

## Chapter 5

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# Commerce and Industry

*Hong Kong has all the essentials that help business to flourish: low tax rates, first-class infrastructure, an effective legal system, free flow of capital and information. In addition, it has the most advantageous 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 recognised as one of the freest economies in the world, and the most strategic 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.

The Government sees its task as facilitating 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 economic development by creating a business-friendly environment and providing adequate support services and infrastructure. It promotes innovation and technological improvement to match Hong Kong economic restructuring towards knowledge-based and high value-added activities. It continually strengthens support for technology development and application, promotes the wider use of design, develops a critical mass of fine scientists, engineers and designers, skilled technicians etc., and encourages the development of a significant cluster of innovative and technology-based businesses.

### **Merchandise Trade Performance**

Hong Kong's external trade dropped significantly in 2009 amid the global financial tsunami. Total merchandise trade decreased by 11.8 per cent compared with 2008's \$5,161.4 billion. Domestic exports fell by 36.4 per cent to \$57.7 billion

while re-exports slipped 11.8 per cent to \$2,411.3 billion compared with the previous year. Imports decreased by 11 per cent to \$2,692.4 billion.

Hong Kong's biggest trading partner in 2009 was the Mainland, followed by the United States (US) and Japan. In 2009, Hong Kong was the world's 11th 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 2009 at \$720.9 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$368.6 billion) and office machines and automatic data processing machines (\$246.9 billion).

In 2009, the Mainland, Japan and Taiwan were Hong Kong's major suppliers, accounting for 46.4 per cent, 8.8 per cent and 6.5 per cent respectively of the total value of imports.

### *Domestic Exports*

Telecommunications and sound recording and reproducing apparatus and equipment was the largest component of domestic exports, valued at \$7.9 billion or 13.6 per cent of the total value of domestic exports in 2009. Other major export items included jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials; plastics in primary forms; and electrical machinery, apparatus and appliances, and their electrical parts.

The Mainland, the US and Singapore were Hong Kong's largest markets during the year, absorbing 46.2 per cent, 12.7 per cent and 3.9 per cent respectively of the total value of domestic exports.

### *Re-exports*

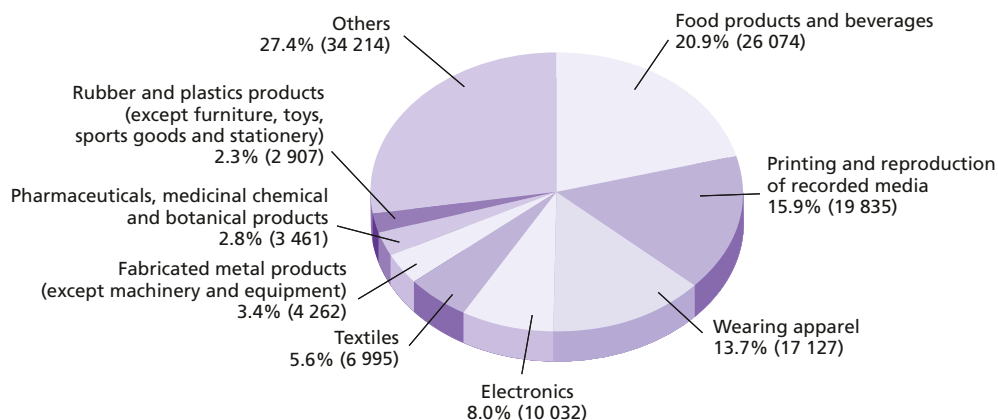
In 2009, electrical machinery, apparatus and appliances, and their electrical parts worth \$645.8 billion were the principal commodities re-exported (26.8 per cent of the total value of re-exports). This was followed by re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$406.7 billion (16.9 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, the manufacturing sector continued providing employment for 133 300 people (3.8 per cent of overall employment) in 2009.

Manufacturers of food products and beverages were the largest employers in the manufacturing sector as at December 2009, followed by employers in the printing and reproduction of recorded media industries. *Chart 1* shows the breakdown of employment within the manufacturing sector as at December 2009<sup>1</sup>.

**Chart 1** Number of Persons Employed by the Manufacturing Sector as at December 2009



## 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 73.9 per cent in 1989 to 92 per cent in 2008. In 2009, 88 per cent of total employment was in the services sector. Hong Kong has become one of the most service-oriented economies in the world.

