumer market, it is not easy for export-oriented manufacturers that used to engage in mass production to adapt successfully.

Fig. 10 Types of goods sold/to be sold in the domestic market

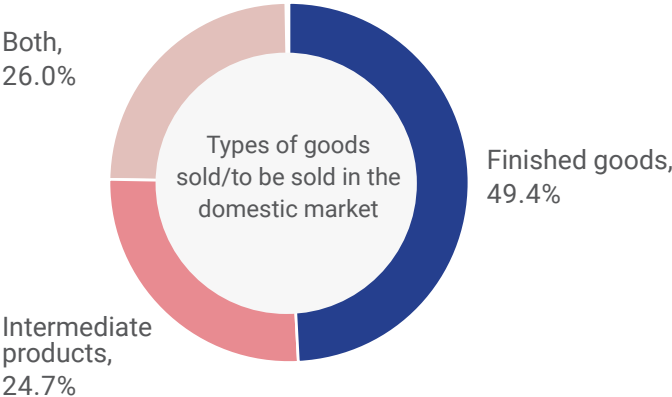
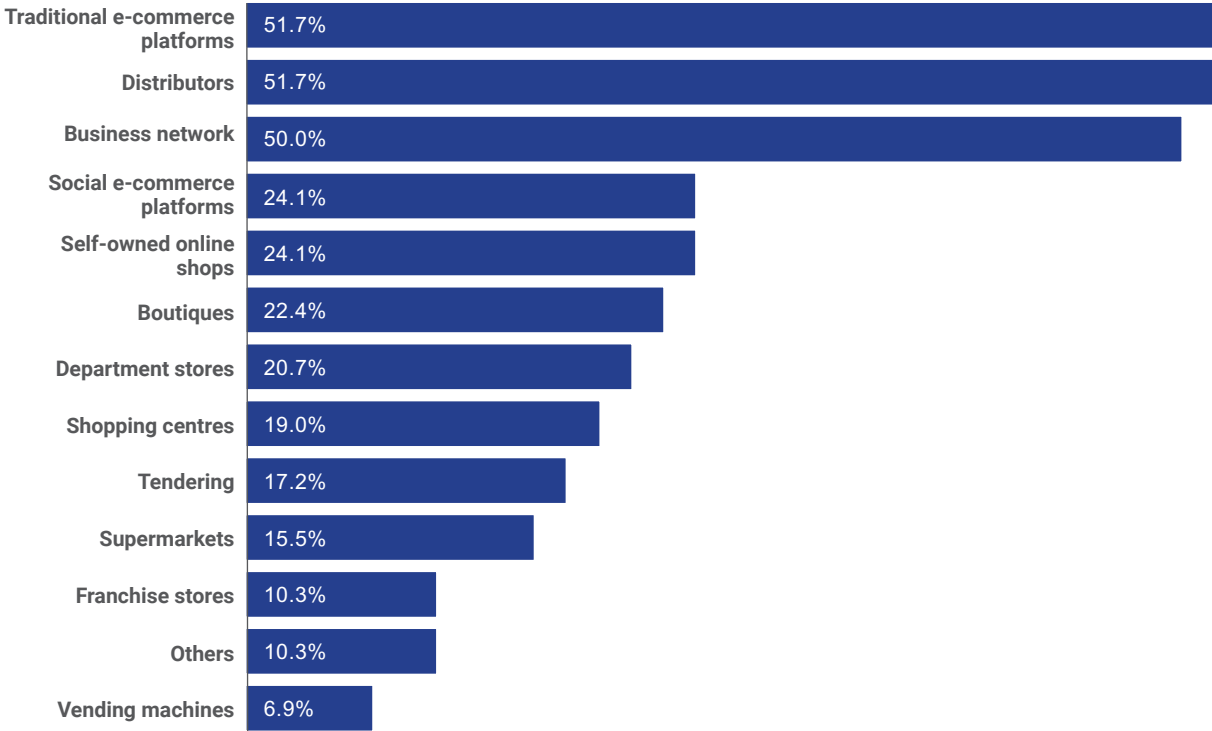


Fig. 11 Main/potential sales channels for finished goods (multiple options)



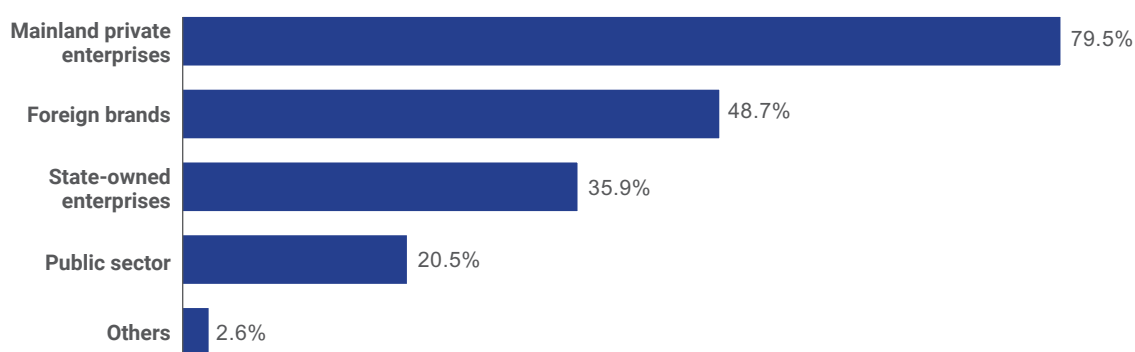
3.2 Emerging opportunities for intermediate products

On the other hand, the Mainland's industrial development (especially in Guangdong province and the GBA) towards I&T industries and advanced manufacturing industries drives demand for precision parts and intermediate products, and thus creating new opportunities for Hong Kong manufacturers. In addition, an increasing number of foreign brands now set their sights on the domestic sales market and to establish factory operation in the Mainland. Many Hong Kong manufacturers who used to export parts and components now turn to domestic sales to these foreign brands.

With the Regional Comprehensive Economic Partnership (RCEP) taking effect, rules of origin are becoming more accommodating when businesses in the region apply for preferential tariffs. The cumulative rule allows manufacturers to optimise the use of resources and production advantages across various member states, reshaping of supply chains in the region to bring new business opportunities to Hong Kong intermediate products manufacturers in the GBA.

The survey results show that the main buyers of intermediate products are private enterprises and foreign brands⁵, accounting for 79.5% and 48.7% respectively (**Fig. 12**).

Fig. 12 Main/potential buyers for intermediate products (multiple options)



An automotive parts manufacturer said that their expansion in the domestic sales market was driven by some of their existing overseas clients, who have established business in the Mainland in recent years and requested for the intermediate products to be supplied to their Mainland factories instead. Since the orders come from existing creditworthy clients, the cost and risk of entering the domestic market for such manufacturers are lower, and the business returns are more predictable.

Furthermore, it is worth noting that a significant 20.5% of intermediate products manufacturers indicated that their main/potential buyers come from the public sector. A sizable manufacturer specialising in professional footwear stated that it was almost impossible for Hong Kong-invested enterprises to bid in public projects in the Mainland in the past. The domestic market has become more open and transparent in recent years, allowing Hong Kong-invested enterprises to take part in public procurement tenders except for sensitive supplies such as military equipment, presenting new market opportunities for Hong Kong manufacturers.

⁵ This refers to the provision of intermediate products for foreign brands to manufacture products for domestic sales only.



3.3 SMEs suffered significantly from tightened border control

As for intermediate products manufacturers, direct contact with target clients and business network/referrals remains their main sales channels, accounting for 76.9% and 61.5% respectively; while only 43.6% view trade shows as a main sale channel (**Fig. 13**). Respondents stated that since SME owners often meet business partners in-person to negotiate partnership deals, the tightened border control measures between Hong Kong and the Mainland amid the pandemic impose significant impact to their business development. With the “Subsidy Scheme for Encouraging Early Deployment of 5G” under Hong Kong’s Office of the Communications Authority, a respondent installed a new visual communication system and upgraded their website for clients to view fabric samples online. However, the business owner commented that this arrangement’s benefit is limited and could not compare with a physical client visit to the showroom in pre-pandemic times.

A lot of trade shows have moved online these days. Respondents pointed out that the promotional effect of trade shows have diminished even before the pandemic; these events are more like industry gatherings than a place to meet new clients and get new orders.

Fig. 13 Main/potential sales channels for intermediate products (multiple options)



4. Strategies and Challenges in Expanding Domestic Sales

Key findings



61.0%

Respondents operating/planning to operate domestic sales consider strengthening product R&D and design as their main strategy



87.9%

Respondents with better domestic sales performance put product quality as their major competitive advantage over Mainland competitors

4.1 Strengthening R&D and localised sales team for developing domestic sales

In terms of business strategies, 61.0% of respondents who are operating/would operate domestic sales in the GBA consider strengthening product R&D and design as their main strategy, 42.9% of them target the medium to high-end markets, and 41.6% establish localised sales teams specialising in domestic sales business. Only 36.4% choose to focus on building their brand (Fig. 14). Strengthening product R&D and hiring a specialised sales team are the top two strategies adopted among the manufacturers with better domestic sales performance.

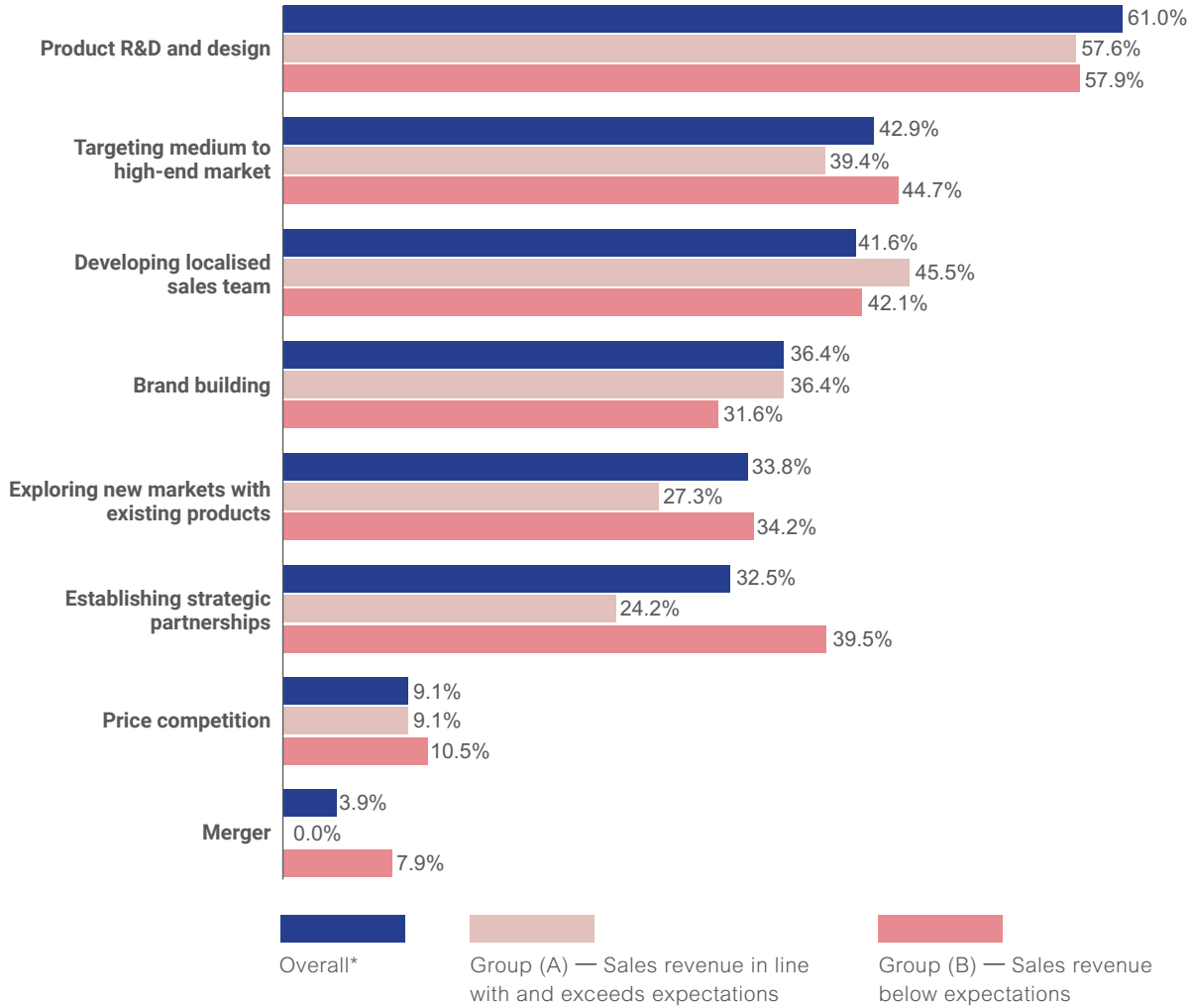
Based on the cost structure, it is difficult for Hong Kong manufacturers to compete on price with Mainland competitors in the low-end market. A biotech company stated that continuous investment in R&D is critical to maintain market leadership, otherwise they will soon succumb to intense price competition with other Mainland companies.

