

MARKET REPORT

OPTICAL

Hong Kong

September 2020



Ministry of Foreign Affairs
and International Cooperation

ITCA 
ITALIAN TRADE AGENCY

OVERVIEW OF THE EYEWEAR INDUSTRY IN HONG KONG

Hong Kong is one of the major international players in the eyewear sector, resulting in third place in the world ranking of eyewear and frame exporting countries after China and Italy, for a total value that in 2019 reached 2.6 billion US dollars, down by about 0.01% comparing to 2018: Hong Kong's main export markets are the United States, Italy and China, followed by Australia, Japan and Germany.

Hong Kong's imports in the entire sector increased by 0.68% in 2019, for a value of 2.3 billion US dollars. The main supplier countries are China, followed by Italy and the United States.

The role of Hong Kong as a commercial hub in the sector is also testified by the qualified and growing participation of operators from all over the world in the OPTICAL FAIR, one of the most important world trade fairs: in 2019, in its 27th edition, featured 810 exhibitors from 18 countries and regions and welcomed over 14,000 buyers

The local industry, specialized in the production of medium-high range market frames, is characterized by flexibility and ability to adapt to the changing and frequent changes in stylistic trends, managing to satisfy even small orders, while offering a wide range of choices: from traditional plastic frames, even handmade, to rimless nylon glasses, to metal ones in laminated gold, aluminum alloy, brass, steel, silver and titanium.

In order to stay in the higher strata of the market, face the increasingly fierce competition of producers in the Mainland, especially Wenzhou, and continue to play a leading role in the world market and a reference point for international eyewear brands, the local industry has long focused on various strategic directions:

a) relocation of production to the nearby Chinese province of Guangdong (Shenzhen and Dongguan), which allows a reduction in production and labor costs, with the maintenance in Hong Kong of activities with greater added value such as marketing, quality control and managerial and brand management (for companies that market with their own brands).

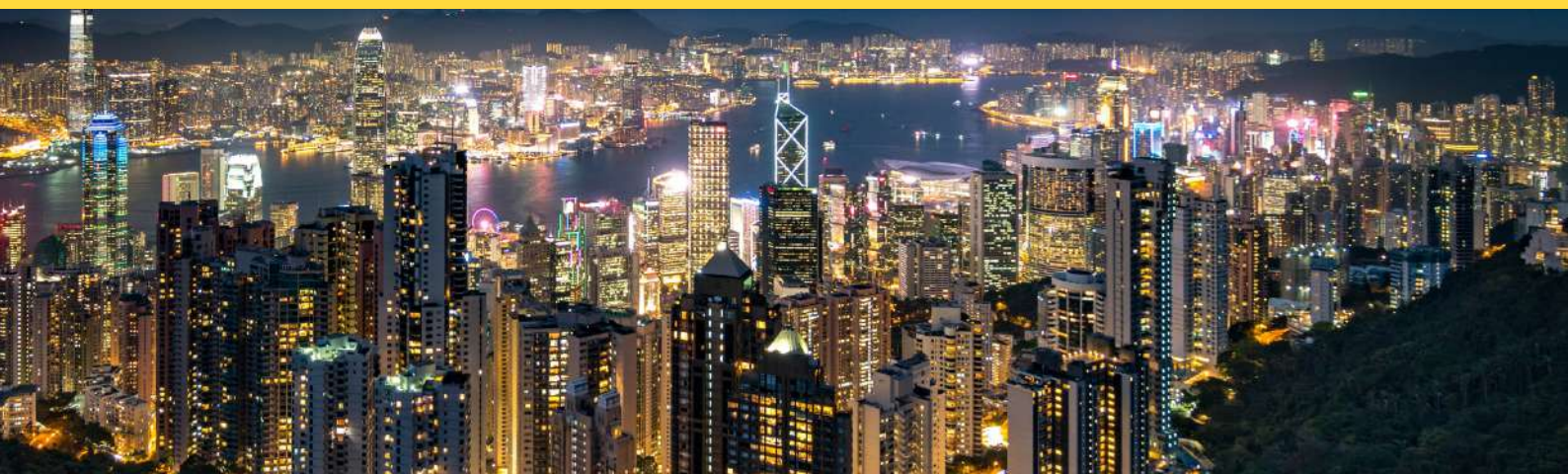
b) increase in investments in technology with the purchase of increasingly efficient and precise machinery (numerical control machines), and with the use of specific software for design (CAD / CAM technology).

