

The Hong Kong Textile and Clothing Industry's Next Growth Pathway

Threading Hong Kong's New Edge

Guiding Organisation



Research Institution



Coordinators



Supporting Organisations



香港毛織出口廠商會有限公司
HONGKONG KNITWEAR EXPORTERS & MANUFACTURERS ASSOCIATION LTD.

HONG —
— KONG
FASHION
COUNCIL



Hong Kong Association of Textile
Bleachers, Dyers, Printers and Finishers
香港漂染印整理業總會有限公司



The Federation of Hong Kong
Garment Manufacturers
香港製衣業總商會



香港羊毛化纖針織業廠商會
HONG KONG WOOLLEN & SYNTHETIC KNITTING
MANUFACTURERS' ASSOCIATION

Sustainable
Fashion
Business
Consortium

Framework

Phase I study on the transformation and competitiveness of Hong Kong's textile and clothing industry

1

Economic and Social Contributions

- Summarises contributions of the textile and clothing industry to Hong Kong's socio-economic development.

2

New Landscape and New Opportunities

- Identifies new opportunities from global restructuring from the textile and clothing industry perspective.

3

Vision and Pathway

- Outlines the industry blueprint and development paths conceived by Hong Kong textile and garment entrepreneurs.

4

Current Predicaments

- Examines the challenges facing Hong Kong's textile and clothing industry.

5

Digitalisation and AI

- Analyses digitalisation and AI adoption as key game changers for the successful transformation of Hong Kong's textile and clothing industry.

6

Policy Recommendations

- Proposes policy measures to support the transformation of Hong Kong's textile and clothing industry and its continued contribution to society.

1. Contributions of Hong Kong's Textile and Clothing Industry

A Historic Engine of Manufacturing Growth and an Ongoing Driver of Trade, Services and Global Supply Chain Management

1. A Valuable Industrial Asset for Hong Kong

The textile and clothing industry anchored Hong Kong's transition from an export manufacturing hub to a creative and supply chain center.

Historical Significance

- A cornerstone of Hong Kong's post-war economic development.
- Contributed over 60% of total exports and employed more than one-third of the workforce in the 1960s–70s.
- Retained high-value activities (R&D, design, sourcing, quality control, logistics, and professional services) in Hong Kong.

Present-day Value

- Coordinates global apparel supply chains
- Supports producer services, innovation, education, and cultural and creative industries.
- Propels Hong Kong's economic and social development.

1.1 Quantifiable Economic Contributions

Recent data underscore the textile and clothing industry's continued contribution to Hong Kong's economy and employment.

20,000+ enterprises

Engaged in textile and clothing-related businesses

~ 100,000 employees

6% of enterprises and 3.4% of employment in Hong Kong

13,000+ firms

Engaged in import-export trading and import wholesaling

Backbone of the Economy

- Trade and logistics are Hong Kong's second-largest pillar industry, accounting for 18.9% of GDP in 2024.
- Trade (import-export trading and wholesale) contributed 15.3% of GDP and 10.4% of total employment.

Cornerstone of Trade and Commerce

- Textile and clothing enterprises engaged in offshore trade are key contributors to Hong Kong's financial, insurance, and professional services sectors.
- HK\$23.7 billion in insured textile and clothing exports in 2024 (18.6% of total insured exports), ranking #2 among all categories.
- Financing and treasury operations are commonly centralised in Hong Kong, regardless of manufacturing location.

Table 1 |
Number of Enterprises and Employment in Hong Kong's Textile and Clothing-Related Industries, 2024

Source: Census and Statistics Department, HKSAR Government; HKUST Li & Fung Supply Chain Institute analysis.

Item	Number of Enterprises	Employment
Textile and Clothing Manufacturing	621	3,086
Textile and Clothing Export Trade	9,880	49,780
Textile and Clothing Import Wholesale	2,430	8,290
Textile and Clothing Wholesale	730	1,700
<i>Subtotal: Import-Export Trade and Wholesale</i>	<i>13,040</i>	<i>59,770</i>
<i>Subtotal: Manufacturing, Import-Export Trade and Wholesale</i>	<i>13,661</i>	<i>62,856</i>
Textile and Clothing Retail	9,012	30,040
<i>Total Textile and Clothing-Related Industries</i>	<i>22,673</i>	<i>92,896</i>
Share of Manufacturing Sector	7.8%	4.2%
Share of Import-Export Trade and Wholesale Sector	13.7%	14.9%
Share of Manufacturing, Import-Export Trade and Wholesale	13.2%	13.2%
Share of All Industries in Hong Kong	6.0%	3.4%

Offshore Trade Highlights Hong Kong's Control over Global Goods Flows

Income from offshore trade activities reached HK\$316.9 Billion in 2024.