In the past, Hong Kong businesses in the Mainland mainly focus on mass manufacturing without much marketing experience. The successful business development strategy in export trade may not be transferable to domestic sales. Therefore, Hong Kong manufacturers opt to develop a localised sales team that is well versed in operating wholesale and retail businesses in the Mainland.

In the in-depth interviews, respondents stated that the market demand and business culture of the Mainland are very different from that of the European or U.S. markets. Therefore, a localised team is required to handle domestic sales business. Moreover, comprehensive and detailed market research is needed to help them understand customers' needs and spending habits to successfully position their products in the domestic market.



Fig. 14 Main/potential business strategies (Choose up to 3 options)



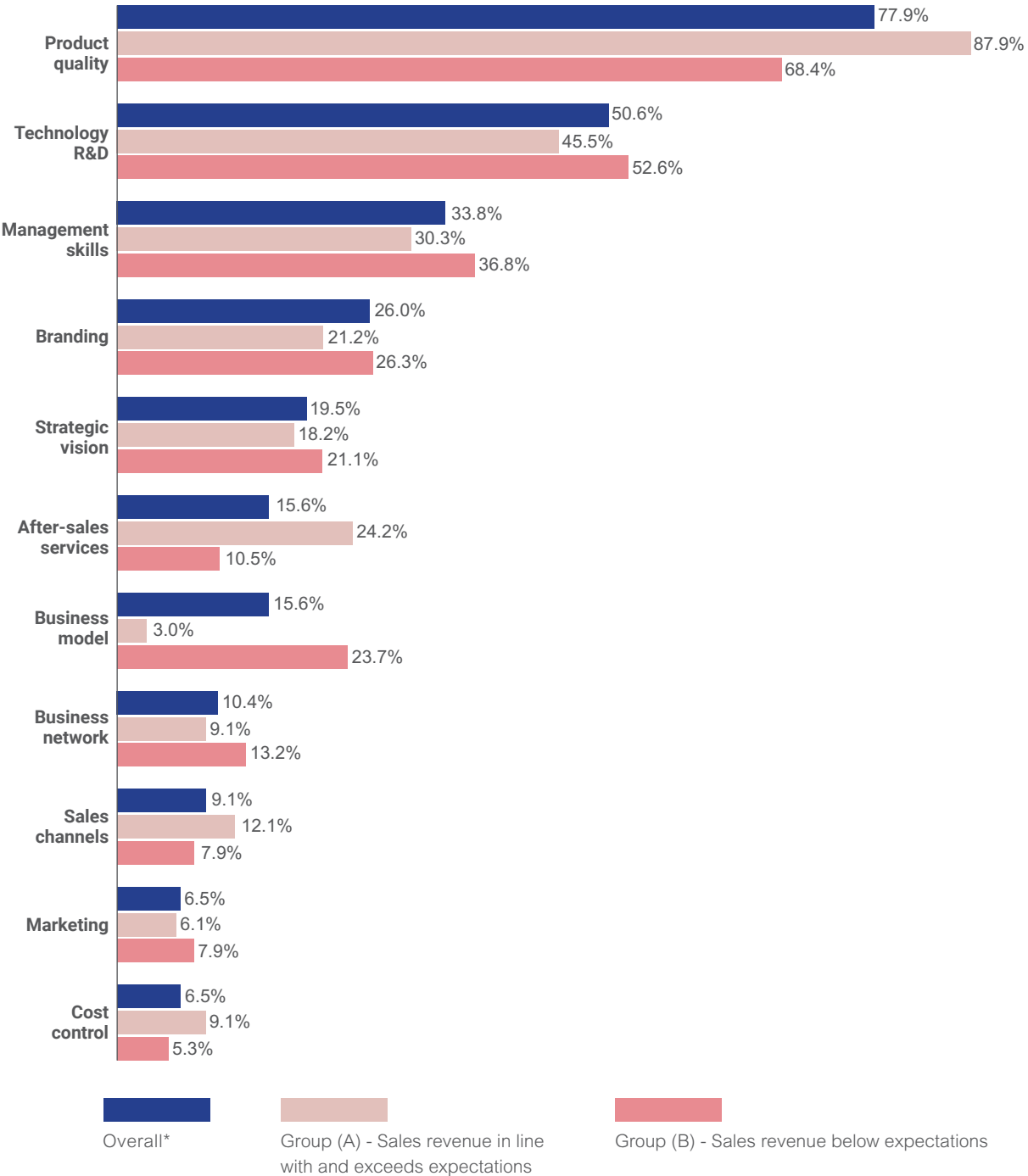
4.2 Hong Kong manufacturers can take advantage of the surging demand for high quality products in the Mainland

In line with aforementioned findings, among the respondents who are operating/would operate domestic sales in the GBA, 77.9% put product quality as their major competitive advantage over Mainland competitors. Near 90% (87.9%) among Group (A), whose domestic sales performance is better, said product quality is their competitive edge, followed by technology R&D (50.6%) (Fig. 15). Under the "dual circulation" economic development strategy, one of the key drivers is to raise the household income level through multiple channels to improve living standards, boost purchasing power and increase consumption. In this context, the demand for high-quality products in the Mainland is bound to surge, which is a great advantage for Hong Kong manufacturers.



Only 26.0% of the respondents who are operating/would operate domestic sales in the GBA put branding as their major advantage, reflecting that Hong Kong manufacturers are generally not very good at brand building. In the in-depth interviews, manufacturers from traditional industries all said that entering the Mainland consumer market requires entirely different skillsets from OEM export trade, in terms of product design, brand building, marketing, inventory control etc., which means a steep learning curve for businesses. In addition, higher quality local brands are gaining recognition among Mainland consumers. Compared with ten years ago when the domestic consumer market was less mature, Hong Kong manufacturers are facing much more intense competition nowadays in building competitive brands in the Mainland.

Fig. 15 Comparative advantages over Mainland competitors (Choose up to 3 options)



4.3 Case Study 1: From traditional textile manufacturing to developing smart weaving machines

A textile company that exports high-end fabrics (including silk and imitation silk) revealed that they attempted the domestic market a few years ago. However, the company eventually decided to suspend domestic sales due to various problems such as difficulty in collecting payment and finding credible sales agents.

Since the pandemic has put a strain on the traditional export market in recent years, the company decided to explore domestic trade again with different approaches. They established an online platform for clients from the Mainland to view product samples. On top of selling finished fabric products, the company harnessed their expertise in textile manufacturing know-how to develop smart weaving machines. Their goal is to open new business opportunities by supplying the machines to other manufacturers in the Mainland in the future.

4.4 Case Study 2: From small appliances to food heating system for commercial use

Opening in the 1960s, a small electrical appliance manufacturer that mainly exported OEM products to the United States, Japan, Europe, Australia, and other markets in the past has begun domestic sales business three years ago. However, owing to their cost structure, it was impossible for them to compete with other Mainland enterprises. They could hardly afford the advertising costs of the e-commerce platforms and the return was disappointing. Domestic sales only accounted for less than 1% of their turnover.

After re-assessing product positioning, the manufacturer believed that their existing products would not work for the domestic market and they have to adjust their business strategy. Harnessing on years of experience in R&D and production of heating equipment, they are undertaking a R&D project for food heating systems intended for use in restaurants, believing this to be the next growth point for the company.

4.5 Case Study 3: Provide after-sales services to meet the needs of domestic market

An enterprise that manufactures and exports solar power generation systems for home and commercial use started their domestic sales business seven years ago. They invested in R&D to produce solar power generation systems specifically for use in the Mainland. Since they couldn't identify the right distributors to work with in the Mainland, the enterprise also provides installation and maintenance services, in addition to their ongoing R&D and production, thus strengthening their client network and loyalty. Given the vast size of Mainland China, the enterprise first started in the GBA and plans to expand to other Mainland regions in the future.

Since the enterprise is in the high-tech and new energy industries, they are eligible for a wide range of preferential tax policies and R&D subsidies. With the encouragement of national policies, Mainland financial institutions are also eager to provide loans to enterprises in these industries.



5. Major Obstacles To Domestic Trade

“High credit risk” is considered a major obstacle to domestic sales business expansion, with an average score of 4.12. Other obstacles include “stringent environmental policies and business regulations” (scored 3.97), “labour shortage”, “complex tax and administrative charges” (scored 3.94 each), “insufficient intellectual property protection”, “intense competition on e-commerce platforms”, and “rising land cost/rent” (scored 3.81 each) (Table 2).

Table 2 Major/potential obstacles in expanding domestic trade

(5 for strongly agree, 1 for strongly disagree)	Average score
1 High credit risk	4.12
2 Stringent environmental policies and business regulations	3.97
3 Labour shortage	3.94
4 Complex tax and administrative charges	3.94
5 Insufficient intellectual property protection	3.81
6 Intense competition on e-commerce platforms	3.81
7 Rising land cost/rent	3.81
8 High cost/difficulty in financing and obtaining loans	3.77
9 Different rules and regulations between Hong Kong and the Mainland	3.73
10 Insufficient regulatory protection over business practices	3.71
11 Lack of trusted distributors	3.68
12 Insufficient innovation expertise	3.56
13 Inadequate policy support	3.55
14 Costly product certification	3.49
15 Uncertain economic/business outlook	3.42

5.1 Long payment terms and payment delay are common phenomena

Long payment terms and payment delay are common in B2B transactions. A manufacturer stated that the company once had to take legal action to collect late payments for sold goods. Therefore, the company would set an annual credit limit to restrict the number of orders in domestic trade, making it very difficult to further expand the business. They hoped HKECIC or Sinosure can provide more domestic trade credit insurance services. Companies in retail and industries that are accustomed to taking deposits are less concerned of this issue.

The enterprise trade credit system in the Mainland is still in inception stage. Large enterprises, state-owned enterprises, and even the public sector are still paid in arrears. This situation poses serious risks to domestic trade and adds difficulties and constraints especially on SMEs. Such phenomenon has drawn attention from the State Council, which has launched a three-year debt clearing campaign since 2018. In 2019, the country sorted out RMB 890 billion of arrears that government departments and sizeable state-owned enterprises owed to private enterprises and SMEs. About 75% of that were paid off at the end of that year.



The "Regulation on Ensuring Payments to Small and Medium-Sized Enterprises" implemented in the Mainland in 2020 targets the abuse of dominant market position to maliciously delay payments. To protect the rights and interests of SMEs and improve the business environment, the new law stipulates that authorities, public institutions and large enterprises shall not require SMEs to accept unreasonable trade conditions such as unreasonable payment terms. Institutions purchasing goods, works and services from SMES shall pay within 30 days from the date of delivery, and the longest term shall not exceed 60 days. The amount of arrears owed to SMEs surged again in 2021 due to complex issues at home and abroad together with the pandemic, so the State Council requested more intensive rectification at the end of 2021.

5.2 Domestic trade and credit insurance

Compared to exports, domestic trade in the Mainland faces high supply chain risks at two levels: industry and enterprise levels. At the industry level, credit risk is more dispersed in export trade as buyers are scattered all over the world. On the contrary, the domestic supply chain is highly interlinked domestically and credit risk accumulates along the supply chain. Moreover, connected transactions between enterprises mean that the credit risk exposure of an individual enterprise is highly affected by other enterprises.

One of the main reasons for these risks is information asymmetry. At present, the Mainland's export credit insurance has a high penetration rate. It can offer good protection for exporters and allow them to conduct credit checks on overseas buyers through the credit insurance mechanism. However, the scale of domestic trade credit insurance is relatively small and there is currently no mechanism to gather risk information for domestic trade. When putting forth measures to promote the domestic sales of products originally intended for export, the Mainland authorities must also address the resulting demands for domestic trade credit insurance service.

5.3 Tightened environment regulations pushing for industrial advancement

Under the "Human Investment and Reemployment" (「騰籠換鳥」) strategy adopted by Guangdong Province after the 2008 financial crisis, the originally extensive economic growth model of high input, high consumption and high emission was gradually replaced by advanced manufacturing and producer services, creating the current industrial landscape in GBA today with flourishing new industries. Over the past decade, the Mainland has continuously introduced new environmental policies and strictly enforced penalties. Enterprises must invest in rectification of production facilities within a time limit, which has put considerable pressure on their operations. These include the new *Environmental Protection Law* in 2015, the *Environmental Protection Tax Law* in 2018 and the newly revised *Water Pollution Prevention and Control Law*. In addition to capital investment, Hong Kong manufacturers must complete the rectification under short notice, or otherwise they will be ordered to suspend production.