c) constant technological innovation with particular reference to the quality of production processes and design: many

large Hong Kong companies have obtained ISO certification and / or the 'Q-Mark' award, which is awarded to Hong Kong companies by the Federation of local industrialists. Among other things, to promote the innovation of eyewear design, a specific competition is held annually in Hong Kong for young designers in the optical sector

The local industry also benefits from an efficient induction that provides equipment and basic materials for production (molds and acetate cellulose), hinges, jumpers, etc.

The strategic choices are so far proving the Hong Kong industry right, which on the one hand manages to keep Chinese competitors at a distance offering products for the lower end of the market, and on the other remains a privileged production partner of companies and brands. international, including Italians who prefer to keep their subcontractors in Hong Kong for their quality and reliability.



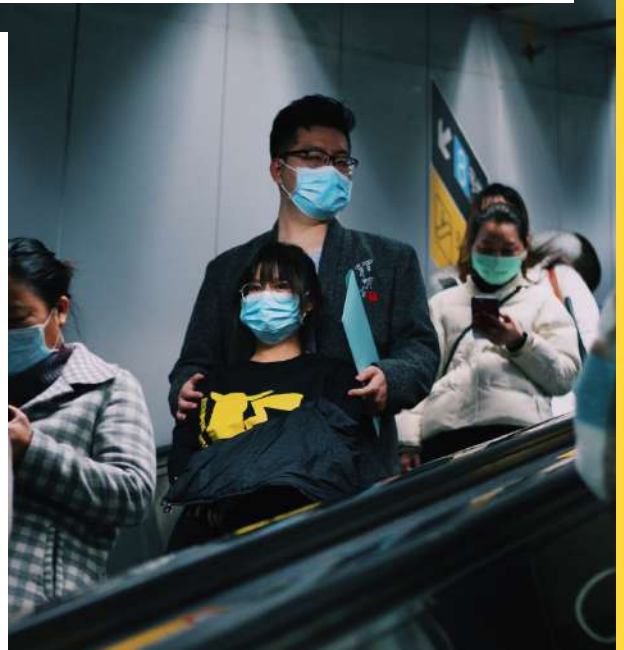
IMPACT OF THE PANDEMIC

Local business environment has been affected by the social incidents since June 2019 and the pandemic from Feb 2020. According to the HKSAR government, the number of tourist arrivals in the past few months had been at a dramatic low, **decreased drastically down 99%** with reference to the same months last year due to travel restriction policies under the outbreak of the COVID-19. It has brought inbound tourism almost to a standstill and caused severe disruptions to consumption-related activities.

Referring to the latest figures from the Census and Statistics Department on retail sales, for the first half of 2020, it was provisionally estimated that the value of total retail sales decreased by **33.3%** compared with the same period in 2019.. In June, Sales dropped to **HK\$26.5 billion** (\$3.42 billion), government data showed on Thursday, the 17th consecutive month of decline. The drop compares with a revised **32.9%** decline in May.

In volume terms, retail sales in June fell **25.4%**, compared with a fall of a revised **34%** in the previous month.

(<https://www.nytimes.com/reuters/2020/07/30/world/asia/30reuters-hongkong-economy-salesfigures.html>)



PwC predicted that Hong Kong retail sales will fall by 19.7 percent to HK\$346 billion in 2020 due to the coronavirus pandemic, with local retail sales rally by 16.9 percent in November and 7.8 percent in December, boosted by rising mainland tourist arrivals. The projection is based on an assumption that the third wave of coronavirus in Hong Kong will end by late August or early] September, and the border restrictions between the city and the mainland China would be lifted in October or November.

(<https://www.thestandard.com.hk/breaking-news/section/2/151381/HK-retail-sales-forecast-to-fall-by-19.7pc-this-year>)

With the above numbers, therefore, it should be noted that it might be difficult to find local operators that are willing to expand their cooperation in this period of time.