HK\$4.9 Trillion

Value of goods sold solely through merchanting activities.

1.5 Times

Hong Kong's GDP in 2024 (HK\$3.2 trillion)

2.6%

Of total global merchandise exports in 2024

Table 2 | Sales value of goods, and gross margin/commission from offshore trade in goods by main destination (HK\$ million)

Source: Census and Statistics Department, HKSAR Government; HKUST Li & Fung Supply Chain Institute analysis.

Note: Major destinations ranked by total gross margin and commission from offshore trade

Destination	Value of goods sold under merchanting	Total gross margin and commission
All destinations	4,878,321	316,894
United States	912,036	106,787
Chinese mainland	2,323,027	75,787
Germany	165,498	18,910
United Kingdom	194,908	13,411
Japan	N/A	10,247

1.2 Multi-Dimensional Contributions Beyond Quantifiable Measures

1

Contributes to HK's international business networks and knowledge clusters

- Establishes international collaboration networks.
- Promotes the development of the knowledge economy.

3

Driver of HK's Fashion and Cultural Industries

- Facilitates international fashion exhibitions and events.
- Promotes sustainable fashion and creative culture.

5

Foundation of HK's Textile and Clothing Education System

- Fosters integrated industry-academia education models.
- Cultivates talent with innovative thinking and market awareness.

7

Key Participant in Global Sustainable Development

- An industry pioneer in sustainability.
- A driver of carbon management and compliance excellence.

2

Contributes to HK's Services Economy

- Supports trade and professional services.
- Encourages cross-sector services and innovation.

4

Industrial Ground for HK's Scientific Innovation Commercialisation

- Supports the commercialisation of research outcomes.
- Drives environmental and functional technology development.

6

Model Industry Supporting National Development Initiatives

- Drives market expansion under the Belt and Road Initiative.
- Facilitates internationalisation of mainland enterprises.

The industry is one of Hong Kong's most valuable economic assets, serving as a cornerstone for building new competitive advantages in the Fourth Industrial Revolution.

2. A New Landscape, New Opportunities for Hong Kong

Supply Chain Restructuring, AI, and Sustainability Reshaping Hong Kong and its Textile and Clothing Industry

2.1 Three Major Features of the New Era

Supply Chains, Technology and Sustainability are Reshaping Industrial Competition Simultaneously.

1

Geopolitics Driving Supply Chain Restructuring

- Global supply chains shifting from integration to diversification and fragmentation.
- Volatile energy, food and fertiliser prices disrupting supply chain stability.

2

An AI-led New Technological Revolution

- AI transforming the entire supply chain from production to sales.
- Consumers increasingly using LLMs for product discovery, price comparison and purchasing.

3

Sustainability Becoming the Industry Norm

- Balancing carbon footprint, product safety and cost in green transformation.
- Accelerating supply chain digitalisation, transparency and compliance.

2.2 The 15th Five-Year Plan Further Advances China's High-Quality Development Agenda

In accordance with

President Xi Jinping's expectations for Hong Kong to proactively align itself with the national 15th Five-Year Plan, solidly advance high-quality economic development, deeply participate in the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and better integrate into and serve the overall national development landscape

and

Director Xia Baolong's emphasis on leveraging high-level security to safeguard Hong Kong's transition from order to prosperity and break new ground for the cause of 'One Country, Two Systems' during the 15th Five-Year Plan period.

Traditional Industry Development

- Textiles and light industries designated as key traditional sectors supporting high-quality production, industry upgrading, and innovation adoption.

Comprehensive Digitalisation and Green Transformation

- Advancing AI-enabled digital transformation across all sectors through the 'AI+' initiative.

High-Level Opening Up

- Aligning with international trade standards; advancing domestic–international regulatory convergence.

Culture and Branding

- Driving cultural innovation and culture-tech integration; nurturing cultural enterprises and brands; advancing cultural exchange and mutual learning.

First explicit support in a National Five-Year Plan for Hong Kong's development as a High Value-Added Supply Chain Services Centre

2.3 New Opportunities for Hong Kong: a Textile and Clothing Industry Perspective

Three opportunities shaping Hong Kong's new role in supply chains, compliance and internationalization.