In 2009, Hong Kong's total services trade amounted to \$1,014 billion, making it the world's 15th largest trading entity in terms of value of services trade. In the same year, Hong Kong exported \$670 billion worth of services, equivalent to 41 per cent of GDP. In 2009, Hong Kong ranked third after China and Japan in the region in terms of total value of exports of services. In the global league table of exports of services, Hong Kong ranked 11th in the same year.

Hong Kong's exports of services comprise mainly merchanting and other trade-related services, transportation services and travel services. These accounted for 30, 29 and 19 per cent respectively of the total value in 2009. The corresponding share for exports of financial services was 13 per cent, and that for exports of insurance and other services was 9 per cent. Hong Kong is a net exporter of services in overall terms with an overall surplus of \$325.9 billion in 2009. Analysed by

<sup>1</sup> The above statistics are compiled based on the Hong Kong Standard Industrial Classification (HSIC) Version 2.0.

component of services trade, merchanting and other trade-related services recorded the largest surplus in 2009, at \$177.3 billion, followed by transportation services (\$88.9 billion), financial services (\$58.4 billion) and travel services (\$3.7 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 show that Hong Kong's FDI inflow in 2008 amounted to US\$59.6 billion. According to the 'World Investment Report 2009' released by the United Nations Conference on Trade and Development, Hong Kong was the second largest recipient of FDI in Asia in 2008.

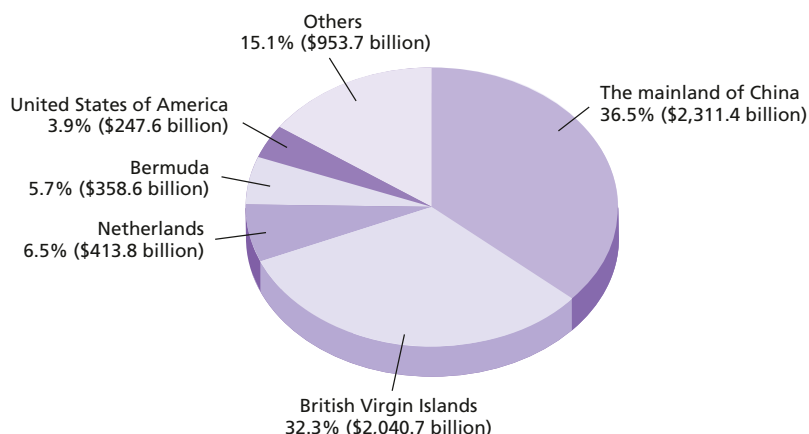
At the end of 2008, the position of inward direct investment at market value amounted to \$6,325.8 billion (*Chart 2*). *Chart 3* shows source countries/territories of inward direct investment. The Mainland was the largest, accounting for 36.5 per cent of the total position at end-2008. *Chart 4* shows the major economic activities of enterprise groups in Hong Kong<sup>2</sup>. Those engaged in investment holding, real estate and various business services took up the largest share, at 67.5 per cent of the total position at end-2008.

**Chart 2 Position of Inward Direct Investment in Hong Kong at Market Value, at end of 1999-2008**

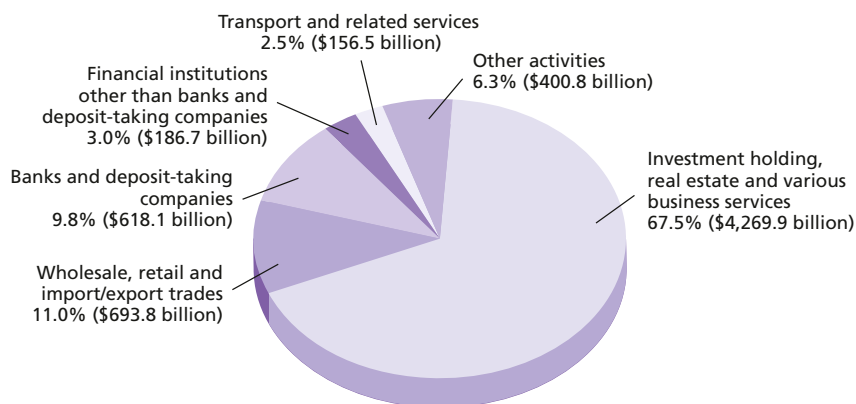


<sup>2</sup> An enterprise group may consist of a parent company, its subsidiaries, associates and branches.

