

Chapter 5

Commerce and Industry

As a place for doing business, Hong Kong has all the prerequisites for business to succeed: low tax rates, first-class infrastructure, a tried and tested legal system, the free flow of capital and information. It is also the pre-eminent gateway to the mainland of China, one of the world's fastest growing economies.

Hong Kong is a leading international trading and services hub as well as a high value-added manufacturing base. It is widely recognised as one of the freest economies in the world, and the gateway to the vast Mainland market.

Hong Kong's continuing economic success owes much to a simple tax structure and low tax rates, a versatile and industrious workforce, excellent infrastructure, free flow of capital and information, the rule of law, and the Government's firm commitment to free trade and free enterprise.

The Government facilitates commerce and industry within the framework of a free market. It does not impose tariffs. Regulatory measures on international trade are kept to the minimum. Hong Kong also adopts an open and liberal investment policy and actively encourages inward investment.

The Government promotes industrial development by creating a business-friendly environment and providing adequate support services and infrastructure. It promotes innovation and technological improvement to match Hong Kong industry's shift towards knowledge-based and high value-added activities. It strengthens support for technological development and application, promotes wider use of design, helps develop fine scientists, engineers and designers, skilled technicians and venture capitalists, and encourages the development of a significant cluster of innovative and technology-based businesses.

Merchandise Trade Performance

On the whole, Hong Kong's external trade grew in 2008 despite a decline in the last quarter of the year. Total merchandise trade rose by 5.3 per cent over 2007 to \$5,849.4 billion. Domestic exports fell 16.8 per cent to \$90.8 billion while

re-exports jumped 6 per cent to \$2,733.4 billion compared to the previous year. Imports increased by 5.5 per cent to \$3,025.3 billion. (A summary is provided in the appendices)

Hong Kong's largest trading partner in 2008 was the Mainland, followed by the United States (US) and Japan. In 2008, Hong Kong was the world's 13th largest trading entity in terms of value of merchandise trade.

Imports

Electrical machinery, apparatus and appliances, and their electrical parts constituted the largest share of total imports in 2008 at \$764.4 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$407.2 billion) and office machines and automatic data processing machines (\$265.6 billion).

In 2008, the Mainland, Japan and Singapore were Hong Kong's major suppliers, accounting for 46.6 per cent, 9.8 per cent and 6.4 per cent respectively of the total value of imports.

Domestic Exports

Articles of apparel and clothing accessories continued to be the largest component of domestic exports, valued at \$22.3 billion or 24.6 per cent of the total value of domestic exports in 2008. Other major export items included telecommunications and sound recording and reproducing apparatus and equipment; electrical machinery, apparatus and appliances, and their electrical parts.

The Mainland, the US and Taiwan were Hong Kong's largest markets during the year, absorbing 38.3 per cent, 20.8 per cent and 4.3 per cent respectively of the total value of domestic exports.

Re-exports

In 2008, electrical machinery, apparatus and appliances, and their electrical parts worth \$684.9 billion were the principal commodities re-exported (25.1 per cent of the total value of re-exports). This was followed by the re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$459.0 billion (16.8 per cent of the total value of re-exports). The Mainland, Japan and Taiwan were the main origins of the re-exports, while the Mainland, the US and Japan were the main destinations.

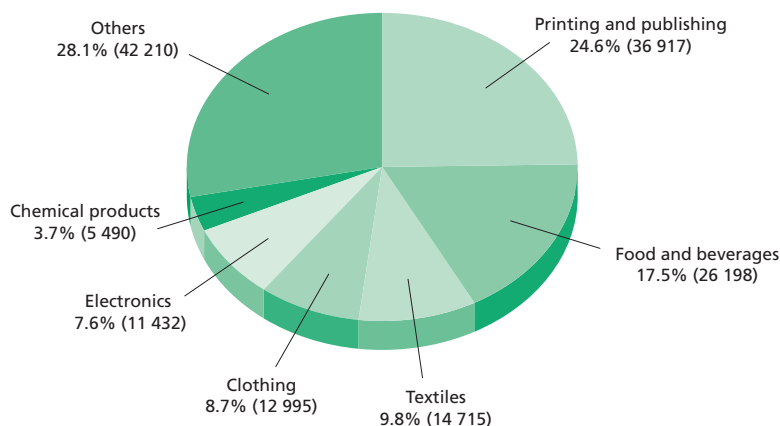
The Manufacturing Sector

With the expansion of manufacturing activities offshore since the 1980s, Hong Kong has evolved into a strategic control centre with an increasingly globalised production network. In spite of Hong Kong's economic restructuring, manufacturing remained an important sector of the economy, providing employment to 163 500 people (4.6 per cent of overall employment) in 2008.

The printing and publishing industry was the largest employer in the manufacturing sector as at December 2008, followed by the food and beverages

industry. *Chart 1* shows the breakdown of employment within the manufacturing sector as at December 2008.

Chart 1 **Number of Persons Employed by the Manufacturing Sector as at December 2008**



The Services Sector

The services sector has grown significantly in the past two decades. Its share of Hong Kong's Gross Domestic Product (GDP) rose from 73 per cent in 1988 to 92.3 per cent in 2007. In 2008, 87.1 per cent of total employment was in the services sector. Hong Kong has become one of the most service-oriented economies in the world. Much of this growth was fuelled by the demand for producer services by Hong Kong's globalised production network and the trend towards sourcing goods and services globally.

In 2008, Hong Kong's total services trade amounted to \$1,077.2 billion, making it the world's 16th largest trading entity in terms of value of services trade. In the same year, Hong Kong exported \$719.9 billion worth of services, contributing to 42.9 per cent of GDP. Hong Kong ranked fourth after Japan, China and India in the region in terms of absolute value of exports of services. In the global league table of exports of services, Hong Kong ranked 12th in 2008.

Hong Kong's exports of services comprise mainly transportation services, merchanting and other trade-related services and travel services. The first two categories accounted for 31 and 30 per cent respectively and the last accounted for 17 per cent of the total value in 2008. The corresponding share for exports of financial services was 14 per cent, and that for exports of insurance and other services was 9 per cent. In addition to being a net exporter of services in overall terms, analysed by components of services trade, in 2008 Hong Kong recorded a surplus in merchanting and other trade-related services (\$192.3 billion), transportation services (\$105.8 billion) and financial services (\$72.8 billion).

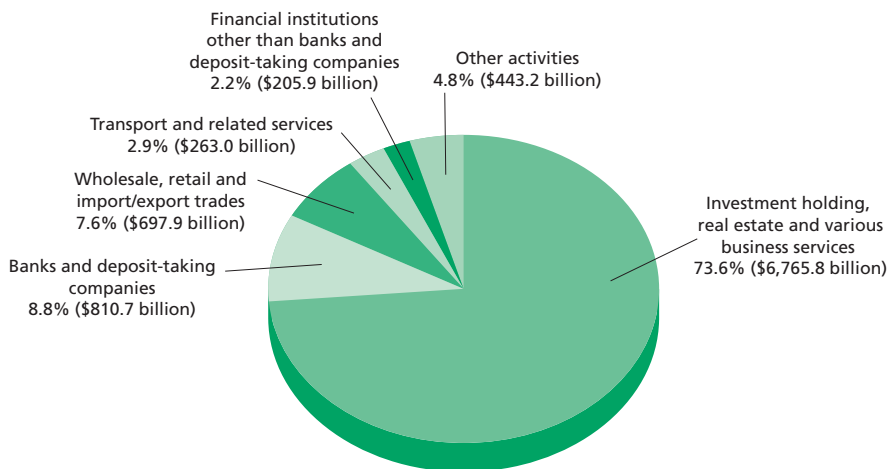
Inward Direct Investment

Hong Kong's attraction as a place to do business is evident from the inflow of foreign direct investment (FDI) and the number of regional headquarters and regional offices in Hong Kong set up by companies outside Hong Kong.