Sales Channels

On the retail side, most of the sales are done by chain stores and mass merchants worldwide. Many manufacturers deal with overseas buyers directly, including large retail chains. There are a growing number of Hong Kong exporters that produce house or international designer brands under the licensing agreement.

Some Hong Kong exporters have formed strategic alliance with overseas companies and brand license to consolidate long-term relationship and explore overseas market opportunities. Hong Kong manufacturers are also engaged in OBM, developing their house brands for other markets, particularly in Southeast Asia and mainland China.

Major Hong Kong optical retail brands such as eGG Optical Boutique and Optical 88 have diversified into distribution business by setting up retail chain stores in mainland China and Southeast Asia, while some of them even have established distributors throughout Europe and North America.

Major trade fairs for international sales:

HONG KONG

HKTDC Hong Kong Optical Fair in November

MAINLAND CHINA

China International Optics Fair held in Beijing in September

USA

Vision Expo East held in New York City in March

EUROPE

MIDO held in Milan in February-March

EUROPE

SILMO held in Paris in September

JAPAN

International Optical Fair Tokyo (IOFT) in October

MAINLAND CHINA

International Optics Fair held in Shanghai in February

USA

Vision Expo West held in Las Vegas in September

EUROPE

OPTI held in Munich in January

Product Trending

Online retailing: Internet is an increasingly popular channel for spectacles, thanks to growing commercial application of 3D facial scanning, Augmented Reality (AR) and online vision tests. While many Hong Kong retailers have setup online showroom, some foreign companies like Ace & Tate (the Netherlands), Hubble Contacts (the US), Warby Parker (the US) and Zenni Optical (the US) are offering customised spectacles online.

Emphasis on design and quality: Apart from cost-controlling measures, Hong Kong companies are putting increasing emphasis on design, technological innovations and quality management to stay competitive. Many large Hong Kong manufacturers have attained quality management certification, such as ISO 9000 and/or Q-Mark awarded by the Federation of Hong Kong Industries. To promote and enhance the design and quality of Hong Kong eyewear, an eyewear design competition is held at the HKTDC Optical Fair every year.

ODM and OBM trends: Hong Kong exporters are facing the challenges of escalating production costs, as higher raw material prices, labour wages and energy prices have fully offset the positive effects of economies of scale. ODM basis of production has helped various Hong Kong companies to increase value-added.

In addition, some manufacturers, such as Arts Optical International, Sun Hing Optical Manufactory and Swank International Optical, have shifted their focus further to OBM – developing their own brand products in order to enhance their competitiveness.

Business opportunities in mainland China: The mainland Chinese optical market is promising with more than half of the population experiencing myopia. Some foreign companies seek for partnership opportunities with Chinese chain stores notwithstanding the fact that existing ones are confined to big cities and are much smaller in scale as compared to their foreign counterparts. Meanwhile, some leading spectacle manufacturers, such as the Luxottica Group and HAL Investments (Asia) BV, as well as contact lens companies, like Johnson & Johnson, Ciba Vision and Bausch+Lomb, have entered the Chinese market.

Environmental trends:

Eco-friendliness and sustainability are becoming more important for the spectacles industry.

To stay compliant and competitive, for example, the Hong Kong Productivity Council (HKPC) helped Arts Optical International Holdings to develop the 'Ion Plating Technology' for electroplating to reduce wastewater discharge and add value with the anti-scratch and abrasion resistant features.

Market Access

Since Hong Kong is a free port, **optical products are also exempt from import duties and taxes, and no technical documentation is required to accompany the imported products.**

From 1 January 2006, all goods produced in Hong Kong or which have undergone a transformation equal to 30% of their production process in Hong Kong, can be exported to China at "zero tariff" by virtue of the entry into force of the third phase of the Closer Economic Partnership Arrangement between Hong Kong and Mainland China (CEPA III).

Local distributors usually search directly for new products to be placed on the market, sourcing from manufacturers and using their most up-to-date catalogs and / or requesting the sending of samples to Hong Kong. The use of samples is essential as it allows distributors to evaluate the quality of the products and allows them to present them to customers in a concrete and effective way.