**Chart 3 Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at end-2008**



**Chart 4 Position of Inward Direct Investment in Hong Kong at Market value by Major Economic Activity of Hong Kong Enterprise Groups at end-2008**



Hong Kong was host to 6 397 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong, as at June 1, 2009. Of these companies, 3 580 served as regional headquarters or regional offices. This reflects investors' confidence in Hong Kong's enduring advantages and their preference for Hong Kong as a base in Asia from which to oversee their regional operations.

## 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, competition, postal services and meteorological services.

It also oversees the development of 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 trading 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 various sectors, in particular small and medium enterprises. In addition, the department advises local enterprises on changes in the import regulations of our major trading partners, and provides them with relevant trade information.

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 was set up in July 2000 to spearhead Hong Kong's efforts to attract and retain foreign direct investment (FDI). Its mission is to encourage and assist overseas, Mainland and Taiwanese companies, with the potential to contribute to Hong Kong's economic development, to set up and expand their operations in Hong Kong.

Invest Hong Kong adopts a targeted approach in promoting the business sectors and industries where Hong Kong has a competitive edge. It prepares business plans based on its priorities and carries out investment promotion activities worldwide through its Investment Promotion Units (IPUs) in 11 designated Hong Kong Economic

and Trade Offices (ETOs) and the Beijing Office, as well as its overseas consultants in more than ten different strategic locations not covered by the IPU.

### *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 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 with enforcing the relevant statutory control 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 provision of accurate sales information on products, and the integrity of weights and measures.

### *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 11 overseas Hong Kong ETOs located in Berlin, Brussels, Geneva, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington DC.

With the exception of the Geneva office which represents Hong Kong, China, as a member of the World Trade Organisation, and as an observer to the Trade Committee of the Organisation for Economic Co-operation and Development headquartered in Paris, the other 10 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 has a leading role in representing Hong Kong on matters relating to its 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 15 European countries. The London office represents Hong Kong's interest in nine European countries. Hong Kong's representative to the International Maritime Organisation is based in the London office. The Berlin office which commenced operation in March 2009 further strengthens Hong Kong's representation in Europe and is responsible for fostering closer economic and trade ties between Hong Kong and eight countries in central and eastern Europe.

The Washington office represents Hong Kong's interests in the capital of the United States. It liaises closely with the US Administration, Congress and think tanks and monitors government policies and new legislations that may have implications on Hong Kong's economic and trade relationships with the US. The New York office is responsible for promoting Hong Kong's 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 Western 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 ASEAN.

## **External Commercial Relations**

### *Hong Kong's Participation in the World Trade Organisation*

Hong Kong is a founding member of the World Trade Organisation (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, namely 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 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 major breakthrough over the past year due to persistence of conflicting positions and lack of engagement among 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 its substance. The HKSAR will continue to play an active and constructive role in the negotiations and push for its early and successful conclusion.

Hong Kong participated in the WTO Seventh Ministerial Conference held in Geneva, Switzerland on November 30 — December 2, 2009.

### *Regional Economic Co-operation*

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 in APEC under the name of 'Hong Kong, China'. In November 2009, the Chief Executive represented Hong Kong at the 17th APEC Economic Leaders' Meeting held in Singapore. The meeting was preceded by the 21st APEC Ministerial Meeting, where Hong Kong was represented by the Secretary for Commerce and Economic Development. In 2009, 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 actively in all three areas, and has committed to pursue the above goal by 2010.

The 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 the 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 in 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 has been seeking 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. In November 2009, Hong Kong successfully concluded negotiation of a Closer Economic Partnership Agreement with New Zealand. This is Hong Kong's first free trade agreement with a foreign economy. The Government will continue to pursue trade agreements with other trading partners in Hong Kong's interests.

#### *Liaison with the Mainland and Mainland and Hong Kong Closer Economic Partnership Arrangement*

The Mainland's rapid economic and trade growth has helped boost Hong Kong's external trade and intermediary services, and has facilitated economic and trade co-operation and integration between the two places. The Mainland and Hong Kong signed CEPA in June 2003 to liberalise trade in goods and services, and to facilitate trade and investment between them. The two sides concluded a number of supplements after 2003 to broaden the coverage of CEPA and to deepen the liberalisation measures in different service areas. The latest of these, Supplement VI, was signed in May 2009.