Census and Statistics Department data shows that Hong Kong's FDI inflow in 2007 amounted to US\$54.4 billion. According to the 'World Investment Report 2008' released by the United Nations Conference on Trade and Development, Hong Kong was the second largest recipient of FDI in Asia in 2007.

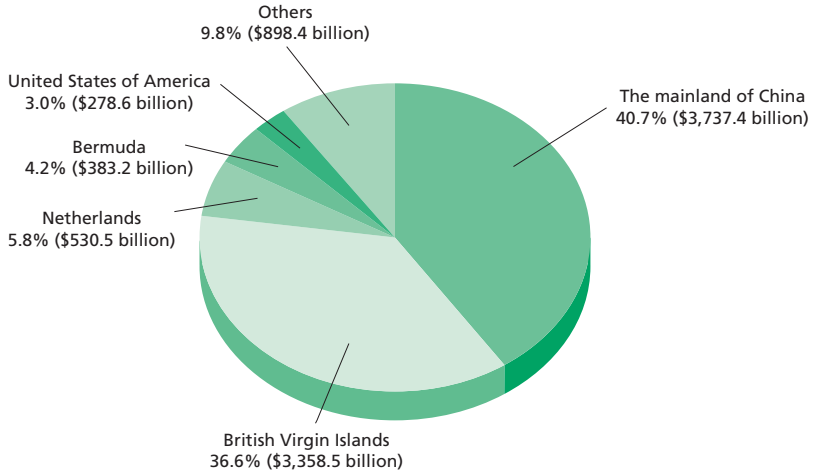
Hong Kong had 9 719 enterprise groups¹ with inward direct investment in 2007, comprising 323 in the manufacturing sector and 9 396 in the non-manufacturing sectors. The market value of the stock of inward direct investment amounted to \$9,186.5 billion. *Chart 2* shows the major economic activities of these enterprise groups while *Chart 3* shows source countries/territories of the inward direct investment. In terms of employment, 62 per cent of them were enterprise groups employing fewer than 20 people (*Chart 4*).

Chart 2 Position of Inward Direct Investment in Hong Kong at Market Value by Major Economic Activity of Hong Kong Enterprise Group at end-2007



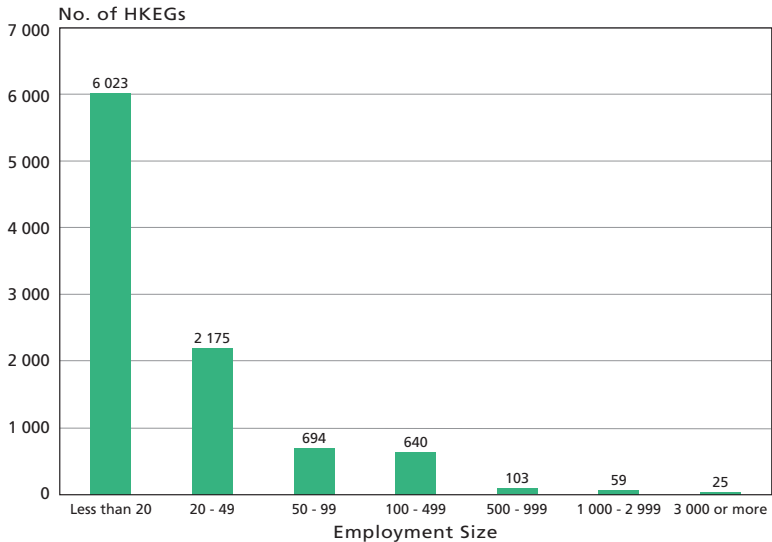
¹ An enterprise group may consist of a parent company, its subsidiaries, associates and branches.

Chart 3 Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at end-2007



Note: British Virgin Islands and Bermuda are important offshore financial centres commonly used by investors to channel inward direct investment funds to Hong Kong

Chart 4 Number of Hong Kong Enterprise Groups (HKEGs) with Inward Direct Investment by Employment Size in end-2007



According to the Census and Statistics Department, Hong Kong was host to 6 612 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong as at June 2, 2008. This represents an increase of 2.7 per cent over 2007 and is an all-time high figure. Of these companies, 3 882 served as regional headquarters or regional offices.

The Institutional Framework

Commerce, Industry and Tourism Branch

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau (CEDB) is responsible for the formulation and co-ordination of policies and strategies in relation to Hong Kong's external commercial relations, tourism, inward investment promotion, convention and exhibition services, intellectual property protection, industry and business support, trade facilitation, consumer protection, promotion of competition, postal services and meteorological services.

It also oversees the development of policies and programmes for the industrial and trade sectors, including small and medium enterprises (SMEs), as well as the promotion of services industries. The branch is assisted by a number of departments: the Trade and Industry Department, Invest Hong Kong, the Customs and Excise Department, the Intellectual Property Department, the Post Office and the Hong Kong Observatory. It is also supported by a network of overseas Economic and Trade Offices.

Trade and Industry Department

The Trade and Industry Department is responsible for handling the commercial relations of the Hong Kong Special Administrative Region (HKSAR) with its trading partners, and for protecting Hong Kong's rights and trade interests. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade.

Locally, the department provides a range of services to locally based trade and industry organisations and businesses, including issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It also administers a number of schemes that are aimed at providing general support services for the industrial sector, in particular small and medium enterprises. In addition, the department advises local enterprises on changes in the import regulations of our trading partners, and provides advice on legislation and procedures related to anti-dumping measures in importing economies.

The department also plays a leading role in the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) discussion with the Mainland authorities.

Invest Hong Kong

Invest Hong Kong is responsible for spearheading the Government's efforts to attract inward investment. Its head office in Hong Kong works closely with Economic

and Trade Offices (ETOs) and consultants engaged overseas to offer solution-oriented investment promotion, facilitation and aftercare services in order to ensure that foreign companies have the support required to establish or expand their operations in the HKSAR, and through Hong Kong into the Mainland and Asia-Pacific region. Invest Hong Kong also provides information to help companies make informed investment decisions on setting up regional headquarters and regional offices in Hong Kong.

Customs and Excise Department

The Customs and Excise Department enforces various trade controls systems covering those concerning the issue of certificates of origin (including those under the CEPA), the import and export of textiles strategic commodities, reserved commodities, rough diamonds and other prohibited goods, as well as compliance with the Chemical Weapons Convention. The department is also tasked with collecting import and export declarations, declaration charges and clothing levies, and to enforce the relevant statutory controls on these systems.

The department also enforces the criminal laws that protect copyright and trade marks, and consumer protection legislation relating to the safety of various commodities, the integrity of weights and measures and the marking of precious metals.

Intellectual Property Department

The Intellectual Property Department runs the registries of the trade marks, patents, designs and copyright licensing bodies, advises on policy and legislation related to intellectual property protection, provides civil intellectual property legal advice to the Government, and promotes public awareness of and respect for intellectual property rights.

Overseas Hong Kong Economic and Trade Offices

There are 10 overseas Hong Kong Economic and Trade Offices (ETOs) located in Brussels, Geneva, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington.