5.4 Shortage in R&D and technical manpower

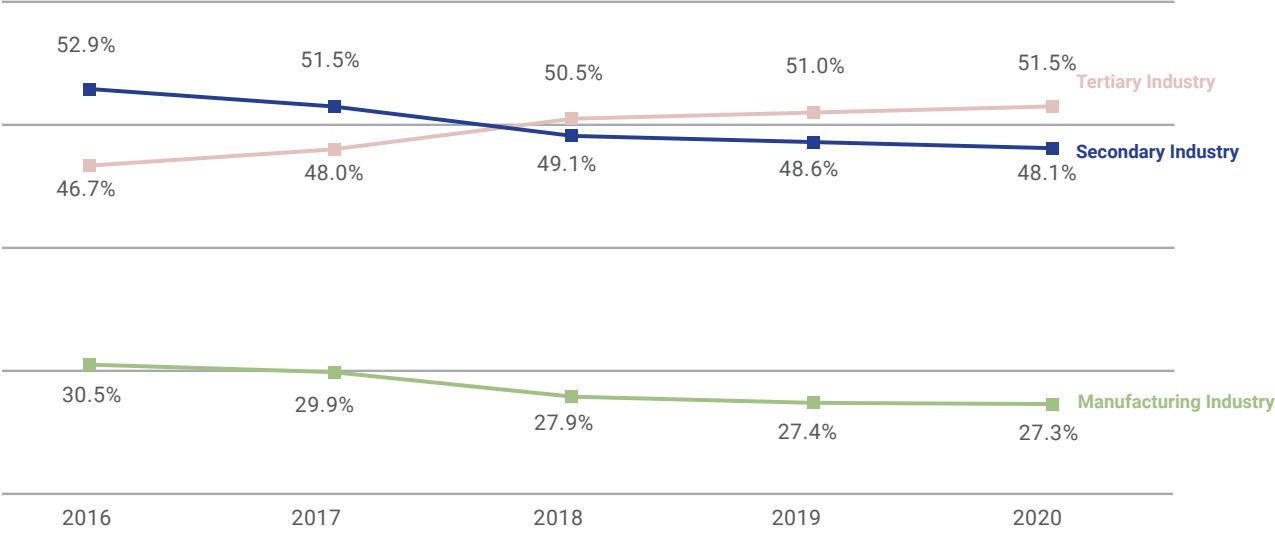
Labour force and employment-related statistics in the Mainland reflected that there have been structural issues that have led to unmet employment demands in skilled and highly skilled labour. The National



Bureau of Statistics' *Migrant Workers Monitoring Survey Report*⁶ showed that in 2020, the total number of migrant workers across the country dropped by 1.8% year-on-year (a decrease of more than 5 million), of which nearly 90% are inter-provincial migrant workers. It indicates that the COVID-19 epidemic has spurred the return of migrant workers to their hometowns. Moreover, workers engaged in manufacturing have turned to other industries. In 2020, migrant workers engaged in manufacturing dropped to 27.3% of the total migrant workers, while those engaged in the tertiary industry increased to 51.5% in the same period (Fig. 16). According to estimates by the Central Institute for Vocational and Technical Education⁷, the shortage of labour in the ten key areas of the manufacturing industry will be close to 30 million by 2025. According to the Ministry of Human Resources and Social Security⁸, out of the top 100 jobs with the most acute labour shortages nationwide in Q3 2021, 58 were "manufacturing and related personnel" and "professional and technical personnel" (Table 3). As for technology R&D talents most needed by the I&T industry, the Ministry of Education said that the nation is short of talents in basic science disciplines. It is necessary for the government, universities, research institutes and businesses to put resources together to tackle the challenges of talent training and orient them towards needed fields⁹.

In the focus group discussion in this Report, participants from biotechnology, automotive components and medical equipment industries all said that hiring of technology R&D talents is especially difficult for SMEs. Despite Hong Kong's recent push on STEM education, local graduates still prefer to pursue a career in digital technology over advanced manufacturing. In the Mainland, it is even more difficult for SMEs to compete with large enterprises for talents and address the high turnover rate of technology R&D personnel.

Fig. 16 Industry distribution of the Mainland's migrant workers



Source: National Bureau of Statistics

⁶ National Bureau of Statistics (2021). 2020 Migrant Workers Monitoring Survey Report. http://www.stats.gov.cn/tjsj/zxfb/202104/t20210430_1816933.html

⁷ Zeng Tianshan (2021). How to understand the distribution of vocational and general grades in high school. <http://www.rmzxb.com.cn/c/2021-07-14/2904570.shtml>

⁸ Ministry of Human Resources and Social Security (2021). Ranking of the top 100 jobs with the most acute labour shortages nationwide in the third quarter of 2021. http://www.gov.cn/xinwen/2021-10/31/content_5648001.htm

⁹ Ministry of Education (2021). How to fill the gap of top-notch talents in basic disciplines. http://www.moe.gov.cn/jyb_xwfb/s5147/202104/t20210412_525865.html



Table 3 Top 100 jobs with the most acute labour shortages in Q3 2021

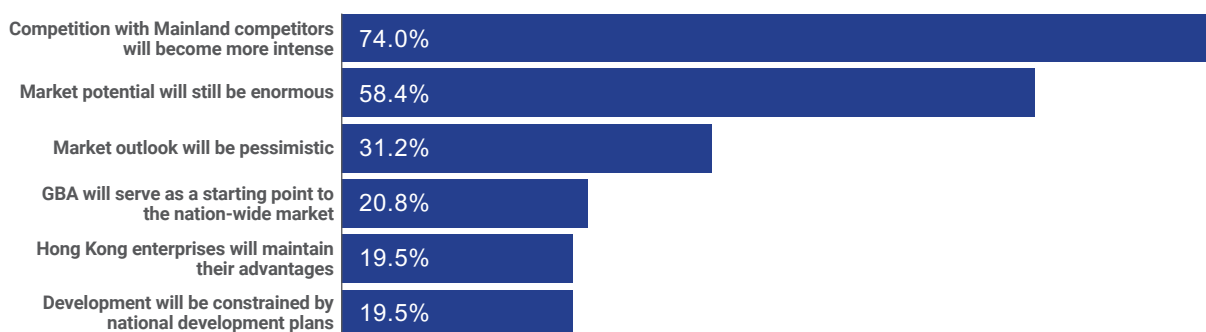
	Occupational categories classified according to the "Occupational Classification of the People's Republic of China (2015 Edition)"	No. of occupations out of the top 100 jobs with the most acute shortages in the country
1	Manufacturing and related personnel	40
2	Social production service and life service personnel	34
3	Professional and skilled personnel	18
4	Office staff and related personnel	6
5	Persons in charge of party organs, state organs, mass organisations and social organisations, enterprises, and institutions	1
6	Other unclassified practitioners	1

Source: Ministry of Human Resources and Social Security

5.5 Intense competition with Mainland competitors

Regarding the medium-term development prospects in the GBA sales market, among the respondents with factory operations in the GBA who are operating/would operate domestic sales business, 74.0% believe that the competition from their mainland competitors will become more intense; only 19.5% believe that Hong Kong enterprises can maintain their advantages (Fig. 17).

Fig. 17 Development prospects in the GBA sales market within 5 years (Choose up to 3 options)



6. Demand for Cross-Border Financial Services

Key findings



Levels of satisfaction on cross-border financial services vary for enterprises of different sizes

Facilitative cross-border financial services are essential to Hong Kong manufacturers' expansion of their domestic sale business in the Mainland. However, enterprises responded to the survey in this Report that various cross-border financial services are inadequate to meet their business needs. When defined by the number of employees, larger enterprises¹⁰ are generally more satisfied with various cross-border financial services than smaller ones (**Fig. 18**).

Among the respondents who are operating/would operate domestic sales business, 70.7% of the larger enterprises believe that the debt collection service is inadequate or very inadequate. Meanwhile, 78.9% of smaller enterprises found that cross-border financing, remittance, and cross-border fund flow management services are inadequate or very inadequate.

Although banks in Hong Kong are providing the above-mentioned cross-border financial services, it can be difficult for smaller enterprises to obtain them because they target larger business scales or have imposed certain capital requirements. In general, businesses would not have much trouble with cross-border payment and debt collection services. However, the inconsistencies in regulatory requirements and banking documentation requirements between the Mainland and Hong Kong could be cumbersome for enterprises to deal with. In addition, the service fees incurred in certain cross-border financial services may also render these services to fall short of respondents' expectations.

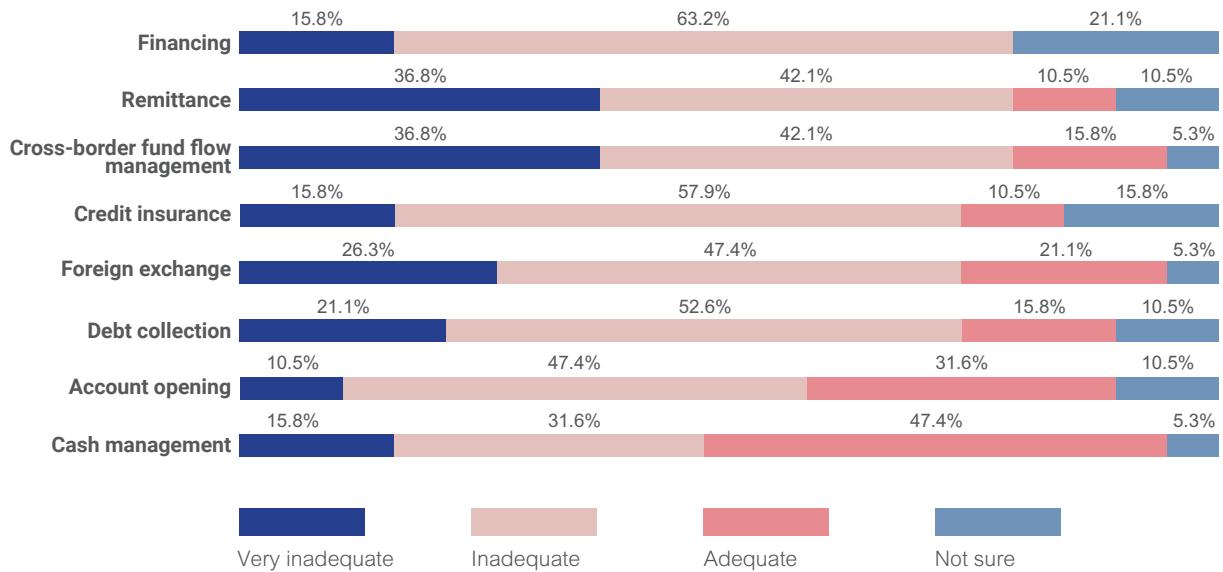
Due to lower interest rates and higher flexibility, many Hong Kong enterprises still prefer to seek financing in Hong Kong. However, if they are to use their factories or properties in the Mainland as collateral, most of them must go through financial institutions in the Mainland. Some respondents may therefore perceive cross-border financing services as inadequate. In terms of other financing models, as Hong Kong manufacturing companies are mostly family businesses and are already well established, they are less likely to raise capital through private equity funds and other methods that will dilute their equity as compared with younger companies in the Mainland or start-ups in Hong Kong.

¹⁰ More than 100 employees

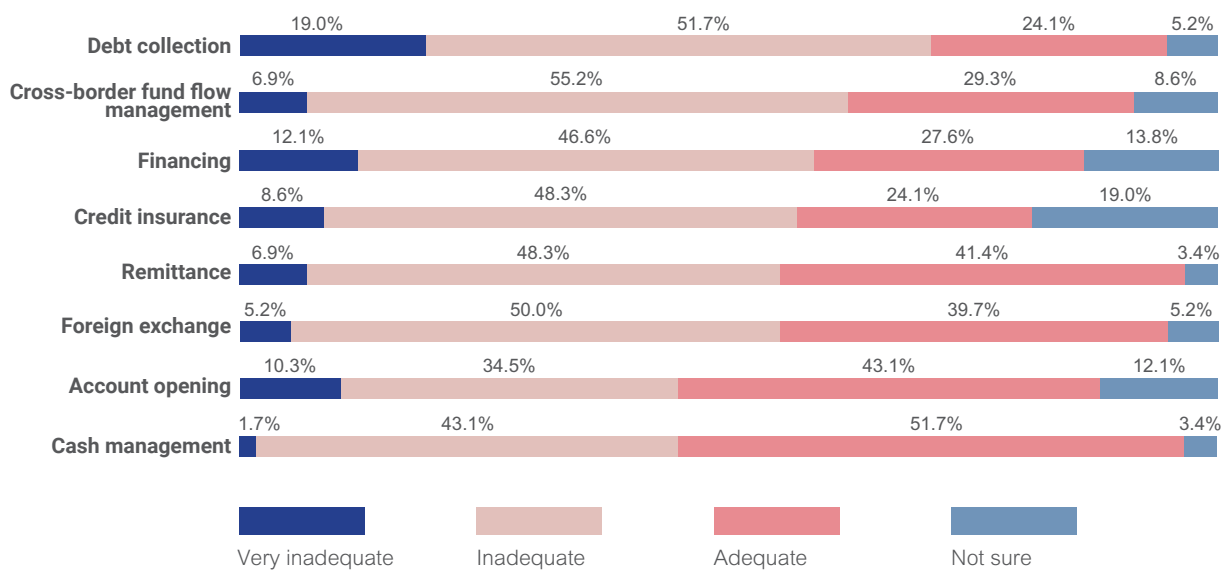


Fig. 18 Are the cross-border financial services in the market adequate to support your domestic business needs?