Regarding trade in goods, since January 1, 2006, the Mainland has applied zero tariff to all imported goods of Hong Kong origin that meet the agreed CEPA rules of origin (ROOs). By end-2009, the CEPA ROOs for a cumulative total of 1 573 products had been agreed. For trade in services, about 250 liberalisation and facilitation measures have been announced, covering a total of 42 service areas<sup>3</sup>. Under these measures, Hong Kong service suppliers enjoy preferential treatment in entering the Mainland's service industries. Some of the liberalisation and facilitation measures are for pilot implementation in Guangdong Province.

CEPA continuously provides impetus to the economic development of Hong Kong. The liberalisation measures for implementation in Guangdong also help enhance economic and trade ties between Hong Kong and Guangdong.

The Government will continue to help the business community tap the opportunities being brought about by CEPA. Close liaison is maintained with the Mainland authorities at different levels through various government bureaux and departments, the Beijing Office of the HKSAR Government, and Hong Kong ETOs in the relevant Mainland and quasi-government bodies such as the Hong Kong Trade Development Council (TDC), to help ensure smooth implementation of measures under CEPA. Regular high-level communication is also maintained through forums such as the Hong Kong/Guangdong Co-operation Joint Conference and the CEPA Joint Steering Committee.

In addition, with the Mainland policy of expanding domestic demand, the HKSAR Government has been working with Mainland authorities in recent years to assist Hong Kong enterprises in tapping the Mainland market, including reflecting the trade's views on domestic sales and supporting the Mainland provinces and cities in organising more business-matching events and trade fairs.

### *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) with 16 economies.

### *Trade in Textiles*

Hong Kong continues to capitalise on its expertise and immense potential to develop into a world-class logistics and sourcing hub for textiles. At the same time,

<sup>3</sup> 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 stores, 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, rail transport, real estate and construction, related scientific and technical consulting services, research and development, 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).

Hong Kong continues to maintain highly effective origin control measures to prevent abuse and to safeguard the interest of Hong Kong's textiles trade.

In 2009, the Customs and Excise Department carried out 17 036 factory and consignment inspections and concluded 334 investigations to combat illegal transshipment of textiles. The department also conducted 576 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 384 companies and individual offenders, resulting in the imposition of fines amounting to \$5.9 million.

### *Trade in Strategic Commodities*

The Trade and Industry Department maintains a comprehensive import and export control licensing system to monitor the movement 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 2009, the Customs and Excise Department investigated 233 cases of unlicensed import and export of strategic commodities and prosecuted 52 offenders, resulting in fines amounting to \$2.2 million. Goods valued at \$151,000 were confiscated.

### *Customs Co-operation*

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and APEC's Sub-committee on Customs Procedures. 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 will refer to the best practices and experiences of the Authorised Economic Operator Schemes in other administrations when formulating its implementation plan.

The department maintains a good co-operative network with other customs administrations and law enforcement agencies. Regular bilateral meetings are held with the Mainland and other customs authorities for exchanging intelligence and experiences on enforcement. The department has also concluded bilateral co-operative arrangements with a number of customs administrations.

## Inward Investment Promotion

In 2009, notwithstanding the challenges of the global economic downturn, Invest Hong Kong assisted a record 265 overseas, Mainland and Taiwan companies in setting up or expanding operations in Hong Kong<sup>4</sup>, involving direct investment of some HK\$4.4 billion and the creation of over 6 000 new jobs within the first two years of their operation/expansion<sup>5</sup>.

The department organised a range of activities in 2009 including sector-focused events that provided networking platforms for overseas companies from various industries and services. It also organised programmes for foreign communities in Hong Kong and participated in major international and regional business forums to raise the profile of the city, identify potential leads and provide aftercare services to existing companies in Hong Kong. Major events sponsored in 2009 included the Forbes Fabulous 50 Awards Dinner, the Hong Kong Rugby Sevens, Society of Publishers in Asia Awards Dinner, World SME Expo, the China Entrepreneur Forum, and the third Chinese Enterprises Outboard Investment Conference.