With the exception of the Geneva office which represents Hong Kong, China, as a member of the World Trade Organisation, and as an observer on the Trade Committee of the Organisation for Economic Co-operation and Development, the other nine ETOs seek to promote Hong Kong's economic and trade interests by enhancing understanding of Hong Kong among opinion-formers; closely monitoring developments that might affect Hong Kong's economic and trade interests; and liaising closely with the business and commercial sectors, politicians, think tanks and the news media. They also organise events to promote Hong Kong's image.

The Brussels office takes a leading role in representing Hong Kong on matters relating to Hong Kong's economic and trade interests in Europe, in particular in dealings with the European Union, European Commission and European Parliament. It also promotes bilateral relations in 17 European countries.

The purview of the London office spans over nine European countries. Hong Kong's representative to the International Maritime Organisation is based in the London office.

Since April 2007, a designated team has also started operating in Brussels to prepare for the setting up of a new ETO in Berlin. The Berlin office will help to foster closer economic and trade ties between Hong Kong and countries in central and eastern Europe, and further strengthen Hong Kong's representation in Europe. The new ETO is expected to commence operation in Berlin in March 2009.

The Washington office represents Hong Kong's interests in the capital of the United States. It focuses on monitoring and liaising closely with the US Administration, Congress and think tanks on government policies and new legislation that may have implications on Hong Kong's trade with the US. The New York office is responsible for promoting economic and trade interests in 31 states in the East Coast region of the US and the San Francisco office is responsible for 19 states in the West Coast region.

The offices in Sydney, Tokyo and Toronto are responsible for bilateral economic and trade relations in their host countries. In addition, the Sydney office covers New Zealand and the Tokyo office covers the Republic of Korea. The Singapore office looks after Hong Kong's economic and trade relations with the member states of the Association of Southeast Asian Nations (ASEAN).

External Commercial Relations

Hong Kong's Participation in the World Trade Organisation

The HKSAR is a founding member of the WTO and has continued its separate membership in the WTO since July 1, 1997 under the name of 'Hong Kong, China'. The objective of Hong Kong's participation in the WTO is two-fold: to sustain the momentum of trade liberalisation, especially in areas of interest to the HKSAR, such as tariffs and services, and to strengthen the multilateral rules-based trading system so that it remains an effective framework to promote trade expansion and liberalisation, as well as to protect the HKSAR against any arbitrary and discriminatory actions taken by its trading partners.

The HKSAR participates actively in the current round of multilateral trade negotiations launched at the WTO's Fourth Ministerial Conference in Doha, Qatar, in November 2001 (the Doha Round), mainly to seek greater market access for its services sectors and industrial goods. The negotiations have not resulted in any breakthrough over the past year due to persistence of conflicting positions of major players on various important subjects. However, WTO members remain fully committed to the Doha Round and are working to converge views on the negotiation process and the substance. The HKSAR will continue to play an active and constructive role in the negotiations and push for its early and successful conclusion.

Regional Economic Co-operation

As an important services, financial and trading centre as well as an integral part of the Asia-Pacific economy, Hong Kong continues to play an active role in enhancing regional economic co-operation. Asia-Pacific Economic Co-operation (APEC) is a regional forum for high-level dialogue and co-operation on trade and economic issues. Hong Kong participates as a full and separate member of APEC under the name of 'Hong Kong, China'. In November, the Chief Executive represented Hong Kong at the 16th APEC Economic Leaders' Meeting held in Lima, Peru. The meeting was preceded by the 20th APEC Ministerial Meeting, where Hong Kong was represented by the Secretary for Commerce and Economic Development. In 2008, some 83 per cent of Hong Kong's external trade was conducted with the other 20 member economies of APEC.

APEC pursues its goal of free and open trade and investment by 2010 for industrialised economies and 2020 for developing economies through work in trade and investment liberalisation, business facilitation, and economic and technical co-operation. Hong Kong participates in all three areas.

Pacific Economic Co-operation Council (PECC) is a non-governmental regional forum comprising government officials, business leaders and academics working on policy issues to enhance trade, investment and economic development in the Pacific region. The Hong Kong Committee for Pacific Economic Co-operation, which advises on and co-ordinates HKSAR's participation in the PECC process, continues to play an active role in PECC's activities.

Organisation for Economic Co-operation and Development

Hong Kong is an observer on the Trade Committee and the Committee on Financial Markets of the Paris-based Organisation for Economic Co-operation and Development, which are important forums for discussions on policy matters in respect of trade and financial services. Ideas introduced in these committees are sometimes followed up in other international organisations such as the WTO and may eventually be translated into binding multilateral agreements or codes.

Regional and Bilateral Trade Agreements

The Government is committed to the primacy of the multilateral trading system under the WTO. That notwithstanding, in response to new trends in world trade, the Government will seek to enter into more economic and trade arrangements with trading partners so long as they are in Hong Kong's interests, consistent with WTO provisions, contributive to multilateral trade liberalisation, and can allow more favourable access to overseas markets for Hong Kong goods and services.

Mainland and Hong Kong Closer Economic Partnership Arrangement

The Central People's Government (CPG) and the HKSAR Government signed the Supplement V to the CEPA on July 29, 2008. A package of liberalisation and facilitation measures for early and pilot implementation in Guangdong Province was also announced on the same day.

On trade in goods, the Mainland has applied zero tariff to all imported goods of Hong Kong origin since January 1, 2006, upon application by local manufacturers and upon the CEPA rules of origin (ROOs) being agreed and met. By end-2008, a cumulative total of 1 515 products had their CEPA ROOs agreed. For trade in services, Supplement V to CEPA introduced a total of 29 new liberalisation measures in 17 service areas, bringing the total number of CEPA service areas to 40². These new liberalisation measures will take effect from January 1, 2009. Moreover, the CPG agreed to put in place 25 services liberalisation and facilitation measures for early and pilot implementation in Guangdong Province, 17 of which are included in the CEPA liberalisation package. The progressive liberalisation of trade and investment measures under CEPA continues to provide impetus to the development of the Hong Kong economy. The pilot measures in Guangdong will also enhance economic and trade co-operation between Hong Kong and Guangdong.

Liaison with the Mainland

The Mainland's rapid economic and trade growth has helped boost Hong Kong's external trade and intermediary services. Not only does CEPA provide a window of opportunity for Hong Kong businesses to gain greater access to the Mainland market, the various preferential treatments under CEPA also enhance the attractiveness of Hong Kong to overseas investors. In addition, Hong Kong serves as a springboard for Mainland enterprises to reach out to the global market.

The Government is committed to helping the business community tap the Mainland market, with emphasis on the opportunities brought about by CEPA and the Guangdong pilot measures. It maintains close liaison with the Mainland authorities at different levels through various government bureaux and departments, the Beijing Office of the HKSAR Government, the network of the Hong Kong ETOs in the relevant Mainland and quasi-government bodies like the Hong Kong Trade Development Council (TDC) to ensure the smooth implementation of CEPA and the Guangdong pilot measures. Regular high-level communication is also achieved through the Hong Kong/Guangdong Co-operation Joint Conference and the CEPA Joint Steering Committee.