(I) Enterprises with 100 or less employees



(II) Enterprises with more than 100 employees



7. Supportive Measures in Hong Kong and the Mainland for Manufacturers to Develop Domestic Sales

Key findings



Improving business licensing procedures, tax and fees reductions, and technology R&D funding are the most helpful measures



11.7%

Respondents operating/planning to operate domestic sales have successfully applied for the BUD Fund

7.1 Industry reacts positively to Mainland's measures to promote domestic sales

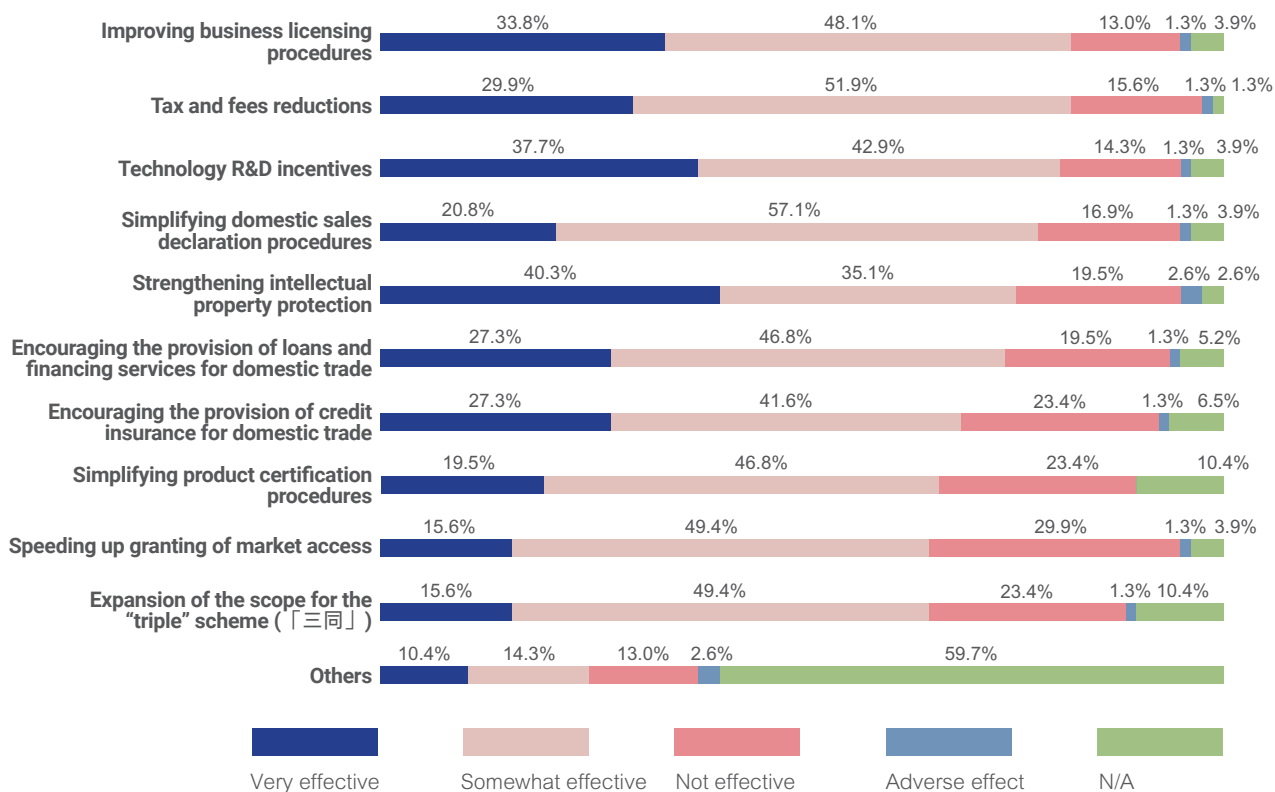
With an aim to relieve pressure on export enterprises, the Mainland introduced several measures in the past two years to encourage them to develop diverse sales channels and support the domestic sales of products originally intended for export. Under the new economic development strategy, the Mainland continues to deepen the reform of the commercial system, improve the business environment, implement tax and fee reductions, and increase tax incentives for technology R&D¹¹. Hong Kong manufacturers in the GBA can also benefit from these policy facilitations.

Among the various measures, more than 80% of respondents who are operating/plan to operate domestic sales in the GBA believe that the most effective measures are improving business licensing procedures (81.9%), tax and fees reductions (81.8%), and technology R&D incentives (80.5%), followed by simplifying domestic sales declaration procedures (77.9%), strengthening intellectual property protection (75.3%), and encouraging the provision of loans and financing services for domestic trade (74.0%) (**Fig. 19**).

¹¹ People's Daily Online (2021). State Taxation Administration: Further encourage enterprises to increase investment in R&D. <http://finance.people.com.cn/BIG5/n1/2021/0915/c1004-32227563.html>



Fig. 19 Impacts of the Mainland’s supportive policies and measures



7.2 Further enhancement on BUD Fund

The HKSAR Government’s “Dedicated Fund on Branding, Upgrading and Domestic Sales” (“BUD Fund”) set up in 2012 aims at assisting enterprises in exploring and developing the Mainland market through developing brands, upgrading, and restructuring their operations and promoting domestic sales in the Mainland (Table 4). The BUD Fund is now divided into the Mainland Programme and the FTA & IPPA Programme. The Government launch a new round of enhancement measures by phases starting from July 2021, including increasing the cumulative funding ceiling per enterprise to HK\$6 million.

The BUD Fund – Mainland Programme is quite well known among the industry, only 6.5% of respondents have not heard of it. However, only 11.7% indicated that they have successfully applied for the funding (Fig. 20), showing that the fund may not have been fully utilised by manufacturers.

The questionnaire survey shows that respondents are generally not satisfied with the application procedure and approval process but are relatively satisfied with the amount and the scope of funding. Among the responses, about half of the respondents find the application process complicated and the approval process slow (Fig. 21); 43.1% and 45.8% finds the funding amount and scope reasonable respectively. An interviewee stated that the BUD Fund application requires too much paperwork; even proposals drafted by specialised agents are not able to obtain approval successfully, making the entrance barrier is too high for ordinary SMEs. Another enterprise stated that the lengthy approval process could easily lead to missed business opportunities, and that the BUD Fund has yet to improve to meet the industry’s actual needs.

Table 4 Examples that fall within the scope of the BUD Fund – Mainland Programme

Branding	Upgrading & Restructuring	Promoting Sales
Brand Strategy, Brand Building, Positioning and identity, Brand Equity Research, Brand Promotion, etc.	New Product Design, Adoption of Advanced Technology, Management and Logistics System Upgrading, Manufacturing Automation, etc.	Marketing Strategy and Research, Sales Strategic Planning, Sales Channel Establishment and Management, Advertisements, Promotion of Product(s)/Service(s), etc.

Source: BUD Fund website

Fig. 20 Participation in the BUD Fund – Mainland Programme

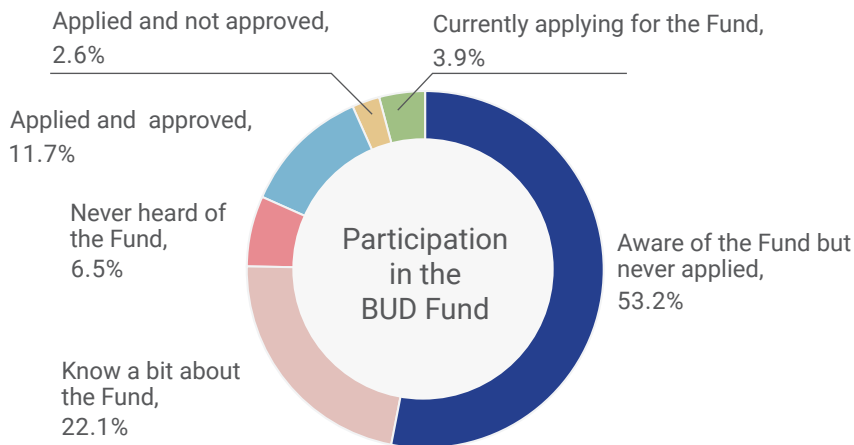
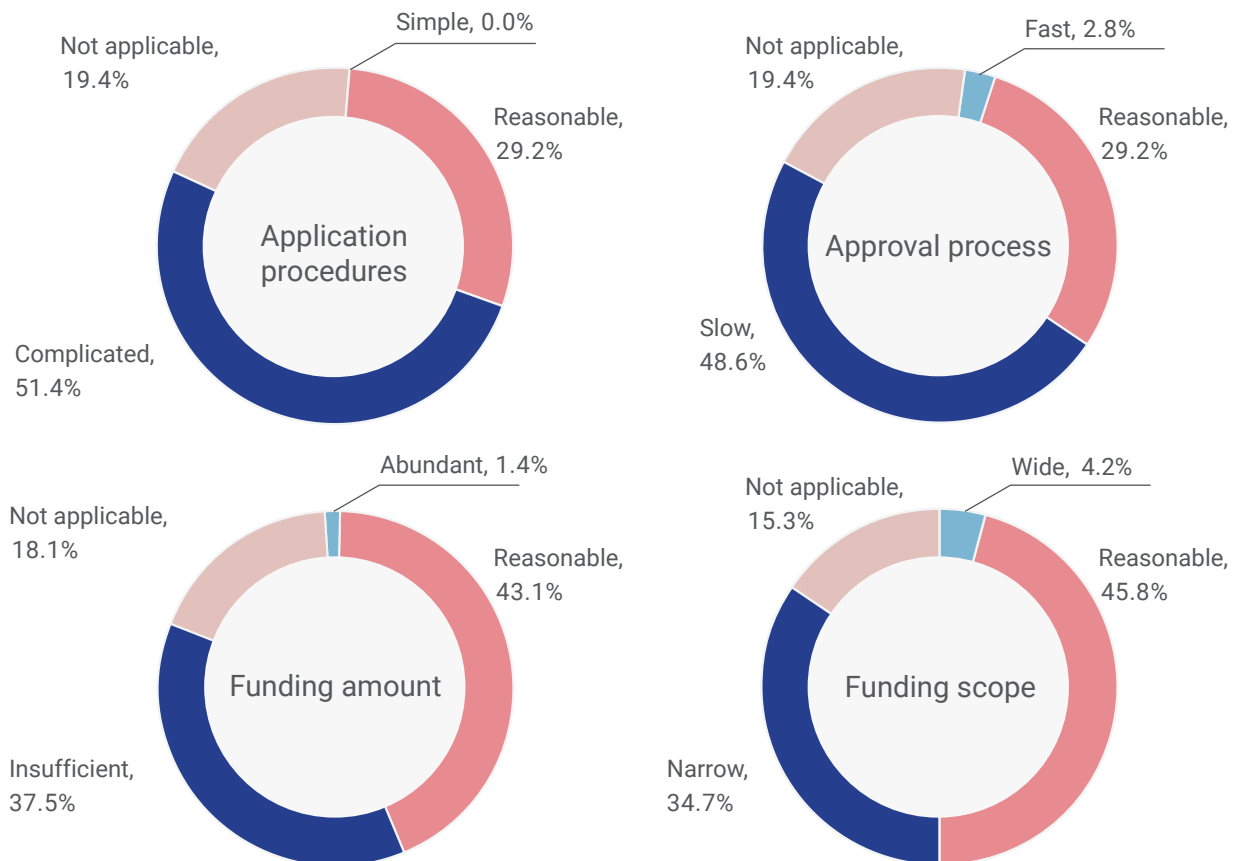


Fig. 21 Comment on the BUD Fund – Mainland Programme



8. Analysis on Standard Chartered GBA Business Confidence Index

8.1 Research background, methodology and objectives

Research team collaborated with the Standard Chartered GBA Business Confidence Index (“GBAI”), jointly organised by the Standard Chartered Hong Kong and the Hong Kong Trade Development Council. In the survey in Q4 2021, questions related to domestic sales were added in the “Key takeaways from our thematic questions” section to gain a better understanding on the impact of the “dual circulation” economy strategy on major industries in the GBA from a broader perspective, and how the manufacturing industry reacts to the strategy differently from others.

The GBAI is based on information drawn from quarterly surveys of over 1,000 companies operating in the GBA across different industries, including manufacturing and trading, retail and wholesale, financial services, professional services, and innovation and technology.

8.2 Industries have diverse views on the “dual circulation” strategy

On the supply side, 39.5% of respondents plan to roll out products and services for the Mainland market in accordance with the national “dual circulation” strategy, slightly higher than those who do not (39.0%); and the remaining 21.5% will need more time to decide. When analysed by industry, “manufacturing and trading” and “financial services” reacted most positively, with 44.2% and 42.4% of them have plan to roll out products and services for “dual circulation” respectively (Fig. 22).