In 2009, Invest Hong Kong organised joint investment promotion activities to promote the combined advantages offered by the economic integration of Hong Kong and the Mainland with seven Mainland provinces and cities, namely Jiangmen, Foshan, Fujian, Huizhou, Shenzhen, Guangzhou and Guangdong, and held events in key overseas cities, including London, Liverpool, Sao Paulo, Stockholm, Helsinki, New York, Osaka, Bengaluru, Berlin, Hamburg and Sydney. The department also tapped into the outward investment potential of the Mainland through a series of promotional programmes, including investment promotion seminars and workshops under the nationwide 'On Your Marks, Get-set, Go' marketing campaign held in Jiangsu and Sichuan. The department completed 48 projects related to Mainland investments in Hong Kong last year, representing 18 per cent of the total number of completed projects.

## 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. There are about 282 000 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 have been set up to help SMEs secure loans from financial institutions, expand overseas markets and enhance overall competitiveness.

In response to the global financial crisis, the Government launched a Special Loan Guarantee Scheme in late 2008 to help enterprises secure commercial loans from financial institutions to tide them over the immediate cashflow problem. The

<sup>4</sup> These represent companies assisted by Invest Hong Kong, and do not include companies set up in Hong Kong without such assistance.

<sup>5</sup> These represent investment amount and job opportunities reported by the companies assisted by Invest Hong Kong. Not all of these companies disclosed the data.

total Government commitment is \$100 billion. A series of enhancement measures was introduced in June 2009 to provide further support to local enterprises.

## **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; 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. The Government has been implementing various initiatives to establish Hong Kong as a regional centre for innovation and technology and offers a wide range of infrastructural and funding support for applied R&D activities.

The Chief Executive announced in the 2009 Policy Address that the Government will make a series of initiatives to promote the development of six industries in which Hong Kong enjoys clear advantages, including innovation and technology, and testing and certification services, to achieve long-term economic growth.

### *Innovation and Technology Fund*

A \$5 billion Innovation and Technology Fund (ITF) was established in 1999. It supports projects that help upgrade technology and promote innovation in the manufacturing and service industries. By year-end, the fund had provided \$4.91 billion to support more than 1 800 projects undertaken by research institutes and the industry.

In January 2009, the Internship Programme under the ITF was expanded to provide more opportunities for local graduates to participate in R&D work. Under the programme, additional financial support is provided to R&D projects that employ up to two interns for each ITF project with an internship up to 24 months. More than 350 internship places were provided in 2009.

### *Research and Development Cash Rebate Scheme*

In his 2009 Policy Address, the Chief Executive announced the allocation of \$200 million to launch an 'R&D Cash Rebate Scheme' in April 2010 to inculcate a research culture among enterprises and to encourage them to establish long-term partnerships with local public research institutions. Under the scheme, enterprises conducting applied R&D projects with the support of the ITF or in partnership with

designated local research institutions will enjoy a cash rebate equivalent to 10 per cent of their investments.

#### *Promoting Technological Entrepreneurship*

Financial support has also been given to promote technological entrepreneurship. The 'Small Entrepreneur Research Assistance Programme' of ITF provides matching grants of up to \$4 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, \$336 million in financial support had been provided to 316 projects.

#### *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 an R&D Centre for Information and Communications Technologies which focuses on four technology areas: communications technologies, consumer electronics, integrated circuit design and opto-electronics. A new area of bio-medical electronics is being developed, drawing on available skills.

#### *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 a donation of \$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.

#### *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 in 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 provide a focal point for driving and co-ordinating applied R&D and technology transfer in their respective technological areas. In line with the market-driven, demand-led approach of the new strategy, the centres have been

working closely with industry in drawing up their R&D plans, defining their technology roadmaps, and facilitating the commercialisation of R&D results.

### *Technology Co-operation with the Mainland*

The Mainland/Hong Kong Science and Technology Co-operation Committee was formed in 2004. It is a high level steering committee for the Ministry of Science and Technology and the CEDB jointly to formulate and co-ordinate technology exchanges and collaboration initiatives between Hong Kong and the Mainland.

The committee held its fourth meeting in September 2009, and among other things, agreed to follow up on the establishment of Partner State Key Laboratories in Hong Kong, and set up a 'Working Group on Pilot Implementation for Guangdong-Hong Kong Technology Co-operation' to study and formulate measures for pilot implementation in Guangdong.