Bilateral Investment Promotion and Protection Agreements

To assure overseas investors that their investments in Hong Kong are adequately protected, and to enable Hong Kong investors to enjoy similar protection overseas, Hong Kong has concluded Investment Promotion and Protection Agreements (IPPAs)

² These service areas are: accounting, advertising, air transport, audiovisual, banking, building-cleaning, computer and related services, convention and exhibition, cultural, distribution, environmental, freight forwarding agency, individually owned store, information technology, insurance, job intermediary, job referral agency, legal, logistics, management consulting, market research, medical and dental, patent agency, photographic, printing, professional qualification examinations, public utility, real estate and construction, related scientific and technical consulting services, securities and futures, services incidental to mining, services related to management consulting, social services, sporting, storage and warehousing, telecommunications, tourism, trade mark agency, translation and interpretation, transport (including road freight/passenger transportation and maritime transport).

with 15 economies. In addition, Hong Kong initialled an IPPA text with Bahrain, Kuwait and Finland in 2005, 2006 and 2008 respectively.

Trade in Textiles

The global elimination of textiles quotas since January 1, 2005 has helped Hong Kong's import and export trade in textiles by creating an environment that encourages it to continue to leverage its expertise and immense potential to develop into a world-class logistics and sourcing hub for textiles. At the same time, Hong Kong continues to maintain highly effective origin control measures to prevent abuse and to safeguard the interest of Hong Kong's textiles trade.

Hong Kong continues to join hands with other WTO members and the International Textiles and Clothing Bureau to monitor closely the global textiles trade to ensure that it is fully and truly liberalised, and that it comes under the same multilateral trading discipline of the WTO as other sectors.

In 2008, the Customs and Excise Department carried out 46 348 factory and consignment inspections and 939 investigations to combat false declarations about the origin and value of goods and illegal transshipment of textiles. The department also conducted 1 051 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 718 companies and individual offenders, resulting in the imposition of fines amounting to \$15 million. It operates a monetary reward scheme to elicit information on textiles origin fraud.

Trade in Strategic Commodities

The Trade and Industry Department maintains a comprehensive import and export control licensing system to monitor the flows of strategic commodities through Hong Kong. The system ensures that while Hong Kong has access to advanced products and technologies to sustain its economic development, it is not used as a conduit for illicit diversion of strategic commodities. The department also administers a permit system to monitor activities involving sensitive chemicals as required by the Chemical Weapons Convention. Hong Kong maintains close co-operation with its trading partners to keep abreast of developments in the international arena on strategic trade control matters, and to make sure that its control arrangement is complementary to those of its trading partners.

In 2008, the Customs and Excise Department investigated 251 cases of unlicensed import and export of strategic commodities and prosecuted 59 offenders, resulting in fines amounting to \$1.89 million. Goods valued at \$322,000 were confiscated.

Customs Co-operation

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and the Sub-committee on Customs Procedures of APEC. It maintains close liaison with the WCO Regional Intelligence Liaison Office for Asia and the Pacific (RILO A/P) in Beijing. The department has seconded an officer to the Liaison Office to enhance the intelligence network in the Asia-Pacific Region.

Hong Kong is taking steps to implement the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade (FoS), which is a set of principles and standards adopted by the WCO for enhancing supply chain security and facilitating international trade. The Customs and Excise Department is studying the Authorised Economic Operator (AEO) Schemes currently implemented by other Customs administrations.

The department has concluded a number of bilateral Customs co-operative arrangements with other customs administrations. It maintains good working relationship and close liaison with the customs attachés and representatives of other law enforcement agencies stationed in Hong Kong. Regular bilateral meetings are held with the Mainland and other customs administrations to build up a strong network for exchanging intelligence.

Inward Investment Promotion

During 2008, Invest Hong Kong assisted a record 257 foreign, Mainland and Taiwan companies to set up or expand operations in Hong Kong³. The total amount of investment involved exceeded HK\$4.6 billion. A total of 2 450 new jobs were created in 2008 while these companies expect to create an additional 5 431 jobs in the next two years⁴.

Investment promotion activities included sponsoring and participating in major international conferences or business events to raise Hong Kong's profile among key target markets and to identify new prospective investors in Hong Kong. In 2008, these included the Cathay Pacific/Credit Suisse Hong Kong Sevens 2008, the Cable and Satellite Broadcasting Association of Asia's (CASBAA) annual convention, the 47th Orient and South East Asia Lions (OSEAL) Forum, Hedge Funds World Asia and the ASEAN Ports and Shipping. Invest Hong Kong also organised a series of 17 community programmes for foreign communities in Hong Kong to provide useful aftercare and networking opportunities to existing investors.

In 2008, Invest Hong Kong organised eight joint investment promotion activities with major Mainland provinces and cities, including Huizhou, Shenzhen, Fujian, Zhaoqing, Foshan, Guangdong and Zhuhai. These promotions targeted prospective investors in Singapore, Paris, Birmingham, Chicago, Melbourne, Sydney, Madrid and Tel Aviv. All of these seminars were well received.

Invest Hong Kong continued to promote to Mainland enterprises Hong Kong's unique advantages as a springboard for overseas expansion. During the year, the department conducted 25 seminars in 14 Mainland cities. In 2008, Invest Hong Kong successfully delivered the second year of its three-year nationwide marketing campaign, namely 'On Your Marks, Get-set, Go!'. The campaign focuses on seven provinces across the Mainland and aims to provide privately-owned enterprises with

³ These represent companies assisted by Invest Hong Kong, and do not include companies set up in Hong Kong without such assistance.

⁴ These represent investment amount and job opportunities reported by the companies assisted by Invest Hong Kong. Not all of these companies disclosed the data.

the information and tools to expand internationally by using Hong Kong as their platform. The campaigns in Shandong and Fujian were completed by the end of 2008, featuring a series of high-level seminars, workshops and study missions supported by advertising and public relations campaigns.

Small and Medium Enterprises

Small and Medium Enterprises (SMEs) refers to those manufacturing businesses in Hong Kong employing fewer than 100 people, or non-manufacturing businesses with fewer than 50. They are the driving force of economic growth. There are about 266 000 SMEs in Hong Kong, representing over 98 per cent of all local enterprises and employing more than 1.2 million people. To provide assistance to SMEs, three SME funding schemes — the Loan Guarantee Scheme, the Export Marketing Fund and the Development Fund — have been set up to help them secure loans from financial institutions, expand overseas markets and enhance overall competitiveness.

A series of enhancement measures for the SME Funding Schemes was implemented in March and November to provide greater support to SMEs. In response to the global financial crisis, the Government launched a Special Loan Guarantee Scheme on December 15 to provide a guarantee of up to 70 per cent for loans granted by the Participating Lending Institutions. The total Government commitment is \$100 billion. The scheme further supports enterprises, particularly SMEs, in obtaining immediate cashflow relief from the commercial lending market.

Promotion of Innovation and Technology

Innovation and Technology Commission

The Innovation and Technology Commission (ITC) is responsible for spearheading Hong Kong's drive to become a world-class, knowledge-based economy. The commission, which forms part of the Commerce and Economic Development Bureau (CEDB), formulates and implements policies and measures to promote innovation and technology; supports applied research and development (R&D); supports technology transfer and applications; promotes technological entrepreneurship; promotes the wider use of design; facilitates the provision of innovation and technology infrastructure and development of human resources; and promotes internationally accepted standards and conformity assessment services to underpin technological development and international trade. The commission works closely with its partners in the Government, industry, business, tertiary education institutions and industrial support organisations.

To make Hong Kong a regional centre for innovation and technology, the Government has been implementing various initiatives to drive forward innovation and technology. It offers a wide range of infrastructural and funding support for applied R&D activities and design-related projects.