On the demand side, only 3.5% of respondents would increase sourcing from Mainland enterprises substantially, while 14.8% would increase slightly. Compared with other industries, a larger proportion of the manufacturing and trading industries tend to increase procurement from Mainland enterprises; 4.4% of them would increase sourcing from Mainland enterprises substantially, while 18.1% would increase slightly (Fig. 23).

Fig. 22 Plan to roll out products/services targeting Mainland market as China pursues “dual circulation” strategy

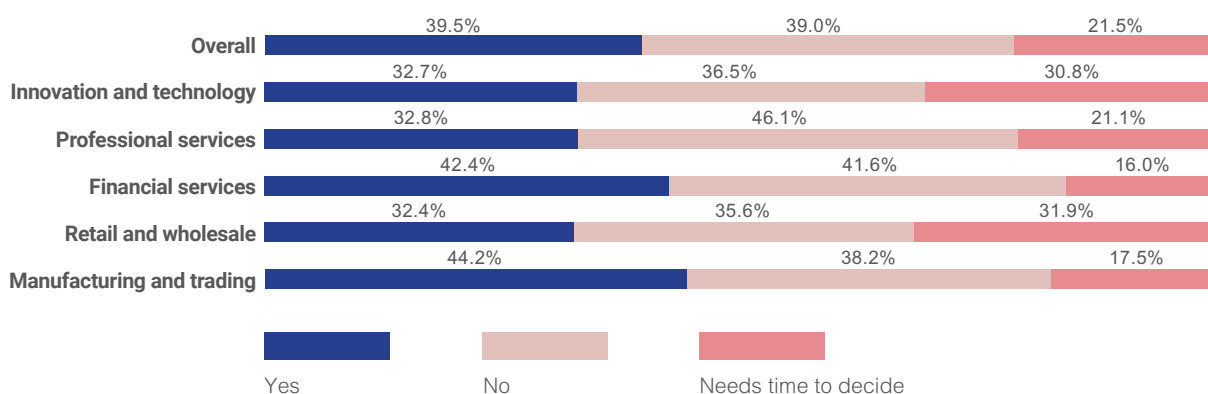
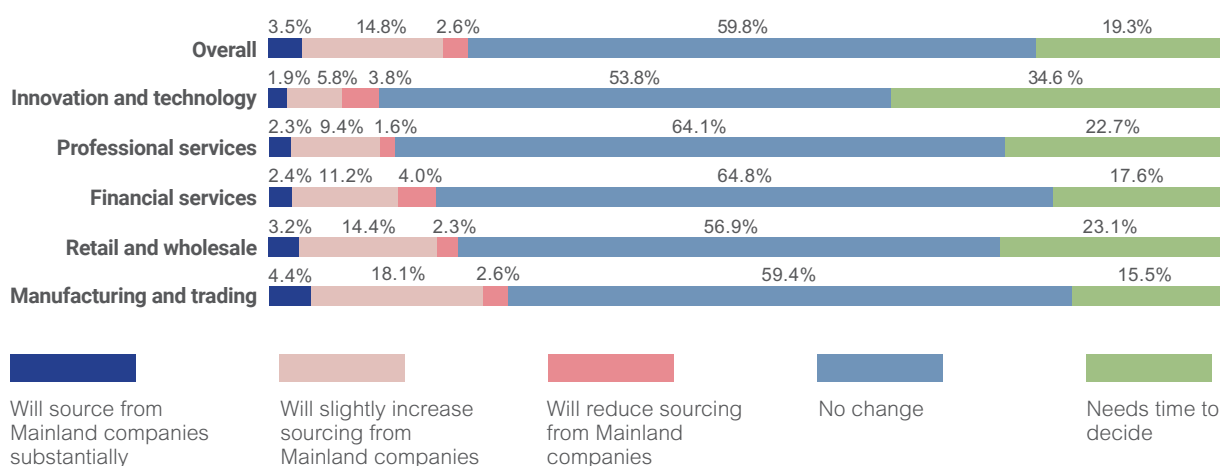


Fig. 23 Plan to change procurement policies as China pursues “dual circulation”



Overall, government policy is the most important consideration in purchasing goods and services from Mainland enterprises, scoring 4.19 out of 5. Other key considerations are durability/ quality, business relationship, and practicality/ compatibility (Table 5). The ranking of key considerations for purchasing goods and services in the Mainland by respondents in the manufacturing and trading industries are the same as that of the overall respondents, but the average scores for each option of the former are higher, indicating that manufacturing and trading companies place more importance on these factors than other industries. In addition, price is also a major consideration for manufacturing and trading companies (with a score of 4.06).

Table 5 Key considerations in purchasing goods and services from Mainland enterprises in the context of internal circulation economy in the Mainland

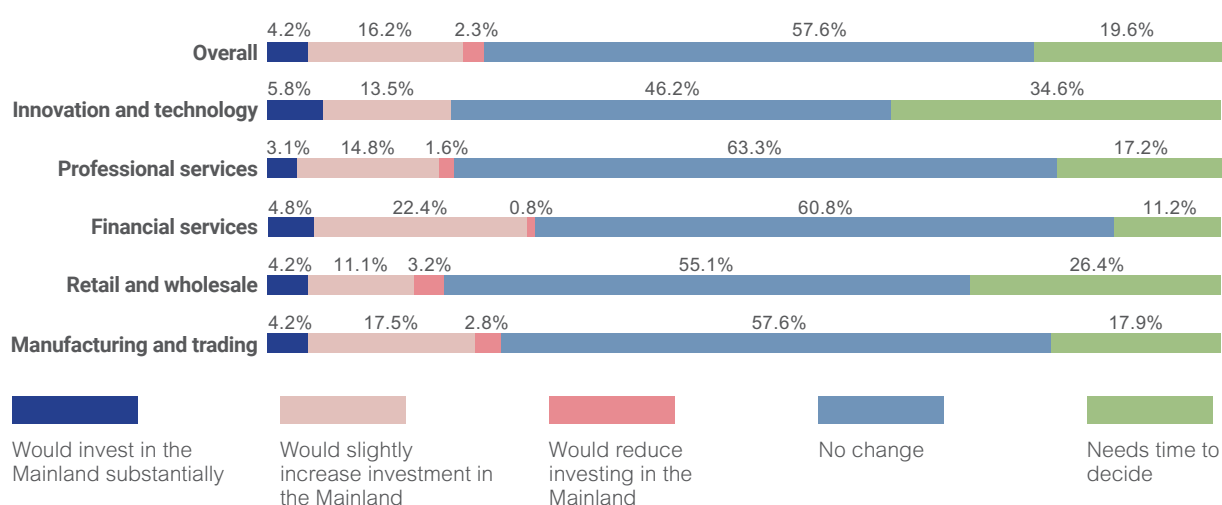
(5 for very important; 1 for very unimportant)	Average score	
	Overall	Manufacturing and trading
Government policy	4.19	4.23
Durability/ quality	4.12	4.15
Business relationship	4.06	4.08
Practicality/ compatibility	4.03	4.07
Price	3.99	4.06
Proximity to the market	3.98	3.97
Functionality/ technology	3.96	3.97
Environmental, social and governance (ESG)	3.88	3.89
Habits/ similarity in working and communicating styles	3.86	3.87
Design/ style of the end-product	3.78	3.79



8.3 "Dual circulation" has most prominent impact on financial services, manufacturing and trading industries

Overall, only 4.2% of respondents would increase their investment in the Mainland substantially in response to the "dual circulation" strategy, while 16.2% would slightly increase their investments. When divided by industry, the financial services industry responds most positively, with 4.8% and 22.4% would substantially and slightly increase investment in the Mainland respectively, followed by the manufacturing and trading industries, with 4.2% and 17.5% would substantially and slightly increase investments in the Mainland respectively (Fig. 24).

Fig. 24 Are there plans to change the investment policies as China develops "dual circulation" ?

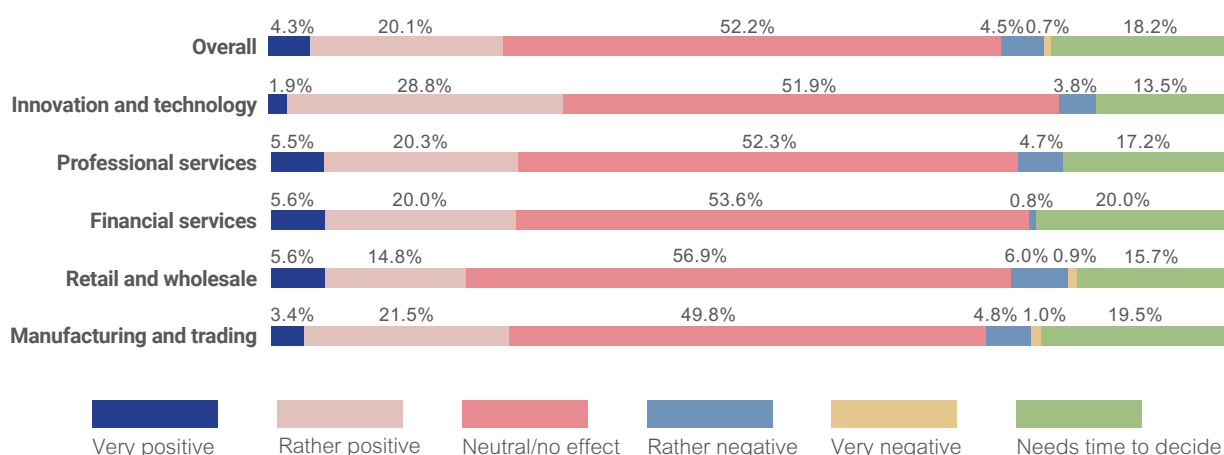


8.4 I&T industry has the most positive forecasts for short to mid-term profits

Overall, about half of the respondents have a neutral opinion or believe that the "dual circulation" strategy has no effect on the company's short to mid-term profits. 20.1% and 4.3% believe that the impact is rather positive and very positive respectively. When analysed by industry, the innovation and technology industry makes the most positive forecasts (30.7% in total) (Fig. 25).



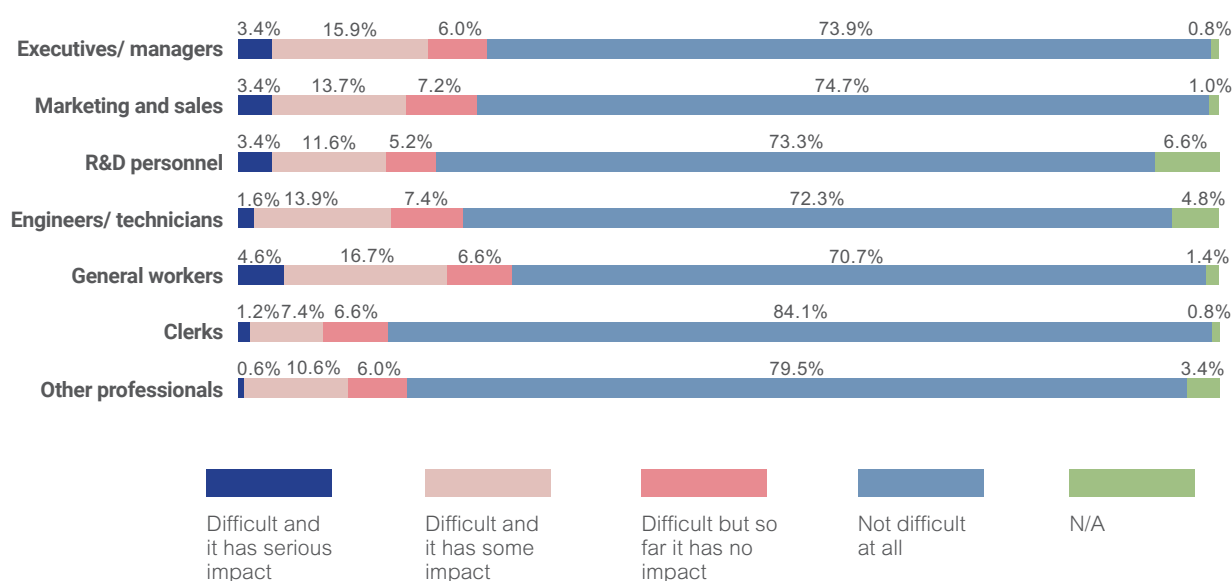
Fig. 25 How will the "dual circulation" strategy affect your company's profit in the short to mid-term (within five years)?



8.5 Labour shortages affecting business plan of manufacturers

With regards to hiring, more than 20% of the respondents have difficulty in the recruitment of executives/ managers, marketing and sales, engineers/ technicians, followed by R&D personnel and general workers. For manufacturing and trading enterprises, general workers are the most difficult to recruit (27.9%), and 21.3% of them say that this would affect their business operations (Fig. 26). Manufacturing and trading industry respondents generally face higher difficulty in the recruitment of executives/ manager, marketing and sales, engineers/ technicians, and R&D personnel.