The Hong Kong and Guangdong Governments have run the Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS) since 2004 to encourage collaboration between research institutions and enterprises in the two places. From 2004 to 2009, the two sides supported over 30 jointly-funded projects with a total funding of about \$200 million, covering various technology areas.

In May 2007, the Hong Kong and Shenzhen Governments signed an agreement to foster closer technological co-operation between the two cities and promote the establishment of the 'Shenzhen-Hong Kong Innovation Circle'. In 2008, the two governments successfully invited an international company to set up its global thin film photovoltaic business headquarters and R&D centre in Hong Kong, with related manufacturing base in Shenzhen. The facilities in Hong Kong Science Park were opened in March 2009 and the facilities in Shenzhen commenced operation in November 2009.

### *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 exhibitions, workshops, thematic seminars and competitions as well as roadshows organised in three popular shopping malls. The ITC established the Innovation Technology Student Club with the support of the Chinese University of Hong Kong in June 2009 and co-organised the annual Hong Kong Student Science Project Competition with the Hong Kong Federation of Youth Groups to enhance participants' knowledge in science and technology, nurturing talented, innovative young people to become future technology leaders.

### **Protection of Intellectual Property Rights**

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

### Registration

The Intellectual Property Department provides various electronic services to enable efficient and cost-effective registration and management of trade marks, patents and registered designs. The registers of trade marks, patents and designs are maintained in electronic format, allowing searching of relevant data 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 at any time (<http://iponline.ipd.gov.hk>).

With the department's interactive services, the owners of registered rights and their agents can directly make changes to certain particulars recorded in the registers. These changes are updated instantly in the various registry records.

The electronic services, particularly electronic filing, have been well received and the migration rate to electronic filing has increased over the years.

### Trade Marks

In 2009, the Trade Marks Registry received 24 754 applications. During the period, 22 500 marks were registered, an increase of 22 per cent as compared with 2008. Out of the total of 92 countries/areas filing applications, the principal places were:

Hong Kong, China	9 454	France	572
Mainland of China	4 620	United Kingdom	499
US	2 693	Taiwan, province of China	470
Japan	1 810	Germany	462
Switzerland	588	British Virgin Islands	404

The register had a total of 238 908 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 2009, the Patents Registry received 11 857 standard patent applications and 5 625 were granted. There were also 551 short-term patent applications 474 of which were granted.

### Registered Designs

In 2009, the Designs Registry received 2 234 applications for the registration of 3 818 designs. During the year, 3 850 designs were registered.

### Copyright

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.

Provisions in the Ordinance are kept under review to ensure they remain relevant and appropriate in present-day circumstances. Legislative changes made in recent years include as a new offence the large-scale making and distribution of infringing copies of books, magazines, newspapers and periodicals on a frequent or regular basis in the course of trade or business, causing a financial loss to the copyright owner. To deal with this new offence, a Copyright (Amendment) Ordinance was enacted in November 2009. It sets clear numeric limits to guide businessmen as to the extent of unauthorised copying and distribution that would trigger criminal liability under the offence.

To meet the challenges brought by advances in technology, the Government put forward a package of refined legislative proposals in November 2009 for strengthening copyright protection in the digital environment. These have been formulated in the light of public feedback received earlier, including inputs from a Tripartite Forum comprising representatives from copyright owners, users and online service providers. The forum was set up in 2008 to consider the best ways in which online service providers could help combat internet piracy. The Government will prepare the necessary legislative amendments with a view to introducing the amendment bill into the Legislative Council in the 2010-11 legislative year.

### *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; maintains licensing control on all optical disc and stamper factories; and takes action against the manufacture, distribution, sale, import and export of pirated and counterfeit goods and possession for business use. It also combats copyright piracy and illicit activities that take place on the internet involving the sales of counterfeit goods.

In 2009, the department acted on 6 374 piracy cases, with a total of 1 105 people arrested and goods worth \$71 million seized. The seized goods were largely pirated optical discs. As a result of the department's sustained and rigorous enforcement actions, piracy activities in Hong Kong were confined to low-level sales activities and manufacturing on a limited scale.