1

Return of Buying Offices

- Create a favourable environment to attract control tower enterprises across industries, reinforcing Hong Kong's role as a supply chain management hub.

2

New DPP Regulations

- Develop Hong Kong into a globally recognised sustainability platform, providing sustainability solutions, ensuring the security of supply chain data, and offering sustainability certification services.

3

Chinese Firms 'Going Global'

- Hong Kong's global management and design expertise positions the city as the premier springboard for Mainland textile and clothing firms expanding globally.

Opportunity 1 |

The Return of Buying Offices Enhances Hong Kong's Supply Chain Control Tower Function

As a traditional global sourcing hub, Hong Kong is once again being considered by apparel retailers and brands as a location for buying offices.

Background

- Buying offices are vital institutions within the global apparel supply chain, serving as a bridge and coordination centre between international buyers and manufacturing facilities.
- The diversification of sourcing locations and consumer markets has increased demand for international market intelligence, global supply chain management capabilities, risk management expertise, compliance assurance, and multilingual communication skills.

Opportunity for Hong Kong

- Buying offices choose Hong Kong for its expertise, speed and efficiency—not cost advantages.
- Reshoring of buying offices creates new opportunities to reinforce Hong Kong's role as a premier supply chain management hub.

Opportunity 2 |

New DPP Requirements Create an Urgent Need for Platform-Based Solutions

Digital Product Passports (DPPs) are not simply a regulatory response to European legislation; they represent an opportunity to establish a sustainability platform.

2027

EU to implement mandatory DPP requirements by product category in phases.

Full Product Life Cycle

Sustainability information required throughout a product's design, manufacturing, logistics, use and recycling stages.

Open Standards

Data must be based on open standards and be interoperable.

Data Security

Stakeholder-led data storage must ensure privacy and security.

Hong Kong's Advantages

- Hong Kong enjoys an international reputation for data protection and privacy security, making it a trusted location for suppliers worldwide.
- Hong Kong's textile and clothing enterprises are well positioned to play a central role in the global textile DPP data ecosystem.

Platform-Based Development Path

- Expand Hong Kong into a globally recognised sustainability platform.
- Provide sustainability solutions, secure supply chain data management and sustainability-related certification services.

Opportunity 3 |

Chinese Enterprises Going Global Need International Expertise

China has entered a new phase of multinational enterprise development; international expansion has become even more imperative for textile and clothing companies.

Trends and Foundations

- China has evolved into a mature market, with manufacturing entering an era of high-quality competition.
- As one of China's earliest market-oriented industries, the textile and clothing sector remains well positioned for international expansion.
- Decades of collaboration have equipped Hong Kong entrepreneurs in the textile and clothing industry with a deep understanding of Mainland enterprises' operations, culture, and development needs.

Hong Kong's Platform Role

- Hong Kong's internationally recognised fashion events and competitions provide Mainland designers and enterprises with a gateway to global markets.
- Greater engagement between Mainland textile and clothing companies and Hong Kong's service sectors deepens awareness of Hong Kong's robust international financial and professional capabilities.
- Ultimately, this creates a demonstration effect, attracting enterprises from diverse industries to use Hong Kong as their preferred internationalisation launchpad.

3. Blueprint for Hong Kong's Textile and Clothing Industry in the New Era

Securing Future Competitiveness Through High-Value Activities, Digitalisation and Sustainability

3.1 Roadmap

Textile and clothing activities in Hong Kong should concentrate on four core high-value-added functions.

The four high-value-added segments hinge on technological innovation, with products and services tailored for global markets.



Source: Office of the Hon. Sunny Tan, Legislative Council Member.

3.2 Transformation Pathway for Hong Kong's Textile and Clothing Industry

(1) Sustainable Product Design and Development

- Design and develop sustainable products using advanced materials and enhanced functionalities.
- Meet growing demand for comfort, high-performance athleisure, and eco-friendly apparel.
- Build an innovation ecosystem spanning materials, functional textiles, machinery R&D, and textile recycling.

(2) Transparent and Traceable Supply Chains

- Develop world-leading transparent and traceable supply chains.
- Digitalisation, transparency and traceability are shaping the future of supply chain management.
- Hong Kong enterprises play a pivotal role in coordinating multi-tier supplier networks, linking brands, retailers and manufacturers.