Letters of credit (LC) are the most used payment method among buyers and producers. Payment terms vary from contract to contract.

Promotion

The form of promotion most commonly used in Hong Kong by eyewear manufacturers and distributors is undoubtedly represented by advertising in local magazines and online ad placement.

Big brands, in particular, carry out massive advertising campaigns in the main fashion and lifestyle magazines and social media to launch new products and trends.





Distribution

Most of the products imported into Hong Kong by distributors and importers are then re-exported while only a small portion of the total is placed on the local market. In general, local producers, after having entered into agreements with large foreign fashion groups, are also authorized to distribute the glasses produced on the local market.

Most merchants, in order to better meet the demands of consumers, favor the variety of products over quantity. Some sellers, in addition to buying products from official distributors, import directly from foreign producers.

The number of contracts between local companies and large fashion groups for the production of designer glasses is stable. Some companies, such as Moulin International, directly control the distribution through their own sales network in China. In other cases, local producers create alliances with foreign companies in order to evaluate new possibilities for expansion abroad.

The most effective marketing tool to get in touch with potential buyers is the participation in international trade fairs and exhibitions. Foreign buyers, especially Japanese, consider the "Optical Fair" in Hong Kong, which takes place every year in November, one of the most important events in the sector.

Trade Policies

Hong Kong is a free port. We pursue a free trade policy and do not maintain barriers on trade. No tariff is charged on import or export of goods. Although licensing is required for the import and export of some goods, this is only to fulfill obligations undertaken by Hong Kong to our trading partners, or to meet public health, safety or internal security needs.

For any inquiries on specific regulations, please contact us for more information.

FOREIGN TRADE DATA

(All data retrieved on September 2020)

In 2019, eyewear imports (HS 900130-140-150, 9003 and 9004) increased by 3.5% compared to 2018, for a total value of over US \$ 2 billion. China is Hong Kong's largest supplier of optical products and occupies 60% of the market. The second main supplier country of Hong Kong is Italy with a market share of over 19%, and a decrease in its exports to Hong Kong of -8.64% which reached over 437 million US dollars. Industry figures and main products

The import of frames (HS 9003) and eyewear, including sunglasses and sports (HS 9004), is clearly the majority (over 80%) of the total imports of optical material in Hong Kong. The import of frames (HS 9003) in 2019 reached the value of US \$ 876 million, with a decrease of 1.4% compared to 2018, while as regards eyewear (HS 9004) there was a decrease in the period of 3.69 % for a value of US \$ 987 million.

In the period considered, the value of corrective lenses made of imported materials other than glass (HS 900150) increased by 24.1%. For contact lenses (HS 900130) it underwent an increase of about 2%; the value of imported corrective glass lenses (HS 900140) increased by approximately 38%.

IMPORTS OF SPECTACLE FRAMES (HS 9003)

Partner	January - December (Value: 000 USD)			Market Share(%)			Change 2019/2018	
	2017	2018	2019	2017	2018	2019	Amount	Percent
_World	768,877	888,452	875,700	100	100	100	-12,752	-1.44
China	598,405	705,099	703,405	77.83	79.36	80.33	-1,694	-0.24
Italy	76,237	85,933	78,842	9.92	9.67	9	-7,092	-8.25
Japan	28,910	35,937	42,848	3.76	4.05	4.89	6,911	19.23
Germany	29,821	30,403	27,004	3.88	3.42	3.08	-3,398	-11.18
Bangladesh	6,562	5,725	4,572	0.85	0.64	0.52	-1,153	-20.14
Austria	2,980	4,476	4,042	0.39	0.5	0.46	-434	-9.7

Imports of frames decreased by 1.4% in 2019, for a total value of US \$ 876 million. China was the main supplier country of Hong Kong with a value of US \$ 703 million and a market share of 80%, followed by Italy whose exports decreased by 8% compared to 2018, with a value of US \$ 79 million and a market share of 9%. Japan confirms its 3rd place among Hong Kong's supplier countries, registering a + 19%, for a total value of approximately 43 million US \$.

IMPORTS OF SPORTS, CORRECTIVE, PROTECTIVE, SUN GLASSES, ETC.