The department also takes rigorous enforcement action against known black spots for selling counterfeit goods, resulting in a significant reduction in such illegal activities. In 2009, the department acted on 1 013 false trade mark cases. Counterfeit goods worth \$93 million were seized and 768 people were arrested.

To support the further development of wine trading and distribution businesses in Hong Kong, a dedicated enforcement team was set up in the department in August 2008 to combat possible wine-related counterfeiting activities.

For effective enforcement against piracy and counterfeiting activities, the department fosters industry support and co-operation through the Intellectual Property Rights Protection Alliance (IPRPA) and various associations representing copyright and trade mark owners.

### *Public Education*

The Intellectual Property Department conducts programmes in schools to promote respect for intellectual property rights. In 2009, the school visits programme covered 74 schools and 22 241 students. The department also launched an Interactive Drama Programme in primary and secondary schools.

The Intellectual Property Department launched a series of announcements promoting protection of intellectual property rights among enterprises in Hong Kong. The department also ran an Intellectual Capital Management (ICM) Consultancy Programme from March 2009 to January 2010 which provided a free consultancy service to local organisations — especially SMEs. The consultancy service helped organisations apply ICM tools to maximise their business potential. Up to December 2009, 315 organisations had taken part in the programme.

### *Co-operation with Mainland Counterparts*

The Intellectual Property Department worked closely with its Mainland counterparts at national level, as well as Pan-Pearl River Delta and Guangdong Province regional levels to promote the protection and management of intellectual property rights. Activities included the Mainland, Hong Kong SAR and Macao SAR Intellectual Property Symposium, a seminar for small and medium enterprises, joint conferences and exchange activities. Hong Kong and Guangdong Province also signed a co-operation agreement on intellectual property in August 2009.

The Customs and Excise Department strengthened co-operation with its Mainland counterparts 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 the Guangdong Province have co-ordinated regular joint interception of infringing goods smuggled across the boundaries.

### *Participation in International Organisations*

To keep abreast of international developments in intellectual property protection, the Intellectual Property Department participated 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 28th and 29th meetings of the APEC Intellectual Property Experts Group held in Singapore.

## **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 212 projects that received funding under the scheme up to the end of 2009, about 40 per cent related to enhancing the competitiveness of 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 operate 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 introduced to make government regulations and procedures more business-friendly and to reduce compliance costs to business. The BFAC and its task forces also provide an effective platform for the Government to consult business sectors on regulatory proposals and thrash out the implementation details of new regulations.

In February 2007, the Government launched a 'Be the Smart Regulator' Programme to further improve Hong Kong's business licensing processes and business environment. Its aim is to enhance the efficiency, transparency and customer-friendliness of licensing services provided by the bureaux and departments concerned and to reduce the compliance cost to business. Around 30 Government bureaux and departments providing licensing services to various business sectors participate in the programme. Business Liaison Groups for major business sectors have been set up to facilitate communication between bureaux and departments and the trades regarding regulatory and licensing issues.

A business consultation e-platform under the GovHK portal has been set up to facilitate business sectors' access to consultation information relating to proposed regulations, administrative measures and procedures that would impact business, and enable them to offer their feedback. Good progress has also been made on various fronts in improving 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 implement 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, protect public health, safety, environment, or intellectual property rights, or ensure Hong Kong's continued access to advanced technologies and hi-tech products.

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

### *Road Cargo System*

Hong Kong enacted subsidiary legislation in 2009 to pave the way for the inception of the Road Cargo System (ROCARS), an electronic platform developed to facilitate customs clearance of road cargoes. The regulation prescribes details of the system for mandatory advance electronic submission of cargo information, and sets a fixed transitional period of 18 months before ROCARS submissions are made mandatory.

When ROCARS is in place in 2010, all cross-boundary trucks using the system, except those selected for inspection, will enjoy seamless customs clearance at the land boundary. It also provides added room for the Customs and Excise Department to facilitate the passage of trans-shipment cargoes which involve inter-modal transfer (e.g. from land to air or sea).

### *Government Electronic Trading Services*

To maintain Hong Kong's competitiveness as an international trading centre, in 1997 the Government launched the Government Electronic Trading Services system 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 2009, the transaction volume was about 20.3 million.