3.2 Transformation Pathway for Hong Kong's Textile and Clothing Industry (Continued)

(3) Build Sustainability Platforms and Expand Professional Services

- Coordinate multi-tier suppliers to develop DPP databases.
- Position Hong Kong as the textile and clothing industry's trusted data hub, underpinned by robust data security.
- Develop recycling technologies, innovative materials, low-carbon solutions, and decarbonisation services.

(4) Lead the Internationalisation of China's Textile and Clothing Industry

- Support the cultivation of internationally leading enterprises, expand textile intermediary trade and develop green trade.
- Assist Chinese brands in entering international markets.
- Provide successful examples and practical recommendations for Mainland-Hong Kong collaboration in 'going global'.

(5) Strengthen Hong Kong's Position as an Asian Fashion Hub

- Adopt an open and inclusive mindset to attract outstanding fashion talent from around the world to settle and thrive in Hong Kong.
- Develop integrated online and offline global trading platforms
- Reinforce Hong Kong's regional sourcing edge and solidify its status as the Asia-Pacific hub for order planning and supply chain management
- Develop Hong Kong as a convergence hub for Eastern and Western fashion cultures

4. Key Challenges Facing Hong Kong's Textile and Clothing Industry

Structural Challenges from Industrial Path Dependence and Broader Competitiveness Issues Facing Hong Kong

4. Current Predicaments

4.1 SMEs Constrained by Traditional Trading Models

- Continued reliance on traditional OEM trading models.
- Order fulfilment processes remain largely manual.
- Manpower shortages as business shifts towards fragmented and smaller-order production.

4.2 'New Retail' Upends Traditional Fashion Supply Flows

- New retail enables trending products to reach consumers almost immediately after release, completely transforming the conventional mass distribution model where fashion designers, wholesalers, purchasing agents and retailers determined consumer merchandise months in advance.
- Suppliers face growing pressure for speed, innovation and risk-taking.

4.3 Insufficient Readiness for DPP and Other Compliance Requirements

- DPP awareness and preparedness remain low in HK, even within the textile and clothing industry.
- Evolving standards and guidelines are increasing implementation costs.

4. Current Predicaments (Continued)

4.4 Insufficient Ecosystem Support for Brand Building

- Few Hong Kong fashion brands have achieved significant international influence compared with Japanese and Korean brands.
- Hong Kong's limited domestic market constrains brand growth and scale.
- Greater government and cross-industry collaboration is needed to build globally recognised Hong Kong brands.

4.5 Stereotypes of Traditional Industries

- The 'sunset industry' label continues to overshadow the textile and clothing sector.
- Negative perceptions deter investment and talent, constraining industry transformation.
- Young talent often views the industry as factory- or trading-based, with limited awareness of its technological and professional opportunities.

5. Digitalisation and AI Enablement as the Decisive Factors for Successful Transformation

AI Redefining the Economics of Time, Labour and Location; Digitalisation as the Foundation for AI Adoption

5. Digitalisation is the Foundation for AI Adoption

AI Enablement Logic

- AI automates large-scale information processing and optimises business workflows.
- AI adoption across the supply chain enhances efficiency, agility and cost competitiveness.
- AI enables Hong Kong enterprises to manage broader markets and more complex business opportunities.
- Digitalisation as the foundation to unlocking AI-driven value.

Value of Digitalisation

- Enables supply chain transparency and traceability.
- Reduces labour-intensive processes and errors.
- Improves demand responsiveness while reducing inventory and capital lock-up.
- Drives cost efficiency, productivity gains, and environmental performance—a triple win.

5. AI as a Game Changer

5.1 AI Reduces Operational Costs for Trading Firms

- Automates Tech Pack processing, reducing data-entry effort, lead time, and errors
- Matches Tech Packs with materials, sample archives, and supplier databases while generating compliance documentation
- Monitors raw material prices, weather, port congestion, and geopolitical developments to provide real-time supply chain risk alerts

5.2 AI Shortens Product Design and Development Cycles

- AI-assisted design tools enable rapid generation of multiple design concepts and virtual prototypes
- Shortens product development cycles while reducing labour, material, and energy costs
- Analyses social media, transaction data, and runway trends to improve trend forecasting accuracy

5.3 AI Enables Smart Manufacturing

- Analyses production data to optimise manufacturing, inventory, and materials management
- AI-powered vision systems detect quality issues faster and with greater accuracy
- Enables flexible, small-batch, multi-style production for personalised consumer demand

5. AI as a Game Changer (Continued)

5.4 AI Modernises the Industry's Image

- AI codifies human expertise into digital assets for seamless replication and scaling.
- AI-driven transformation enhances the industry's innovation and talent appeal.
- Career opportunities are shifting from traditional operational roles to creativity, technology, and global business.