Fig. 26 Difficulties and impact of recruitment on business operations in the manufacturing and trading industry



9. Policy recommendations

According to the “Made by Hong Kong – The Way Forward for HK Industries” research report published by the FHKI, there are about 14,000 Hong Kong manufacturers operating in the nine Mainland cities in the GBA. Operating in a “Front Shop, Back Factory” model, Hong Kong manufacturers in the Mainland play a key role in establishing Hong Kong’s status as an industrial I&T hub and driving demand for local producer services. At the same time, the sizable and highly resilient Mainland market can motivate Hong Kong manufacturers to upgrade, transform and invest in technology R&D. Therefore, through addressing the challenges in domestic sales as pointed out in this Research with the joint effort of the Government and stakeholders, the industry would be able to seize new opportunities and open up broader markets for high value-added services in the areas of R&D and innovation, trading, logistics, finance, and legal professions etc.

9.1 Addressing credit risks to give domestic market full play in China’s “dual circulation” strategy

The questionnaire survey results show that high credit risk is one of the biggest challenges facing Hong Kong manufacturers in domestic sales business and weakens their incentive for further expansion. The interlinked manufacturing supply chain in the Mainland directs the accumulated pressure of payment delays towards SME suppliers. The authorities must address the credit risk problem to maintain the stable development of the industry.

The Hong Kong Export Credit Insurance Corporation (“HKECIC”) and the China Export & Credit Insurance Corporation (“Sinosure”) have always provided export credit insurance services for export traders. Domestic trade credit insurance products have been introduced in recent years too, however the supply has yet to meet the ever-growing demand. Respondents all pointed out that they have not been able to get the right credit insurance services for domestic sales orders both in Hong Kong and the Mainland. According to the annual report¹² of Sinosure, the scale of domestic trade credit insurance business continued to grow. In 2020, the underwriting amount was RMB 406.54 billion with a year-on-year increase of 22.4%; the underwriting premium was RMB 630 million with a year-on-year increase of 16.2%. It is evident that the market has a huge demand for domestic credit insurance. In addition, Guangdong Province has also introduced a series of measures since the fourth quarter of 2020, including supporting insurance institutions to provide export credit insurance, domestic trade credit insurance and other diversified insurance products in conjunction with the China Banking and Insurance Regulatory Commission.

As mentioned above, compared with export trade, it is more difficult for enterprises to obtain domestic trade credit insurance. This is mainly because the enterprise trade credit system in the Mainland is still in its inception stage and has yet fully integrated with the financial system. A nation-wide, cross-sectoral credit data sharing mechanism in the Mainland would be instrumental to improve information transparency for risk assessment, whereas insurance and financial institutions can also provide better services for SMEs to facilitate the expansion of domestic trade.

¹² China Export & Credit Insurance Corporation (2021), 2020 Annual Report. <https://www.sinosure.com.cn/xwzx/ndbd/index.shtml>



On the Hong Kong side, it is anticipated that the Government would review the functions of HKECIC in a more macroscopic manner and refine its policy direction towards supporting Hong Kong manufacturers to participate in the development of the internal and external "dual circulation" economy. HKECIC shall consider offering credit insurance to cater to domestic trade, enhancing its underwriting capability for higher-risk markets and simplifying processing procedures for smaller business policies to become a real safety net for Hong Kong enterprises in product trade. In addition, HKECIC should establish closer relationships with industry partners and seek potential areas of co-operation, such as exploring the possibility of strategic co-operation with Sinosure on underwriting and risk management.

Hong Kong manufacturers also reflected to banks about the lack of domestic credit insurance services in the market. At present, Sinosure's domestic trade credit insurance products mostly target corporate clients. If Sinosure can further extend their products to banks, credit risk exposure of banks can be effectively shared and reduced. Bank clients' receivable assets can be better utilised with more flexible and economical financing channels and solutions available.

9.2 Establishing GBA product quality standards

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" ("Outline") states that the GBA should actively involve industry associations and chambers of commerce in formulating technical standards, regulating industry order, developing international markets, and responding to trade frictions. The Government of Guangdong Province also points out that it is necessary to optimise the strength of Guangdong's industrialisation capability and Hong Kong and Macao's roles as international cities to create standards in key areas in the GBA.

Both the questionnaire survey results and in-depth interviews show that product quality is one of Hong Kong manufacturers' greatest strengths. If Hong Kong manufacturers can actively participate in the formulation of GBA standards in key areas, they can help improve the quality performance in the Mainland industries and consumers' preferences, as well as to enhance their own competitiveness. Therefore, the HKSAR Government should proactively discuss with Mainland authorities to engage Hong Kong manufacturers to take part in setting standards that are simultaneously applicable in the GBA and internationally.

For new types of products and services in the I&T sector which have yet to derive industry standards, the HKSAR Government should connect Mainland authorities with the local I&T sector to leverage on Hong Kong's strength as an international I&T hub to set new standards for emerging industries together.

9.3 Deepening institutional integration and connectivity within the GBA

With their proximity to Hong Kong, the nine Mainland cities, Macao and Hong Kong are similar in culture, language, and tastes. Besides, Hong Kong manufacturers have a long history in Guangdong Province compared to other parts of the Mainland. Taking all these into account, the GBA is the best starting point for them to enter the vast domestic market. While promoting the external circulation requires Hong Kong and Macao to realise their strengths, the 9+2 cities in the GBA need to connect seamlessly for internal circulation to prosper. Different cities should complement each other and accelerate integration to actualise institutional, economic, and industrial innovation. It is evident from the survey findings that Hong Kong manufacturers have positive expectations of the domestic sales market where most of them



intend to further expand their businesses. Hong Kong manufacturers can harness the strong support in Hong Kong's specialties of technology R&D, talents, capital, professional services, and information flow, giving them great advantage to prosper in the Mainland market.

The GBA integration has made good progress in the past few years in aspects of livelihood services and economic flow, such as allowing Hong Kong people to enjoy the same treatment as Mainland residents in the GBA, facilitating cross-border practice for professional services and providing subsidies to young people who work or start a business in the GBA. Hong Kong manufacturers can benefit from policies of both Hong Kong and the Mainland. The cross-boundary "Northern Metropolis Development Strategy" put forth by the Hong Kong Government based on the "14th Five-Year Plan", the establishment of the GBA, and the expansion of Qianhai last year is of great significance to Hong Kong's integration into the GBA development. The Northern Metropolis will become an important hub to promote the development of I&T-based advanced industries in the GBA. The "Master Plan of the Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin" and the "Plan for Comprehensive Deepening Reform and Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" promulgated by the Central Committee of the Communist Party of China and the State Council present new directions to the development of industries in the area, and at the same time, provide the ideal testing ground for enhancing interconnectivity of talent flow, business regulations and financial services etc to achieve seamless integration within the GBA.

9.3.1 Facilitating talent flow

To facilitate a seamless connection among GBA cities, the governments of Guangdong and Hong Kong must take a step further to foster the flow of people, goods, and capital. The industry expects the GBA to roll out further measures for better interconnection and intercommunication in different areas, including streamlining passenger clearance for business and I&T personnel, optimizing cross-border tax measures, and enhancing the special arrangement on individual income tax (港人港稅) into a general policy that applies to all Hong Kong business personnel and young entrepreneurs who work in the GBA. These measures will allow Hong Kong companies to better mobilise their manpower for domestic sales business expansion.

On the other hand, this Report pointed out that business development talents who are familiar with the business culture, sales methods and e-commerce operations in the Mainland are crucial to the success of domestic sales business. Cross-border talent flow facilitation measures in place now cover mostly I&T talents. Policy makers are recommended to consider Hong Kong manufacturers' need for talents in other areas and to attract talents from more business fields to work in the GBA through convenient measures for working across GBA cities and streamlining income tax arrangement for individuals.

9.3.2 Encouraging technology R&D collaboration

Hong Kong manufacturers' greatest strengths are dependent on the quality and commitment to R&D, which keep their companies and products ahead of fierce competition in the Mainland market. Manufacturers should leverage on Hong Kong's excellent technology R&D foundation to upgrade and add value to their businesses and products. On the other hand, the enormous market size of the Mainland is a strong driving



force for businesses to invest in technology R&D. Given that enterprises tend to set up their R&D division in Hong Kong and production lines in the Mainland, the HKSAR Government may consider relaxing the geographical restrictions of funding schemes and I&T policies, such as allowing funded projects to carry out a larger part of the works in the Mainland, encouraging I&T talents to work both in Hong Kong and the Mainland, and increasing funding for projects related to manufacturing technology and product development to help Hong Kong manufacturers upgrade and transform in the Mainland. This will enable Hong Kong's research outcomes to support industries towards high value-added production and drive technology breakthroughs and sustained demand in technology R&D.

9.3.3 Streamlining business regulations

On top of the institutional differences in Hong Kong and Macao, there are also discrepancies in business regulations among the nine Mainland cities in the GBA that hinder intercity business operation. Despite the large market size, GBA has yet to become an integrated market for businesses. Enterprises would be subject to fewer constraints if the 9+2 cities accelerate the convergence of rules and regulations. Respondents reported that they encountered restrictions when expanding their business across provinces/cities in the Mainland. For example, when an employee is dispatched to a new branch in another city, the original employment contract must be terminated with compensation paid and a new contract must be signed by that employee with the new branch office. In addition, the new branch must be registered independently. Streamlining business regulations among different GBA cities would smoothen business operations in the area significantly and make foreign companies' adaptation in the GBA easier.

9.3.4 Strengthening cross-border financial services

Hong Kong's well-established and highly globalised financial services are crucial for Hong Kong manufacturers to expand their businesses in the Mainland. Respondents in this Report find cross-border financial services in the market inadequate, especially in debt collection services and cross-border fund flow management. In terms of financing, since the interest rate in Hong Kong is lower compared to the Mainland, many Hong Kong enterprises prefer to apply loans in Hong Kong despite very few banks accept Mainland property assets as collateral. Banks often make evaluations based on a company's assets and business scale in Hong Kong or the Mainland, such as credit reports, transaction decisions, client profit analysis, debt levels and portfolio management. Depending on clients' business model, banks also provide products such as supply chain financing and factoring that improve corporate liquidity.

Taking into account the frequent interaction and the needs for cross-border fund flow management services between Hong Kong enterprises and their Mainland subsidiaries in daily operations, regulators may consider launching a pilot cross-border cash pool for SMEs in the GBA, in order to facilitate the flow of cross-border funds to support Mainland subsidiaries in a more orderly and effective manner. At the same time, as SMEs have relatively limited internal resources, regulatory agencies may consider simplifying the application process and reduce the Mainland subsidiaries' uncertainty on the approval time of remittance transfer, and attract more Hong Kong enterprises to invest in the Mainland cities in the GBA. It can also further actualise the implementation of "30 Financial Measures" in opening-up markets and the internationalisation of RMB. Given that offshore RMB (CNH) derivatives have been established



for more than ten years, Hong Kong businesses and SMEs can mitigate the exchange rate risk of RMB settlement with the variety of mature RMB hedging products and derivatives in the market.

Given that many international banks provide cross-border financial services nowadays, the banking industry and the governments in Hong Kong and the Mainland should work more closely to review the credit risk management of cross-border businesses, strengthen the services of transaction banking, cross-border financing, payment and other products, in order to provide more diversified products and services to businesses.

9.4 Safeguarding intellectual property

Intellectual property (IP) protection plays a key role in the development of China's high-quality industries. With 2025 as the planning target, the State Council proposes to comprehensively strengthen IP protection, including improving IP legal and policy regimes, strengthening judicial and administrative protection of IP, while promoting the transfer and application of IP to support innovation in economic activities. At the same time, the Council proposes to promote international cooperation in IP rights and to actively participate in the global IP governance to promote the development of an open economy. The first GBA Intellectual Property Dispute Resolution Centre was set up last year as a joint dispute resolution mechanism for IP between Guangdong, Hong Kong, and Macao.

For a long time, Hong Kong manufacturers frequently encounter infringement or plagiarism in the Mainland, which affects profits and reduce motivation for innovation. The strengthened IP protection driven by policy directives in the Mainland in recent years would benefit Hong Kong manufacturers on multiple levels. Enterprises' IP can be better protected to promote healthy competition within the industry. Also, this will promote new businesses in IP trading and drive demand for professional support services, including legal, financial, and consulting services. Given that I&T is the key industry in GBA development, the HKSAR Government should strengthen co-operation with Mainland cities within the GBA in IP protection to safeguard the products of technological innovation and develop Hong Kong's strengths in IP protection and related professional services.

9.5 Empowering green industrial transformation

The increasingly stringent new environmental policies in the Mainland have put considerable pressure on the operation of Hong Kong manufacturers. The upgrade and transformation of Guangdong's manufacturing industry has achieved remarkable results in the past ten years, but the green transformation of China's manufacturing industry overall still has a long way to go. Building a green industrial chain, promoting R&D and commercialisation of green and low-carbon technologies are the key areas of industrial advancement in the future. With the national goals of reaching carbon peak by 2030 and carbon neutrality by 2060, the environmental regulations in the Mainland will become more stringent and at the same time, suppliers will be under pressure by larger companies to reduce carbon emissions.