Innovation and Technology Fund

A \$5 billion Innovation and Technology Fund was established in 1999. It supports projects that help upgrade the technology and promote innovation in the

manufacturing and service industries. By year-end, the fund had provided \$3.77 billion to support 1 273 projects undertaken by research institutes and the industry.

Promoting Technological Entrepreneurship

Financial support has been given to promote technological entrepreneurship. Under the Innovation and Technology Fund, the 'Small Entrepreneur Research Assistance Programme' provides dollar-for-dollar matching grants of up to \$2 million per project to help small start-up companies to carry out R&D to turn innovative technological ideas into commercially viable products, processes or services. By year-end, \$268 million in financial support had been provided to 264 projects.

DesignSmart Initiative

A \$250 million DesignSmart Initiative was launched in June 2004 to strengthen support for design and innovation, and to promote the wider use of design and innovation in industries to help them move up the value chain.

Under the DesignSmart Initiative, the 'Design Support Programme' has been set up to support projects in four categories — design research, design/business collaboration, professional continuing education in design and promoting a design culture. By year-end, 121 projects had received financial support worth some \$78 million. Another measure under the initiative is the InnoCentre, which was set up jointly by the Hong Kong Science and Technology Parks Corporation and the Hong Kong Design Centre. Officially opened in November 2006, this one-stop shop aims to create and sustain a cluster of high value-added design activities, including the provision of an incubation programme for design start-ups.

Hong Kong Applied Science and Technology Research Institute Company Limited

The publicly funded Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) was set up in January 2000. It performs high quality research and development for transfer to industry for commercialisation to raise the technology level of Hong Kong's industry and to stimulate growth in Hong Kong's technology-based industries. In April 2006, ASTRI launched the R&D Centre for Information and Communications Technologies which focuses on four technology areas: communications technologies, consumer electronics, integrated circuit design and opto-electronics.

Hong Kong Jockey Club Institute of Chinese Medicine Limited

The Hong Kong Jockey Club Institute of Chinese Medicine Limited was established in May 2001 as a subsidiary company of ASTRI. The Hong Kong Jockey Club Charities Trust has pledged to donate \$500 million to support the institute's research and development programmes. Its mission is to promote and support the modernisation and further development of Chinese medicine in Hong Kong through co-ordination of related activities and strategic support for scientific and evidence-based development programmes.

Hong Kong Design Centre

The Hong Kong Design Centre was established in May 2001 as a multi-disciplinary organisation dedicated to the promotion of design as a value-

added business activity. Apart from running programmes at the InnoCentre, it also organised major activities like the Business of Design Week.

Hong Kong Research and Development Centres

After a comprehensive review and public consultation in 2005, the Government decided to adopt a focused approach to promote applied R&D and support technology upgrading in industry. In April 2006, the Government set up R&D centres on five technology focus areas:

- Automotive parts and accessory systems;
- Information and communications technologies;
- Logistics and supply chain management enabling technologies;
- Nanotechnology and advanced materials; and
- Textiles and clothing.

The centres aim to develop core competencies in their respective technology areas to provide a focal point for driving applied R&D and technology transfer. In line with the market-driven, demand-led approach of the new strategy, the centres have been working closely with the industry in drawing up their R&D directions, defining their technology development roadmaps, and facilitating the commercialisation of R&D results.

Technology Co-operation with the Mainland

The Mainland and Hong Kong Science and Technology Co-operation Committee was formed in 2004. It is a high level steering committee for the State Ministry of Science and Technology (MOST) and the CEDB to formulate and co-ordinate technology co-operation and exchange programmes between Hong Kong and the Mainland.

In 2007, the committee agreed to invite applications from local universities for setting up state key laboratories in Hong Kong. ITC also nominated entries for the State Technological Invention Award and the State Scientific and Technological Progress Award, two award categories of the prestigious State Science and Technology Awards.

The CEDB also signed a co-operation agreement with the State Ministry of Information Industry in April 2007 to encourage Hong Kong experts to participate in the formulation of national standards relating to the information industry, and enhance technology co-operation in various focus areas of the information industry, including mobile communication, technologies relating to consumer electronic products and digital TV.

The ITC and the Guangdong Provincial Department of Science and Technology have been running the Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS) since 2004 to support applied R&D projects in technology areas of common interest. Under the 2007 TCFS, both sides received about 700 applications.

In May 2007, the Shenzhen Municipal Government and the CEDB signed an agreement to foster closer technological co-operation between the two cities and promote the establishment of the 'Shenzhen-Hong Kong Innovation Circle'. After signing the agreement, the two sides launched the 'Shenzhen-Hong Kong Technology Co-operation Funding Scheme' under the 2007 TCFS and set up the 'Shenzhen-Hong Kong Production Foundation' to promote R&D collaborations and share technology resources.

Publicity and Promotional Events

The ITC organises the annual Innovation Festival as a flagship project to foster an innovation and technology culture in the community, particularly among young people. The festival, comprises a series of activities, including an Innovation Expo, a design exhibition, roadshows in three popular shopping malls, thematic seminars, and technology and design workshops. With the support of the Hong Kong Federation of Youth Groups, the ITC established the Hong Kong Youth Innovation Club in October 2006 and organised the annual Hong Kong Student Science Project Competition to nurture a new generation of young innovators.

Protection of Intellectual Property Rights

Hong Kong is committed to maintaining a robust regime for protecting intellectual property rights. With its comprehensive legislation, convenient registration, rigorous enforcement and imaginative public education, Hong Kong has gained a well-earned reputation for effective protection of intellectual property.

Registration

The Intellectual Property Department has been providing various electronic services since 2003, enabling efficient registration and management of trade marks, patents and registered designs. The relevant registers are maintained in electronic format, allowing searching of Hong Kong's trade mark, patent and design records in Chinese or English through the Internet, at any time, free of charge (<http://ipsearch.ipd.gov.hk>). The electronic filing system also provides a secure and user-friendly environment for intellectual property owners or agents to file their applications electronically on a 24-hours-a-day, seven-days-a-week basis (<http://iponline.ipd.gov.hk>).

Through the electronic filing system, members of the public can make direct changes to the particulars of owners and agents of trade marks, patents and designs, extension of time of trade mark applications and registration of assignments and assents for registered trademarks and trademark applications, as long as the information provided meets the validation rules of the system. These changes are updated in the various registry records instantly.

The electronic services, particularly the electronic filing services, have been well received as reflected by the steady migration to electronic filing over the past years. In 2008, the proportions of electronic filings for trade mark, patent and design applications were 59 per cent, 47 per cent and 45 per cent respectively.

Trade Marks

In 2008, the Trade Marks Registry received 24 230 applications, comprising 15 237 single-class applications and 8 993 multiple-class applications. During the period, 18 408 marks were registered, relative to 19 395 in 2007. The applications came from a total of 101 countries. The principal places were:

| | | | |
|-------------------|-------|---------------------------|-----|
| HK, China | 8 081 | Germany | 673 |
| Mainland of China | 3 564 | France | 656 |
| US | 3 276 | United Kingdom | 653 |
| Japan | 2 256 | Italy | 454 |
| Switzerland | 722 | Taiwan, province of China | 453 |

The register had a total of 225 823 marks by the end of the year.

Patents

The Patents Ordinance provides for the grant of standard patents based on patents granted in the State Intellectual Property Office of China, the United Kingdom Patent Office or the European Patent Office (in respect of patents designating the United Kingdom). It also provides for the grant of short-term patents, which may be registered following local formality examination procedures. In 2008, the Patents Registry granted 4 001 standard patents and received 13 662 applications. It also granted 435 short-term patents and received 488 applications.

