

**Speech by SFST at opening ceremony of Watch and Clock Fair 2009
(English only)**

Wednesday, September 2, 2009

Following is the speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, at the opening ceremony of the Watch and Clock Fair 2009 today (September 2):

Mr. (John) Wong, distinguished guests, ladies and gentlemen,

Good morning. It gives me great pleasure to mark the opening of the Watch and Clock Fair 2009. With its 27-year history, the fair has become a major sourcing hub for the watch and clock industry, offering the widest possible range of choices to buyers, and great opportunities to practitioners in the trade to meet their old friends from all over the world every year.

Hong Kong has been a leading exporter of watches and clocks in the world. As I have learnt from the latest statistics, Hong Kong was the world's second largest exporter of complete watches and complete clocks in terms of both value and quantity in 2007. Over half was re-exports of Mainland origin. The EU, the US and the Mainland have been the three major markets for our total exports.

It is estimated that over three-quarters of Hong Kong's timepiece exports are produced on an OEM (original equipment manufacturer) basis. So, while your watches or clocks may wear US, EU or Japan brand names, they might in fact be made by a Hong Kong company. Further, an increasing number of Hong Kong companies have developed ODM (original design manufacturer) businesses that these Hong Kong companies own the designs of the products. It has illustrated the originality of not only the watch and clock industry, but also this Asian world city.

Like many other industries, due to keen competition as well as the global economic crisis, the watch and clock industry of Hong Kong is facing unprecedented challenges. In the first half of 2009, our watch and clock exports dropped by about 23%.

Business Opportunities - Implementation of CEPA

Notwithstanding these challenges, our closer economic co-operation with the Mainland has presented plenty of opportunities for the further development of the watch and clock industry. For example, under Supplement II to CEPA (Mainland and Hong Kong Closer Economic Partnership Arrangement) which took effect from January 1, 2006, all Hong Kong products can be imported into the Mainland at zero tariffs. Since then, watches made in Hong Kong with a Hong Kong brand are no longer required to fulfil the 30% value-added components requirement in order to be eligible for zero tariffs.

Cross-border Trade Settlement in Renminbi (RMB)

More recently, with the launch of the cross-border RMB trade settlement pilot programme in July this year, Hong Kong companies and pilot companies in the Mainland can choose to settle trades in RMB. This gives both trading partners greater flexibility in their operations and minimises the risk arising from fluctuation of exchange rates. I hope that this pilot programme can soon be expanded so that more companies, including those in the watch and clock industry, can enjoy the benefits.

Throughout the years, the watch and clock industry has experienced many great challenges. They have all been overcome by the industry's creativity and resilience. Indeed, you have turned crises into opportunities, maintaining the leading position of our watch and clock industry in the world. The Watch and Clock Fair 2009 is the best platform to showcase our achievements. May I wish the fair great success. Thank you!

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