Hong Kong manufacturers must act swiftly in improving environmental performance and reduce energy-intensive production activities. Harnessing Hong Kong's R&D capability, the HKSAR Government should support Hong Kong manufacturers in R&D and application of green production solutions to meet decarbonisation and compliance requirements ahead of time, as well as to contribute to the national carbon neutrality goal.

From the perspective of international integration, the green finance framework in the Mainland is significantly different from those in Hong Kong and internationally. To enhance the incentives and inclusiveness of green finance among businesses, regulators in the Mainland and Hong Kong may consider facilitating the implementation of a pilot green finance framework in the GBA that is closer to Hong Kong and international standards, with the aims to give businesses an easier access to green financing solutions and to promote the development of innovative green products to reduce carbon emissions.

9.6 Promoting the Hong Kong brand

According to respondents, having an original brand is important to domestic sales business. However, it is not easy for Hong Kong manufacturers who mainly operate OEM businesses to build their own brands and stand out in the competitive Mainland market. The HKSAR Government is recommended to further enhance the BUD Fund, particularly in the application procedures and approval process. For instance, post-event application for funding may also be allowed to increase flexibility for applicants.

To fully grasp the opportunities brought by GBA development, the HKSAR Government should consider taking the initiative to line up business chambers to formulate promotional and branding strategies for "Made by Hong Kong" in the GBA, including online and offline exposure, exhibitions, and e-platforms exposure, to allow SMEs with limited resources leverage on the brand effect to tap into new markets.



Appendix 1 - Summary of In-Depth Interviews

Industries of interviewed manufacturers:

- Textiles and garments
- Footwear
- Leather
- Watches and clocks
- Plastic products
- Metal products/ Machinery
- Precision parts
- Medical devices
- Electronics and electrical appliances
- Mould and die
- Furniture

In-depth interview summary

1. Business overview

- Export trade is the main business of the majority of interviewees, while domestic sales in the Mainland account for just a small share of overall turnover.
- B2B domestic sales business is easier to break-even, when there are not many successful examples of B2C domestic sales business.
- Most of the interviewees plan to further expand domestic sales in the short term (1-2 years).

2. Main strategies to tap into the Mainland market

- Target the middle to high-end markets
- Build strategic partnerships
- Design new products that cater for the preferences of consumers in domestic market
- Strengthen R&D to increase value added to the products
- Provide customer support and after-sales services
- Exercise strict control on quality and establish good reputation with high level of business integrity
- Set up a localised team for domestic sales

3. Main challenges

- Market demand and business model
 - Existing products need to be adjusted or redesigned as the requirements and tastes of Mainland customers are different from those in Europe and the United States.
 - It is not easy to find right distributors with similar business philosophy in the Mainland, limiting the expansion of sales network.
- Low cost-effectiveness of online marketing
 - It is difficult to get higher rankings on e-commerce platforms.
 - Influencers' live-streaming promotion is very costly.



- iii. Environmental regulations continue to tighten
 - The implementation of new regulations is too hasty without enough time for manufacturers to adapt.
 - New regulations increase operating costs.
 - Some textile companies were made to relocate because of regional industrial planning.
- iv. Long payment terms for B2B orders, while payment delays and delinquency occur from time to time
- v. Scale of domestic sales is limited as companies are unable to purchase credit insurance for such orders
- vi. Labour shortage
 - It is difficult to hire the right R&D personnel, technicians and general workers.
 - Turnover rate is high, especially in high-tech industries.
 - The recruitment market is monopolised by labour service companies.
- vii. Insufficient intellectual property protection
 - Plagiarism and copyright infringement are common.
 - Pursuing through legal channels is ineffective and the penalty has little deterrent effect.
 - The awareness of intellectual property rights among businesses and the public has increased in recent years, but the pace of improving IP protection to businesses is yet to speed up.

4. Financing, credit insurance and other banking services

- i. Financing
 - Interviewees finance their business expansion in the Mainland through financial institutions in both Hong Kong and the Mainland.
 - Interviewees who obtain financing through Hong Kong banks mainly cite lower interest rates and regular procedures as the main merits.
 - Most of the interviewees who obtain financing through Mainland banks use Mainland property as collateral, which is one of the simplest ways to raise funds.
 - An interviewee believes that the most common financing option for Hong Kong manufacturers in the Mainland is property mortgages.
- ii. Credit Insurance
 - Some interviewees do not know that the HKECIC provides domestic trade credit insurance services for Hong Kong manufacturers.
 - An interviewee, as a representative of business chamber, negotiated with some banks and insurance companies in the Mainland to provide domestic trade credit insurance for Hong Kong manufacturers but to no avail. He believes that it is even less likely for Hong Kong banks to provide such insurance services.
 - If Hong Kong banks or insurance companies provide domestic trade credit insurance, most interviewees believe that it is helpful to Hong Kong manufacturers to be more aggressive in taking domestic business orders.
- iii. Bank Account Opening
 - Some interviewees shared the difficulty for start-ups to open an account.



5. Measures taken by HKSAR Government to support domestic trade of Hong Kong manufacturers in the Mainland

- i. BUD Fund
 - Most of the interviewees have either heard about or applied for the BUD Fund.
 - Some interviewees have successfully obtained funding for trade shows, recruitment, publicity, R&D etc. to develop domestic sales business.
 - Some interviewee's applications were rejected. They think the amount of paperwork involved is heavy and some of the requirements are not realistic.
 - Some interviewees say that the long approval waiting time undermines the attractiveness and effectiveness of the Fund.
 - Some interviewees believe that the Fund should be helpful in supporting manufacturers. However, SMEs may not have the resources to cope with the complex application procedure. They suggest that the Government should take a more proactive approach to facilitate SMEs to apply for the Fund.
- ii. ConsignEasy
 - Most of the interviewees have either heard about or used the ConsignEasy service, but the outcome was not satisfactory.
 - They point out that ConsignEasy is more like an exhibition than a sales channel.
- iii. Some interviewees believe that the measures put forth by the HKSAR Government focus only on the consumer goods market, while ignoring the needs of Hong Kong manufacturers who produce intermediate products.
- iv. Some interviewees believe that the current measures are sufficient and the Government should not intervene too much in business activities.

6. Policies to promote internal circulation in the Mainland

- i. Incentives benefit only designated industries
 - An interviewee from the I&T industry says since the Mainland Government is actively promoting the development of high-tech industries in the GBA, they benefit from various aspects, including taxation, financing and insurance, etc.
 - Interviewees from traditional industries have not benefited apparently from any policies nor measures.
- ii. Products originally intended for export must obtain certification for sales in Mainland China
 - Some interviewees say that all their products for export have obtained only European and American certification. They have to apply for China's certification to launch products in the Mainland domestic market. The high cost of certification is the major pain point in the domestic sales of products originally intended for export.
 - Although the Mainland authorities have simplified the procedure, it still takes interviewees a long time to obtain certification.
 - Some interviewees hope that a pilot scheme of mutual recognition of certification between Hong Kong and Shenzhen can be carried out in Shenzhen.



7. Different institutions and regulations in Hong Kong and the Mainland

- i. Some interviewees say that business regulations in the Mainland are more complex and stricter than those in Hong Kong, but companies have already adapted to it.
- ii. Some interviewees point out that the quality and efficiency of public officers have improved in recent years. For example, when a company encounters difficulties in customs declaration, officials provide helpful solutions to the company.
- iii. Some interviewees expect further integration in the GBA, such as uniformity of taxation, allowing Hong Kong people to buy properties (residential and office buildings) in the nine cities, etc.

8. Market expectation

- i. Most interviewees are optimistic about the short-, mid- to long-term prospects and potential of the domestic sales market. GBA is an ideal starting point for Hong Kong manufacturers to tap into the domestic sales market and expand to other parts of the Mainland.
- ii. Most interviewees believe that compared with Mainland private enterprises, Hong Kong manufacturers have better corporate management and more mature production technology, giving them advantages in developing domestic sales business. However, the competition in domestic business is likely to become more intense in the future.



Appendix 2 – Summary of focus group discussion

Industries of participating enterprises:

- Automotive parts
- Biotechnology laboratory services
- Solar power systems
- Electronic products

Summary of discussion:

1. R&D funding

- i. Hong Kong as the corporate R&D headquarters
 - Hong Kong provides enterprises with excellent technology R&D talents and funds, which is a key factor that attract enterprises to set up R&D departments in Hong Kong. However, since most products have to meet the needs of different markets and local regulatory requirements, most enterprises have set up R&D departments in all of their major markets.
 - Hong Kong has many excellent universities, experts and R&D centres with which enterprises can seek cooperation opportunities, which is why enterprises set up R&D departments in Hong Kong.
 - An electronic products manufacturer points out that there is not much advantage in producing finished goods in Hong Kong. In addition to automation equipment, a lot of space and workers are needed to handle packaging and other processes. Hong Kong does not have the needed land and labour supplies for such processes. Only production of chips or semiconductors are feasible in Hong Kong.
- ii. Funding policies
 - Interviewees believe that it is easier for large enterprises to obtain government funding than SMEs, and they hope that there will be more policies to help SMEs.
 - For SMEs that have not yet launched their products, the high cost of early-stage R&D is difficult to afford.
 - Various types of government funding do not allow applicants to revise the scope of research. Such rules are not in line with ordinary business operations. The Government should consider increasing flexibility in project scope and adding fast track approvals to new research derived from previously approved projects.
 - R&D centres in Hong Kong are relatively result-oriented, but in reality there is usually some gaps between R&D outcomes and expectations. When the R&D outcome is not the same as stated in the application, the Government may not approve the disbursement of funding.
 - Although government subsidies are useful, they are only incentives for companies and should not be regarded as recurrent funds.



2. Export trade and domestic sales

- i. Differences in business culture
 - Business practices and transaction methods in the Mainland are very different from those in overseas markets. Therefore, many Hong Kong manufacturers still put their focus on export trade, which they are familiar with. The process of expanding domestic sales is very difficult.
 - It is difficult for Hong Kong people to truly integrate into the Mainland culture. Mainland enterprises are familiar with tools, such as Internet influencers, to carry out direct sales. The management culture in Hong Kong enterprises make it very challenging to adapt to the Mainland market.
 - Business development in the Mainland must be done by locals and Hong Kong people are not the right candidates.
- ii. Product development
 - The effort Hong Kong enterprises put into product development for the Mainland market is far from enough. In fact, it is impossible to create a product that is good for all markets. Enterprises must hire R&D personnel in different markets and understand the consumer preferences and market demand of individual markets in order to create products that suit specific markets.
 - Designing products for the domestic market is a big challenge for Hong Kong enterprises and comes with certain investment risks.

3. Labour shortages

- i. There has always been a shortage of technology R&D talents in Hong Kong. In the past, most of the top talents were absorbed by the financial market. Nowadays, more talents are eager to enter the industry or I&T fields.
- ii. Graduates who are interested in I&T prefer to engage in digital technology. It is still difficult for advanced manufacturing industries to hire I&T talents.

4. Intellectual property

- i. Enterprises must continue to invest in R&D to compete against plagiarism and price cuts.
- ii. Mainlanders generally lack awareness of intellectual property rights protection. Although there has been signs of improvement, the change is still too slow. It is believed that the Mainland will only prioritize intellectual property protection when their technology spreads to global markets and encounter threats of plagiarism in other developing countries.
- iii. Patent lawsuits and trials can now be conducted online, indicating that Mainland authorities do encourage businesses to protect their rights. However, due to the low legal cost, malicious market players may attempt to influence their competitors by means of legal abuse.
- iv. An interviewee states that when he encountered disputes over intellectual property in the Mainland, it is more effective to deal with them through business connections than through legal channels.



5. Industry Standard

- i. Hong Kong manufacturers usually adopt overseas product standards and they have to follow Mainland standards when conducting domestic sales. Some I&T industries such as biotechnology are rather new and there is no established standards yet. Considering the size of Hong Kong enterprises, it is almost impossible for them to get involved in setting new standards in major markets such as Europe and the United States. In the Mainland, if one wants to push for the establishment of national standards, he must first join relevant industry organisations and lobby across the country, which is also impossible for ordinary Hong Kong enterprises to do so. It is suggested the HKSAR Government should help the industry to participate in standard setting in the Mainland.
- ii. In general, national standards are stricter than those in Hong Kong. There are no local standards for certain products (such as medical equipment and pet food). The authorities would recommend enterprises to follow overseas standards, but it is not compulsory to do so. Interviewees believe that the government should consider adopting stricter standards similar to those of the Mainland in Hong Kong. In the short to mid-term, the standards of Hong Kong and the Mainland should be brought closer to accelerate market integration.
- iii. Although the interviewees have obtained a number of certifications in Hong Kong, Mainland authorities do not recognise such certifications and require them to obtain laboratory accreditation in the Mainland.