5.5 AI Helps Hong Kong Create a Late-Mover Advantage in New Retail

- Building competitive advantages on top of established New Retail models.
- Empowering online retail, data-driven insights, and precision marketing.
- Driving a more agile, personalised, and customer-centric textile and clothing industry.

6. Policy Recommendations for Hong Kong's Textile and Clothing Industry

Advancing Global Competitiveness and Sustainability through Digitalisation, Innovation and International Collaboration

6. Policy Recommendations and Conclusion

- 6.1 Support digitalisation and AI adoption education and training for textile and clothing enterprises
- 6.2 Support the textile and clothing industry as a real-world application scenario for AI R&D in Hong Kong
- 6.3 Support Research, Innovation and the Commercialisation of Research Outcomes in the Textile and Clothing Industry
- 6.4 Support CITA as the implementing body for industry development and strategic initiatives
- 6.5 Enhance Hong Kong's internationalisation to elevate its position as a global fashion centre

As one of Hong Kong's most internationally competitive established industries, the textile and clothing sector is well positioned to spearhead digital and intelligent transformation.

6. Policy Recommendations | Education, Training and Industry Application Scenarios

6.1 Support Digitalisation and AI Adoption Education and Training

- AI adoption requires strategies tailored to enterprise operations and supply chain structures.
- Businesses need greater investment in AI talent, workforce reskilling and upskilling.
- Government support for AI education and training among SMEs should be strengthened.
- Textile and clothing organisations should be encouraged to partner with leading enterprises to provide AI implementation guidance and training.
- Optimise the Trade and Industrial Organisation Support Fund (TSF) to support industry-specific AI solutions and talent development.

6.2 Support the Textile and Clothing Industry as an AI Application Testbed

- AI delivers value only when applied to industries with real business needs.
- Textile and apparel is a prime AI application scenario, with strong demand for digital and intelligent transformation across the value chain.
- Part of policy resources should support AI application in established industries, accelerating technology adoption and innovation commercialisation through cross-sector collaboration.
- By leading the integration of 'AI + the real economy', Hong Kong can develop transferable expertise while strengthening its position as an International Innovation and Technology Centre and a High-Value-Added Supply Chain Services Centre.

6. Policy Recommendations | Commercialisation, Industry Execution and Global Fashion Centre

6.3 Research, Innovation and Commercialisation

- Strengthen support for textile and clothing R&D and innovation commercialization.
- Speed up the market adoption of new materials, recycling technologies, and intelligent manufacturing solutions.
- Foster a globally competitive and sustainable textile industry aligned with national new quality productive forces.

6.4 Strategic Programme Implementation Agency

- Appoint the Clothing Industry Training Authority (CITA) as the lead implementation body for industry development and strategic initiatives.
- Build on CITA's transformation into an industry development and transformation organization.
- Leverage CITA's execution capabilities to deliver strategic industry programmes.

6.5 Internationalisation as a Catalyst for Global Fashion Centre Development

- Foster a welcoming and predictable environment for international talent to drive industry innovation.
- Strengthen collaboration among international designers, local talent, universities, manufacturers, and supply chain enterprises.
- Transform fashion into a cross-sector growth engine spanning culture, technology, and commerce.

Conclusion

Anchoring Technological Innovation in Established Industries

Key Conclusions

- The textile and clothing industry remains one of Hong Kong's most internationally competitive established industries and is uniquely positioned to spearhead digital and intelligent transformation.
- As global supply chains are reconfigured, sustainability becomes the norm, and AI reshapes business models, the industry's extensive international networks, deep sectoral expertise, and proven management capabilities make it a critical bridge between technological innovation and the real economy.
- Supporting the industry's transformation through digitalisation and AI adoption is a strategic imperative for Hong Kong—not only to strengthen its global competitiveness and economic resilience, but also to solidify its industrial foundation and advance national development.

The report envisions that, through another successful transformation of the textile and clothing industry in the new era, Hong Kong can once again build its competitiveness on a strong and sustainable industrial foundation.

Thank You !