Partner	January - December (Value: 000 USD)			Market Share(%)			Change 2019/2018	
	2017	2018	2019	2017	2018	2019	Amount	Percent
_World	950,799	1,024,789	986,928	100	100	100	-37,862	-3.69
China	475,524	497,895	487,365	50.01	48.59	49.38	-10,530	-2.11
Italy	354,567	386,681	351,921	37.29	37.73	35.66	-34,760	-8.99
United States	89,811	98,136	97,535	9.45	9.58	9.88	-600	-0.61
Japan	17,367	26,188	34,527	1.83	2.56	3.5	8,339	31.84
Germany	3,575	4,721	3,998	0.38	0.46	0.41	-723	-15.32

The total value of imports of HS 9004 eyewear increased in 2019 by 7.8% compared to 2018, for an amount of US \$ 38 million. China was the main supplier country, with a market share of 50%. Italy was the second largest supplier, recording - compared to 2018 - a small decrease of 2% for a total value of US \$ 352 million and a market share of 35.7%. The United States, Japan and Germany follow in the ranking.

IMPORTS OF SUNGLASSES (HS 900410)

Partner	January - December (Value: 000 USD)			Market Share(%)			Change 2019/2018	
	2017	2018	2019	2017	2018	2019	Amount	Percent
World	783,179	825,485	804,972	100	100	100	-20,513	-2.48
Italy	352,003	385,239	350,701	44.95	46.67	43.57	-34,538	-8.97
China	318,225	310,253	322,067	40.63	37.58	40.01	11,814	3.81
United States	88,992	97,292	96,929	11.36	11.79	12.04	-362	-0.37
Japan	15,340	23,360	27,879	1.96	2.83	3.46	4,519	19.34
France	1,621	1,423	2,341	0.21	0.17	0.29	919	64.56

2017 marks a recovery in Italian exports of sunglasses (+ 6.6%), confirming (immediately after China) as the leader in the sector in question with a share of market equal to 45% for a total value of US \$ 352 million. Hong Kong's total imports reached around US \$ 805 million during the period considered, a decrease of 9%.

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IMPORTS OF CORRECTIVE LENSES MADE OF GLASS AND OTHER MATERIALS

Partner	January - December (Value: 000 USD)			Market Share(%)			Change 2019/2018	
	2017	2018	2019	2017	2018	2019	Amount	Percent
_World	210,016	240,203	303,590	100	100	100	63,388	26.39
China	105,407	153,990	209,914	50.19	64.11	69.14	55,923	36.32
Thailand	54,408	35,739	26,651	25.91	14.88	8.78	-9,088	-25.43
Philippines	10,746	10,721	13,790	5.12	4.46	4.54	3,069	28.62
Japan	9,299	10,665	10,820	4.43	4.44	3.56	155	1.45
Taiwan	945	768	10,309	0.45	0.32	3.4	9,541	1,242.59
Mexico	7,410	5,814	9,103	3.53	2.42	3	3,289	56.58
Italy	2,082	4,839	5,328	0.99	2.02	1.76	489	10.11

Hong Kong's imports of prescription spectacle lenses increased 26.4% over the previous year, valued at US \$ 304 million. The main suppliers are Asian countries, with China in first place, followed by Thailand and the Philippines. Italy in the same period recorded a decline in the value of its exports with a market share of 1.8%.

IMPORTS OF CONTACT LENSES

Partner	January - December (Value: 000 USD)			Market Share(%)			Change 2019/2018	
	2017	2018	2019	2017	2018	2019	Amount	Percent
_World	115,673	143,980	146,812	100	100	100	2,832	1.97
Ireland	57,980	69,946	66,620	50.12	48.58	45.38	-3,326	-4.76
United States	27,646	38,327	45,728	23.9	26.62	31.15	7,401	19.31
United Kingdom	6,506	6,026	7,378	5.62	4.19	5.03	1,352	22.43
South Korea	3,439	4,262	5,685	2.97	2.96	3.87	1,423	33.39
Taiwan	4,057	5,409	3,960	3.51	3.76	2.7	-1,449	-26.79
Indonesia	620	168	441	0.54	0.12	0.3	273	162.68
Italy	292	348	413	0.25	0.24	0.28	65	18.62
Australia	3,508	4,361	118	3.03	3.03	0.08	-4,243	-97.3

The value of contact lens imports in Hong Kong increased by 1.8% in 2019. Ireland and the United States dominate the first places: together they occupy about 75% of the market. Italy, with values of US \$ 0.41 million, is in 15th position among the supplier countries.