Registered Designs

The Registered Designs Ordinance provides for the registration of designs in the HKSAR. In 2008, the Designs Registry received 3 078 applications for the registration of 5 597 designs, including 2 403 single-design applications and 675 multiple-design applications. During the year, 5 153 designs were registered.

Copyright

The World Intellectual Property Organisation (WIPO) Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT) (collectively referred to as the 'Internet Treaties') were applied to the HKSAR with effect from October 1, 2008. The Internet Treaties cover the latest international standards for protection of copyright and related rights in light of new digital technologies.

The Copyright Ordinance provides protection for literary, dramatic, musical and artistic works, typographical arrangements of published editions, sound recordings, films, broadcasts, cable programmes and performers' performances irrespective of the domicile of the copyright owners. In line with international practice, there is no requirement to register copyright.

Certain amendments to Hong Kong's Copyright Ordinance came into force in stages during 2008. They included rental rights for films and underlying works in sound recordings, moral and rental rights for performers, prohibitions against circumvention of technological measures that protect copyright works, and a new criminal offence against directors/partners of organisations that use pirated copies of

films, computer software, musical recordings or television dramas in the course of their business.

In April, the HKSAR Government released preliminary proposals for strengthening copyright protection in the digital environment. A Tripartite Forum comprising representatives from copyright owners, users and online service providers was set up in July to consider how best online service providers could help combat Internet piracy.

Enforcement

The Customs and Excise Department is responsible for enforcing criminal sanctions to protect intellectual property rights. It investigates reports of copyright infringement and trade mark counterfeiting, and takes action against the manufacture, distribution, sale, import and export of pirated and counterfeit goods and possession for business use of certain copyrighted works. It also combats copyright piracy and counterfeiting activities that take place on the Internet, including the online distribution and sale of infringing copyright works and counterfeit goods. The department maintains stringent licensing control on all optical disc and stamper factories to prevent them from engaging in copyright piracy activities. In 2008, the department cracked a total of 9 505 intellectual property rights infringement cases including 7 679 piracy cases (which include the new criminal offence under the Copyright (Amendment) Ordinance 2007 that came into operation in April and July), and 1 826 forged trade marks/false trade descriptions cases. A total of 1 841 people were arrested, and goods worth \$250 million were seized.

The goods involved in the piracy cases were largely pirated optical discs. As a result of the department's sustained and rigorous enforcement actions, large-scale production of illicit optical discs has been driven out of Hong Kong. The piracy activities are now confined to low-level sales activities and replication on a limited scale.

The department also takes rigorous enforcement action against known black spots for selling counterfeit goods, which resulted in a significant reduction in such illegal activities. 1 557 forged trade marks/false trade descriptions cases effected in 2008 involved mobile hawkers, retail stores and counterfeit goods storage centres.

Maintaining a close working relationship with the intellectual property rights industry greatly facilitates Customs enforcement against piracy and counterfeiting activities. The department continues to foster industry support and co-operation through the Intellectual Property Rights Protection Alliance and various associations representing copyright and trade mark owners.

The Intellectual Property Rights Enforcement Museum set up in October 2007 showcases the department's endeavours and achievement in protecting intellectual property rights and provides a scenario-based training venue for frontline investigators. The Museum is also open to visitor groups in a bid to promote public awareness of and respect for intellectual property rights.

Public Education

In 2008, the Intellectual Property Department continued to conduct school visits programme to promote respect for intellectual property rights. In 2008, the programme covered 71 schools and 23 884 students. The department launched a series of promotional programmes to celebrate the 10th Anniversary of the territory-wide 'No Fakes Pledge' Scheme, bringing together retailers and the general public. The promotion included joining the float procession at the 2008 International Chinese New Year Night Parade and distribution of promotional materials by official mascot, 'No Fakes' General, in a number of tourist areas, etc.

In September 2008, the Business Software Alliance (BSA) presented to the HKSAR Government the 'Government Best Practices: Asia Pacific' award for its outstanding achievements in promoting and protecting intellectual property rights. Between 2007 and 2008, the department collaborated with trade associations in the launch of a free 'Software Asset Management (SAM) Consultancy Programme'. The Programme helped business proprietors to manage their software inventory and use SAM in their business operations to enhance business efficiency, avoid security risks and reduce the risk of incurring liability on the personal and organisational level. A total of 648 organisations participated in the Programme.

Co-operation with Mainland Counterparts

The Intellectual Property Department continued to work closely with the relevant Mainland counterparts at various levels in promoting the protection and management of intellectual property rights.

In July 2008, under the framework of 'Trade and Investment Facilitation' in Supplement V to the CEPA, the Trademark Office of the State Administration for Industry and Commerce and the Intellectual Property Department agreed to set up a Trademark Working Co-ordination Group to institutionalise a regular communication mechanism to strengthen exchanges and co-operation in areas such as trademark registration and trademark protection.

The Customs and Excise Department continued to strengthen co-operation with its counterparts on the Mainland in exchanging experience and information on the detection and prosecution of intellectual property-related offences. Over the years, the Customs administrations of Hong Kong and Guangdong Province have co-ordinated joint operations on a regular basis for intercepting infringing goods smuggled across the boundaries.

Participation in International Organisations

To keep abreast of international developments in intellectual property protection, the Intellectual Property Department continued to participate in various international forums, including the activities of the WTO Council for Trade-related Aspects of Intellectual Property Rights and conferences at the WIPO. The department also represented Hong Kong, China at other international and regional intellectual property symposiums and conferences, including the 26th and 27th meeting of the APEC Intellectual Property Experts Group held in Lima, Peru.

Professional Services Development Assistance Scheme

A \$100 million Professional Services Development Assistance Scheme was launched in 2002 to provide funding support, on an equal matching basis, for professional service sectors to organise projects that enhance their external competitiveness and standards. These include capacity building programmes (such as international conferences and training courses), market research and promotional activities (such as roadshows and exhibitions). Of the 188 projects that have received funding under the scheme, about 43 per cent relate to enhancing the competitiveness of the local professional service sector in the Mainland market.

Business Facilitation

The Government has pledged to cut red tape and simplify regulations to facilitate and sustain a vibrant business environment in Hong Kong. The business facilitation initiatives are taken forward under the overall guidance of the Business Facilitation Advisory Committee (BFAC) set up in January 2006. The BFAC is made up of representatives from the business, academic, professional and political sectors and senior government officials from the relevant bureaux. Trade representatives provide their input through participation in the business facilitation task forces. Under the guidance of the BFAC and its task forces, regulatory reviews were conducted and measures were initiated to make government regulations and procedures more business-friendly and reduce compliance costs to business. In 2008, 20 studies or projects, focusing mainly on the regulatory or licensing issues affecting the construction, real estate, retail, and food business sectors, were initiated or completed, and more than 40 recommendations for improvements were implemented.

In February 2007, the Government launched the 'Be the Smart Regulator' Programme to further improve Hong Kong's business licensing processes and business environment. The programme aims to enhance the efficiency, transparency and customer-friendliness of licensing services provided by bureaux/departments concerned and to reduce compliance cost to business. Around 30 government bureaux/departments providing licensing services to various business sectors are participating in the programme. Good progress has also been made on various fronts to improve the overall licensing environment for doing business in Hong Kong.

The Business Facilitation Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office co-ordinates the Government's efforts to take forward various business facilitation measures. The division also provides secretariat and other executive support to the BFAC and its task forces.