Appendix 3 – Questionnaire Survey

(The original questionnaire survey was conducted in Chinese. Chinese version shall prevail in case of discrepancy.)

Research on Domestic Sales of Hong Kong Manufacturers in the Greater Bay Area

Questionnaire

The Federation of Hong Kong Industries is conducting a survey on member enterprises with factory operations in the Greater Bay Area (“GBA”) to understand their current situation and plans of conducting domestic sales in the Mainland. The results of this questionnaire survey will help us reflect the situation and needs of the industry to the Mainland and Hong Kong Governments, and put forward policy recommendations that will help manufacturers seize the opportunities in the Mainland market.

Part 1 – Company basic information

1. Location of headquarters (choose 1 answer only)

- GBA:** Hong Kong Guangzhou Shenzhen Zhuhai Foshan
 Huizhou Dongguan Zhongshan Jiangmen Zhaoqing
 Macao
- Other China regions outside the GBA** (please specify): _____
- Overseas** (please specify): _____

2. Location(s) and number of factory(ies) in operation* (multiple options)

GBA	Hong Kong	Guangzhou	Shenzhen	Zhuhai	Foshan	Huizhou
0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
≥3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Dongguan	Zhongshan	Jiangmen	Zhaoqing	Macao	
0	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
≥3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Other China regions outside the GBA (please specify):

- 0 1 2 ≥3

Overseas (please specify):

- 0 1 2 ≥3

*holding over 50% shares



3. Current number of employees

- ≤ 100 101-500 501-1000 1001-1500
 1501-2000 ≥ 2001

4. Major types of manufacturing industry(ies) (multiple options)

- Food/ beverages/
tobacco Machinery Medical
appliances Textiles
 Computer/
electronic products Mould and die Garments Electrical
appliances
 Chemical/Biotechnology/
pharmaceuticals Leather/luggage/
handbags Automobile/
aeronautical/
advance components Plastics
 Footwear Furniture Metals Wood/
wood products
 Watches and clocks Printing/ book
binding/ paper
products Toys Jewellery
 Spectacles/
optical products Others (Please specify): _____

Part 2 – Current operations and business models in the Mainland

5. Is your company conducting export trade (production in the Mainland, export to overseas markets)?

- Yes No (jump to Question 6)

Export trade as a percentage of overall turnover

- ≤20% 21-40% 41-60% 61-80% 81-100%

Business Model (multiple options)

- OEM ODM OBM

6. Is your company conducting domestic sales in the Mainland (production in the Mainland, sales in the Mainland)?

- Yes No
 Do you plan to start domestic sales business in the short term
(within 2 years)?
 Yes (jump to Question 8) No (jump to Question 7)

Domestic sales in the Mainland as a percentage of overall turnover

- ≤20% 21-40% 41-60% 61-80% 81-100%

Year(s) of conducting domestic sales in the Mainland

- < 2 years 2-3 years 4-5 years 6-7 years 8-9 years
 ≥10 years



Domestic sales in the GBA as a percentage of overall domestic sales turnover

≤20% 21-40% 41-60% 61-80% 81-100%

Business model (% of overall domestic sales turnover in the Mainland)

i. OEM

0% 1-20% 21-40% 41-60% 61-80%
 81-100%

ii. ODM

0% 1-20% 21-40% 41-60% 61-80%
 81-100%

iii. OBM

Original brand

0% 41-60%
 1-20% 61-80%
 21-40% 81-100%

Franchised brand

0% 41-60%
 1-20% 61-80%
 21-40% 81-100%

Do you plan to further expand domestic sales in the Mainland in the short term (within 2 years)?

Yes No

Revenue from domestic sales in the Mainland

Exceeds expectations In line with expectations Below expectations

(jump to Question 8)



7. To what extent do you agree that the following factors lead to your company's decision of not conducting domestic sales in the Mainland?

	Strongly disagree					Strongly agree	Not applicable
	1	2	3	4	5		
Uncertain economic/business outlook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour shortage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient innovation expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient intellectual property protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Intense competition on e-commerce platforms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stringent environmental policies and business regulations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costly product certification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High credit risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complex tax and administrative charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High cost/difficulty in financing and obtaining loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of trusted distributors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient regulatory protection over business practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate policy support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rising land cost/rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Different rules and regulations between Hong Kong and the Mainland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(jump to Part 6)							



Part 3 – Main strategies for conducting domestic sales in the Mainland

8. Types of products and potential/main sales channels for domestic sales

Finished goods

Main/ Potential sales channel (multiple options)

- | | |
|---|--|
| <input type="checkbox"/> Traditional e-commerce platforms | <input type="checkbox"/> Social e-commerce platforms |
| <input type="checkbox"/> Department stores | <input type="checkbox"/> Franchise stores |
| <input type="checkbox"/> Shopping centres | <input type="checkbox"/> Supermarkets |
| <input type="checkbox"/> Business network | <input type="checkbox"/> Tendering |
| <input type="checkbox"/> Vending machines | <input type="checkbox"/> Self-owned online shops |
| <input type="checkbox"/> Boutiques | <input type="checkbox"/> Distributors |
| <input type="checkbox"/> Others (please specify): _____ | |

Intermediate products

Main/ Potential buyers (multiple options)

- | | |
|---|--|
| <input type="checkbox"/> Mainland state-owned enterprises | <input type="checkbox"/> Mainland private enterprises |
| <input type="checkbox"/> Mainland public sector | <input type="checkbox"/> Foreign brands manufacturing for domestic sales |
| <input type="checkbox"/> Others (please specify): _____ | |

Main/ Potential sales channel (multiple options)

- | | |
|---|---|
| <input type="checkbox"/> Business network / referrals | <input type="checkbox"/> Direct contact |
| <input type="checkbox"/> Trade shows | <input type="checkbox"/> |
| <input type="checkbox"/> Others (please specify): _____ | |

9. Main/ Potential business strategies (choose up to 3 options)

- | | | |
|--|---|--|
| <input type="checkbox"/> Merger | <input type="checkbox"/> Price competition | <input type="checkbox"/> Developing localised sales team |
| <input type="checkbox"/> Product R&D and design | <input type="checkbox"/> Brand building | <input type="checkbox"/> Targeting medium to high-end market |
| <input type="checkbox"/> Establishing strategic partnerships | <input type="checkbox"/> Exploring new markets with existing products | |

10. Proposed/adopted product development strategies and R&D and marketing budget

Types of product to be launched/ launched in the domestic sales market

i. Use existing products or fine-tune products originally intended for exports

- 0%
 1-20%
 21-40%
 41-60%
 61-80%
 81-100%

ii. Develop new products specifically for the domestic market

- 0%
 1-20%
 21-40%
 41-60%
 61-80%
 81-100%



iii. New products developed for both export and domestic sales

- 0% 1-20% 21-40% 41-60% 61-80%
 81-100%

Percentage of total R&D spending spent for domestic sales

- 0% 1-20% 21-40% 41-60% 61-80%
 81-100%

Percentage of total marketing spending spent for domestic sales

- 0% 1-20% 21-40% 41-60% 61-80%
 81-100%

11. Your company's comparative advantage(s) over Mainland competitors (Choose up to 3 options)

- Technology R & D Product quality Strategic vision Management skills
 Business model Branding After-sales services Cost Control
 Sales channels Marketing Business network
 Others (please specify): _____

12. To what extent do you agree that the following factors lead to your company's decision of conducting domestic sales in the Mainland?

	Strongly disagree					Strongly agree	Not applicable
	1	2	3	4	5		
Enormous market potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Cross-border investment and financing facilitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Enhanced business environment in the Mainland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Requested by clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Hedge against losses in other markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
National policy support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Business upgrade and transformation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Making full use of established business network	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Diversifying investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Cost reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Others (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



13. To what extent do you agree that these are the obstacles for your company to conduct domestic sales?

	Strongly disagree					Strongly agree	Not applicable
	1	2	3	4	5		
Uncertain economic/business outlook	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Labour shortage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient innovation expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient intellectual property protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Intense competition on e-commerce platforms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stringent environmental policies and business regulations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Costly product certification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High credit risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Complex tax and administrative charges	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High cost/difficulty in financing and obtaining loans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of trusted distributors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient regulatory protection over business practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate policy support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rising land cost/rent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Different rules and regulations between Hong Kong and the Mainland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Part 4 – Policies and financial services

14. Are existing cross-border financial services adequate to meet your company's needs to expand domestic sales?

	Very inadequate	Inadequate	Adequate	Not sure
Credit insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Remittance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Foreign exchange	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Debt collection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cross-border fund flow management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Account opening	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. How's the effect of the following supportive policies and measures launched by the Mainland Government on your company with regards to domestic sales expansion?

	Very effective	Effective	Ineffective	Adverse effect	Not applicable
Speeding up granting of market access	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Simplifying product certification procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Expansion of the scope for the "triple" scheme (「三同」) (referring to the promotion of domestic sales products towards the same production line, same standard and same quality as export products)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Simplifying domestic sales declaration procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax and fees reductions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strengthening intellectual property protection	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging the provision of loans and financing services for domestic trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Encouraging the provision of credit insurance for domestic trade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology R&D incentives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improving business licensing procedures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. Your knowledge of the following funding schemes in Hong Kong, and your experience in applying for such funding for the purpose of expanding domestic sales in the Mainland (subject to the most recent experience)

Dedicated Fund on Branding, Upgrading and Domestic Sales" ("BUD Fund") – Mainland Programme

Degree of participation I am aware of the Fund. I have heard of the Fund.
 I have never heard of the Fund.
 Application successful Application failed Applying
 Year of last application: _____

Approval process Fast Reasonable Slow Not applicable
 Application Procedures Simple Reasonable Complicated Not applicable
 Funding amount Abundant Reasonable Insufficient Not applicable
 Funding scope Wide Reasonable Narrow Not applicable

Innovation and Technology Fund (for the purpose of expanding domestic sales)

Degree of participation I am aware of the Fund. I have heard of the Fund.
 I have never heard of the Fund.
 Application successful Application failed Applying
 Year of last application: _____

Approval process Fast Reasonable Slow Not applicable
 Application Procedures Simple Reasonable Complicated Not applicable
 Funding amount Abundant Reasonable Insufficient Not applicable
 Funding scope Wide Reasonable Narrow Not applicable



17. If the HKSAR Government implements the following policies and measures, how will they affect your company with regards to domestic sales expansion?

	Very effective	Effective	Ineffective	Adverse effects	Not applicable
Continue various exemptions and fee reduction for enterprises	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Simplify the application process for funding under HK\$1 million	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Review the functions of HKECIC to provide more domestic trade credit insurance services and enhance insurance coverage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Further enhance the flow of talents, goods, funds and information in the GBA for integrated development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Formulate domestic sales promotion strategies, including online and offline campaigns, trade shows and exposure on e-commerce platforms for Hong Kong manufacturers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part 5 – Market forecasts

18. Expected growth in overall domestic sales of your company within 2-3 years:

- | | | | | |
|--|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <input type="checkbox"/> Negative growth | <input type="checkbox"/> 0% | <input type="checkbox"/> 1-20% | <input type="checkbox"/> 21-40% | <input type="checkbox"/> 41-60% |
| <input type="checkbox"/> 61-80% | <input type="checkbox"/> 81-100% | <input type="checkbox"/> 101-150% | <input type="checkbox"/> 151-200% | <input type="checkbox"/> 201-250% |
| <input type="checkbox"/> 251-300% | <input type="checkbox"/> >300% | | | |

19. Short- to mid-term (1-5 years) development prospects of your industry in the GBA domestic sales market (choose up to 3 options):

- | | |
|---|---|
| <input type="checkbox"/> Competition with Mainland competitors will become more intense | <input type="checkbox"/> Market potential will still be enormous |
| <input type="checkbox"/> Market outlook will be pessimistic | <input type="checkbox"/> Hong Kong enterprises will maintain their advantages |
| <input type="checkbox"/> Development will be constrained by national development plans | <input type="checkbox"/> GBA will serve as a starting point to the nation-wide market |

20. Other comments _____



Part 6 – Contact information

Company name: _____

Contact person: _____

Telephone: _____

E-mail: _____

<End of questionnaire, thank you! >



Acknowledgement

We would like to express our gratitude to all the respondents in the questionnaire surveys, and the time and effort of industrialists participating in the focus group discussion and in-depth interviews. The information and opinions from industry leaders are the most important building blocks for this Report.

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Research Team

Standard Chartered Hong Kong

GBA Think Tank, Federation of Hong Kong Industries

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Jing Mei Automotive Ltd

Suga International Holdings Ltd

Wing Sang Bakelite Electrical Manufactory Ltd

Precision Enterprise Ltd

Bondale Electronics Ltd

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Hongrita Mold Ltd

Kong Cheong Shoes (International) Ltd

Loxca Industries Ltd

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