SUMMARY ON ITALIAN PRODUCTS

Italian products, thanks to their high quality and innovative design, are well established in Hong Kong's medium-high range market and, in the sector as a whole, Italy is Hong Kong's second supplier after China. However, given the strong competition and the dynamism of the market, to consolidate their positions, Italian producers need to keep up with the changing trends in demand.

1 Diversity

As highlighted on several occasions by importers and distributors in Hong Kong, consumers are increasingly turning to a greater variety of products at affordable prices. Colored frames of different shapes in plastic and metal are a lot demand in the local market. In addition, Italian manufacturers should consider the diversity of features and facial conformation between Europeans and Asians: in fact, products designed for the European market cannot always be easily sold on the local market. As a demonstration of this, it should be noted that Japanese products, conceived and designed for an Asian audience, enjoy a good success.

This is why it is advisable that in the long term Italian producers consider the possibility of developing specific lines for Asia, in order both to meet the needs of local consumers and to cope with the rapid growth of the local market; they must also adapt to the fast pace of the market since a quick response is the key both to provide an effective marketing service to customers and to monitor changes in product performance.

2 Distribution

To increase your market share, you can choose to rely on a local agent, through which you can advertise your products in fashion magazines sold in Hong Kong.

V-Magazine is the only magazine specializing in Chinese-language eyewear. However, it is not necessary to focus ads only on specialized magazines, as fashion magazines such as Vogue, Cosmopolitan, Bazaar, Jessica or ELLE, as well as magazines targeting a mass audience such as Ming Pao Weekly can also be considered. , Next Magazine or East Weekly.

LOCAL DISTRIBUTION

Following are some of the major optics distributors in the market.

LensCrafters Hong Kong

A premium retailer under Luxottica Group, LensCrafters is a global distributor in optical fashion with access to the Group's renowned brands from around the world.

Address: Shop No. 109, Level 1, Pacific Place, Phase 1, 88 Queensway, Hong Kong

Tel: 2845 9442 | 2845 5491

Email: michele.ginocchietti@luxottica.com

Puyi Optical

Founded in 2001, Puyi Group, headquartered in Hong Kong, is one of the main distributor for high-end, luxury eyewear in Asia.

Address: Room 14-17, 11/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon

Tel: 2366 0199

Email: service-hk@puyioptical.com

Optical 88

Optical 88 is one of the major eyewear stores in Hong Kong. It was established in 1984, as a member of Stelux Group of Companies, who owns largest professional optical retail network.

Address: 19/F Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon

Tel: 2113 2363

Email: cs@optical88.com.hk

Hong Kong Optical

Hong Kong Optical was established since 1951. All shops are open in the major areas of Hong Kong, featuring some of the most renowned brands in fashion.

Address:

18/F Wyler Centre II, 192-200 Tai Lin Pai Road, Kwai Chung, N.T.

Tel: 2795 0288

Email: cs@optical88.com.hk



LOCAL ASSOCIATIONS

Hong Kong Optical Manufacturere Association

(HKOMA)

Address: 2/F, 11 Fa Yuen Street, Mongkok, Kowloon, HONG KONG

Phone Number : (852) 2332 6505

Fax Number : (852) 2770 5786

Email : hkoma@biznetvigator.com

The Hong Kong Optometric Association (HKOA)

Address: Rm.2102, 21/F, 1 Glenealy, Central, Hong Kong

Tel: 2522-2893

Fax: 2810-9899

Email: info@hkoa.org.hk

The Hong Kong Society of Professional

Optometrists (HKSP0)

Address: Unit 1204,12/F., Kowloon Building, 555 Nathan Road, Kowloon.

Tel: 3126 9980.

Email: secretariat@hkspo.org.hk