Trade Documentation

As a free port, the HKSAR maintains optimal import and export documentation requirements to facilitate legitimate trade. Most products do not need licences to enter or leave Hong Kong. Licences are only required if the HKSAR needs to fulfil its international obligations and protect public health, safety, the environment, or

intellectual property rights, or ensure Hong Kong's continued access to high technologies and hi-tech products.

The HKSAR also maintains a certification of origin system to facilitate its exports to overseas markets.

Government Electronic Trading Services

To maintain Hong Kong's competitiveness as an international trading centre, the Government launched the Government Electronic Trading Services in 1997 to provide a platform for the trading community to submit certain trade related documents electronically, thereby discharging their statutory obligations in a cost-effective and environmentally friendly manner. In 2008, the transaction volume was about 22.7 million.

The Government has appointed three service providers to provide the services from 2010. The appointment of the third service provider, in addition to the existing two, will give users a wider choice and bring added room for healthy competition in the market. The Government has also introduced improvements through the new contracts, including technical enhancements such as harmonisation of data format across selected trade documents.

Hong Kong Awards for Industries

The Hong Kong Awards for Industries promotes and honours the pursuit of excellence by enterprises in both the industrial and services sectors. It comprises seven award categories, namely consumer product design, machinery and machine tools design, customer service, environmental performance, innovation and creativity, productivity and quality, and technological achievement.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The Hong Kong Trade Development Council (TDC), a statutory body established in 1966, is responsible for promoting and expanding Hong Kong's external trade in goods and services. With its global network of more than 40 offices, including 11 in the Mainland, the TDC helps its customers, mainly local SMEs, develop business opportunities, trade contacts, market knowledge and competitive skills. One of its primary goals is to project and uphold Hong Kong as an international trading hub.

The TDC has helped position Hong Kong as the exhibition and convention centre of Asia. It organised more than 30 exhibitions during the year, eight of which were the biggest of their kind in Asia. These events attracted nearly 28 000 exhibitors and 582 000 buyers.

In the Mainland, TDC's focus was on promoting Hong Kong as a professional, creative and financial services platform, a logistics hub, a partner for Mainland businesses seeking global opportunities and a prime supplier of fashionable and lifestyle products. In mature markets, the TDC stepped up efforts to differentiate Hong Kong merchandise by highlighting reliable quality, stylish designs and

adherence to stringent green and safety standards. The TDC's focus in new markets was primarily on pathfinding and image-building to identify business opportunities for Hong Kong SMEs.

With 15 product magazines and industry supplements and more than five million readers, the TDC is a major publisher. It also produced about 170 trade reports, sector-specific updates and business newsletters in 2008, providing timely market intelligence on Hong Kong, the Mainland and international markets. The TDC's website (<http://www.hktdc.com>) features about 700 000 registered buyers and more than 100 000 quality suppliers from Hong Kong, the Mainland and beyond. It also provides an online business matching platform for Hong Kong companies and overseas buyers.

Hong Kong Export Credit Insurance Corporation

The Hong Kong Export Credit Insurance Corporation (ECIC) was created by statute in 1966 to protect Hong Kong exporters against non-payment risks arising from commercial and political events. Its capital is wholly owned by the HKSAR Government, which also guarantees its maximum contingent liability, standing at \$15 billion in 2008. The ECIC is required to pursue a policy towards financial self-sufficiency.

The ECIC's total insured business in 2008 amounted to \$46.4 billion, an increase of 10.7 per cent over 2007. Gross premium income grew by 4.2 per cent to \$184.5 million. Cash claims payments increased by 30.8 per cent to \$73.5 million.

To enhance its support for exporters during the financial turmoil since October 2008, the ECIC has launched several measures to assist exporters in meeting the challenges. These measures include waiver of annual policy fee for one year, free credit assessment services, higher capacity for six emerging markets at lower premium rates, ongoing cover on payment risks arising from buyers' failure to take delivery of goods, and shorter processing time for credit limit applications.

Hong Kong Science and Technology Parks Corporation

The Hong Kong Science and Technology Parks Corporation was established in 2001 to offer one-stop infrastructural support services to technology-based companies and activities in a synergetic manner, ranging from nurturing start-ups through incubation programmes, providing premises and services in the Science Park for applied research and development activities, creating and sustaining a design cluster in the InnoCentre, to offering land and premises in industrial estates for production.

The Science Park will occupy 22 hectares of land being developed in three phases. Phase 1 was officially opened in June 2002 and Phase 2 in September 2007, but construction of Phase 2 is still going on and is expected to be completed in stages between 2007 and 2010. The park provides an effective research and development environment and support services to facilitate collaboration and synergy among its tenants under four clusters — electronics, information technology and telecommunications, biotechnology and precision engineering.

The corporation operates three industrial estates in Tai Po, Yuen Long and Tseung Kwan O, which together sit on 217 hectares of land. Developed land is provided at cost to companies with new or improved technology and processes that cannot operate in multi-storey buildings. The industrial estates have helped broaden the industry base and upgrade the technology level in Hong Kong.

The corporation nurtures technology-based and design start-up companies through its incubation programme by providing low-cost accommodation and management, marketing, financial and technical assistance in their critical first years of operation. The corporation also implemented a Small Technology/Design Enterprise Programme in 2006 which is still going on to provide support services and office premises to graduates of these programmes to help them become full-fledged tenants.

Hong Kong Productivity Council

The Hong Kong Productivity Council promotes productivity excellence among Hong Kong enterprises, providing integrated support across the value chain to innovative and growth-oriented enterprises. The council's focus is on the manufacturing sector, particularly on Hong Kong's foundation industries, and related service activities in Hong Kong and the Pearl River Delta region.

During the year, the council continued to fulfil its mission in driving productivity excellence through focused endeavours in four complementary areas, namely, manufacturing technology, information technology, environmental technology and management systems. Through the provision of technology and process upgrading services, the council has geared resources to help Hong Kong manufacturers move up the value ladder. The council has spent great effort in promoting green production for Hong Kong industries, and has continued to introduce new technology solutions to assist manufacturers to fulfil the stringent environmental requirements in Hong Kong, the Mainland and other countries. The council continues to forge closer technological collaboration between Hong Kong and the Mainland to help innovative industries to capitalise on new business opportunities and to strengthen the competitiveness of Hong Kong's business and manufacturing sectors.

Other Trade and Industrial Organisations

The Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Hong Kong General Chamber of Commerce, the Chinese General Chamber of Commerce and the Hong Kong Chinese Importers' and Exporters' Association are among the oldest and most influential trade and industrial associations in Hong Kong. They are cross-sectoral and represent a broad spectrum of business interests. They aim to promote the interests of and foster relationship among their members. There are numerous other associations representing specific sectors or interests and overseas chambers of commerce.

Standards and Conformance Services

The Innovation and Technology Commission's services in the areas of metrology, documentary standards and accreditation provide the technical foundation for Hong Kong's standards and conformance infrastructure.

The Standards and Calibration Laboratory is the official custodian of Hong Kong's physical measurement reference standards. It provides a comprehensive calibration service traceable to the International System of Units. It is a signatory to the Mutual Recognition Arrangement of the International Committee for Weights and Measures and its calibration certificates are recognised internationally.

The Product Standards Information Bureau disseminates information relating to documentary standards. It operates a product standards library and provides sales of standards and free technical advice service on standards-related matters. The bureau represents the HKSAR in regional and international standardisation bodies, such as the International Organisation for Standardisation and encourages local experts to take part in international standardisation activities. It also co-ordinates Hong Kong's input to Asia-Pacific Economic Co-operation on standards and conformance matters and acts as Hong Kong's Enquiry Point and Notification Authority under the World Trade Organisation Agreement on Technical Barriers to Trade.

Through granting accreditation, the Hong Kong Accreditation Service (HKAS) upgrades the standard of local conformity assessment services to provide reliable support to social, economical and technical activities. Accreditation is also an official recognition to facilitate users in identifying and using competent service providers. The service operates in accordance with international standard and is active in international and regional accreditation communities. Through its mutual recognition arrangements, the results of tests, calibrations, certifications and inspections provided by its accredited service providers are recognised worldwide, thus facilitating cross-border business and trading activities. The comprehensive service of the HKAS is provided under three voluntary accreditation schemes, namely, the Hong Kong Laboratory Accreditation Scheme (HOKLAS), the Hong Kong Certification Body Accreditation Scheme (HKCAS) and the Hong Kong Inspection Body Accreditation Scheme (HKIAS). More details about HKAS can be found at <http://www.itc.gov.hk/en/quality/hkas>.

Human Resources, Technical Education and Industrial Training

Success in the knowledge-based economy of the 21st century depends heavily upon the availability of talent and skilled manpower at all levels. High-level education and training are provided by the tertiary education institutions. The Vocational Training Council provides vocational education, training and professional development. It also administers the New Technology Training Scheme which provides financial assistance to employers for training their staff in new technologies that are not yet widely applied locally but the absorption and application of which will benefit Hong Kong significantly. The Clothing Industry Training Authority runs two training centres for the clothing and footwear industries.

The Government oversees the Admission Scheme for Mainland Talents and Professionals. The scheme aims to attract talented people and professionals from the Mainland to work in Hong Kong to meet manpower needs and enhance Hong Kong's competitiveness in the world market.

Consumer Protection

Consumer Council

The Consumer Council is a statutory body established in 1974 to protect and promote the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. The council comprises 22 members appointed by the Government from a wide spectrum of the community.

The council's key activities include testing and survey programmes, complaint and advice services, consumer policy studies, consumer education and dissemination of consumer information through various channels.

To enhance market efficiency by improving price transparency for basic necessities, the council undertook four price surveillance initiatives during the year to track regularly retail prices of auto-fuel, food and daily necessities.

The council's testing and survey programmes seek to provide consumers with objective and up-to-date information so that they can make informed choices. During the year, 41 product tests, 19 survey projects and 49 in-depth studies were completed, covering a wide range of product and service areas from cooker hoods and trans fats content in food to lingzhi spore heath food products, cosmetics and financial services. Popular electronic products such as digital cameras, mobile phones and MP3 players were also regularly tested. Products were tested mainly for safety, performance, convenience, durability and environmental impact.

The council provides complaint and advisory services to the community through telephone hotlines, eight Consumer Advice Centres and its website. It acts as a mediator between consumers and the traders concerned. During the year, 42 050 consumer complaints and 130 585 consumer enquiries were received. Many of the complaints were related to telecommunications services and financial services.

The council also monitors trade practices and competition-related issues that may have implications for consumer welfare. During the year, it examined issues such as pricing of live pigs and auto-fuel prices. It also made 23 submissions in response to topics relating to consumers, such as healthcare reform and competition law proposals. The council's chief executive is also a member of the Government's Competition Policy Advisory Group.

To provide consumers with independent and impartial market information, the council publishes the findings of its product tests and surveys together with practical advice to the public through its monthly magazine, *CHOICE*, which offers broad, multi-media access available in print and on the Internet as well as through residential fixed-line and mobile phones. In 2008, the council continued to organise

the Consumer Rights Reporting Awards for the media and the public vote on the Top Ten Consumer News for the Year.

The ninth Consumer Culture Study Award organised during the year encouraged secondary school students to conduct their own studies of local consumer culture. In all, 761 teams, comprising more than 4 150 students from 103 secondary schools, participated in this programme.

The council continues to work closely with the Education Bureau on teachers' training. The Teacher Training Workshop Series 'Assessment Structure and Rubrics for New Senior Secondary Independent Enquiry Studies in the Liberal Studies Curriculum' for Yuen Long District Humanities Teachers Network had been conducted in the first season. A new web-based teacher training course, 'Learning and Teaching of Personal, Social and Humanities Education Key Learning Area: The Consumer Education Perspective', was also launched. Over 150 teachers enrolled in the course.

The council has continued to administer the Consumer Legal Action Fund, which enhances consumer access to legal remedies. In 2008, the fund considered 15 groups of applications and granted assistance in one group. Two groups of assisted cases carried over from previous years were still in progress.

The council is an executive and council member of Consumers International, a federation of 220 consumer organisations in 115 countries and territories. Hong Kong won the bid to host its 19th World Congress in 2011.

The council maintains regular contact with overseas and Mainland counterparts, and exchanges information, handles consumer complaints from tourists and considers initiatives to pursue wider consumer interests.

With tourists from the Mainland topping the list of visitors to Hong Kong, the council has taken a proactive role in strengthening consumer protection for Mainland tourists. Memorandums of Understanding for Co-operation were signed with major Mainland cities/provinces. The council maintains an informative website to provide one-stop consumer information covering a broad range of topics of interest to Mainland tourists. The website is hyperlinked to the official websites of a number of consumer organisations in the Mainland.

Enforcement of Consumer Protection Legislation

The Customs and Excise Department carries out spot checks and investigations to ensure that toys, children's products and consumer goods supplied in Hong Kong are safe, the fineness of articles of gold and platinum is correctly marked, and the quantity of goods supplied in the course of trade by weight and measures is accurate. In 2008, the department carried out 3 666 spot checks and 1 302 investigations.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of the consumer protection legislation. In 2008, the laboratory carried out 32 364 tests on toys, children's products and consumer goods to determine whether they complied with relevant

safety standards. The laboratory also determined the weight of retailed goods and conducted on-site investigations on verification of traders' balances and Liquefied Petroleum Gas dispensers in support of the enforcement of the Weights and Measures Ordinance. In the year, the laboratory carried out some 2 167 tests to examine the fineness of gold articles and the represented composition of other commodities in relation to the investigation of fraudulent trade practices under the Trade Descriptions Ordinance.

Review of Legislation on Consumer Protection

To combat misleading and undesirable sales practices in order to boost consumer confidence, the Legislative Council passed the Trade Descriptions (Amendment) Ordinance 2008 during the year. The Consumer Council submitted a review report entitled 'Fairness in the Marketplace for Consumers and Business' in early 2008. The Government is reviewing the consumer protection regime in Hong Kong in the light of the council's recommendations.

Trade in Endangered Species

The Protection of Endangered Species of Animals and Plants Ordinance implements the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). It regulates the import, introduction from the sea, export, re-export or possession of endangered species. The commercial import, export and re-export of highly endangered species are prohibited, and international trade in less endangered species is subject to licensing requirements.

The ordinance is administered by the Agriculture, Fisheries and Conservation Department, and enforced by both the department and the Customs and Excise Department. It provides for penalties of a maximum fine of \$5 million and imprisonment of up to two years. In 2008, a total of 22 152 licences and certificates were issued and 108 prosecutions were conducted.

Websites

Commerce and Economic Development Bureau: www.cedb.gov.hk
(links to related departments and agencies)

Hong Kong Consumer Council: www.consumer.org.hk

Environment Bureau: www.enb.gov.hk