The Government has appointed three service providers to provide the services from 2010. The appointment of a third service provider in addition to the original two, has given users a wider choice and brought added room for healthy competition in the market. Enhancement measures have also been introduced to reduce traders' data input efforts. These include harmonisation of the data format of import and export declarations as well as the document for the Road Cargo System, and the provision of a data inheritance function between these two documents.

## 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 developing 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 international exhibition and convention centre of Asia. It organised more than 30 exhibitions during the year, three of which are now the largest of their kind in the world, while five others are the largest of their kind in Asia. These events attracted nearly 28 000 exhibitors and 570 000 buyers.

In the Mainland, the 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. TDC's focus in new markets was primarily on pathfinding and image-building to identify business opportunities for Hong Kong SMEs.

The TDC publishes 15 product magazines and industry supplements that reach more than five million readers. It also produced about 170 trade reports, sector-specific updates and business newsletters in 2009, providing timely market intelligence on Hong Kong, the Mainland and international markets. The TDC's online marketplace (<http://www.hktdc.com>) features about 900 000 registered buyers and 120 000 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 contingent liability. Its statutory maximum liability guaranteed by the Government was increased to \$30 billion from \$15 billion on February 13, 2009. The ECIC is required to pursue a policy towards financial self-sufficiency.

The ECIC's total insured business in 2009 amounted to \$58.7 billion, an increase of 26.5 per cent over 2008. Gross premium income grew by 18.9 per cent to \$219.3 million. Cash claims payments increased by 108.5 per cent to \$153.3 million.

As the economic condition and trading environment remained difficult, the ECIC extended some of the enhancement measures introduced in 2008 and launched a number of new initiatives. Major measures include extending the free credit assessment services and waiver of annual policy fee, increasing the small credit limit ceiling to \$1 million and expediting the processing of relevant applications, providing higher capacity for two additional emerging markets at lower premium rates and uploading latest market information on ECIC's website.

### *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 facilities and services in the Science Park for applied research and development activities, and creating and sustaining a design cluster in the InnoCentre, to offering land and premises in industrial estates for production.

The 22-hectare Science Park is being developed in three phases. Completed in 2004 and 2008 respectively, Phase 1 and Phase 2, are over 90 per cent and close to 80 per cent occupied. Building 20 within Phase 2 is being developed with special green and sustainable features incorporated in the design. It is due for completion in the second quarter of 2011. Since its opening in 2004, the Hong Kong Science Park has offered local and overseas companies world class research and development facilities and robust supporting services. Under the clustering concept, it encourages collaboration and synergy among R&D companies in electronics, information technology and telecommunications, biotechnology, precision engineering, and a new fifth cluster of green technology to enhance their effectiveness.

The corporation operates three industrial estates in Tai Po, Yuen Long and Tseung Kwan O, with a total land area of 217 hectares. 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. To meet future demands resulting from the re-structuring of the Hong Kong economy in recent years, studies are being conducted to revitalise and reposition the roles of the industrial estates.

The corporation nurtures technology-based and design start-up companies through its incubation programme by providing low-cost accommodation and management, and marketing, financial and technical assistance in their critical first years of operation. The corporation has also implemented a Small Technology Design/Enterprise Programme since 2006 to provide support services and office premises to graduates of these programmes to help them become full-fledged tenants. Over the years, the number of incubatees and graduates filing patents, trademarks and registered designs, and winning local and international technical and management awards, has steadily increased.

### *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, in particular 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 drive 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 in fulfilling 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 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 the most influential trade and industrial associations in Hong Kong. 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 APEC 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) works to boost the standard of local conformity assessment services to provide reliable support to social, economical and technical activities. Accreditation is also an official recognition that helps users identify and use competent service providers. The service operates in accordance with international standards 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 widely recognised globally, thus facilitating cross-border business and trading activities. The comprehensive service of the HKAS is provided under three voluntary accreditation schemes, the Hong Kong Laboratory Accreditation Scheme (HOKLAS), the Hong Kong Certification Body Accreditation Scheme (HKCAS) and the Hong Kong Inspection Body Accreditation Scheme (HKIAS).

### **Testing and Certification Industry**

The strong technical foundation of Hong Kong's standards and conformance infrastructure contributes greatly to the development of the local testing and certification industry, which has been growing steadily in the past two decades, and enjoys a good international reputation.

The testing and certification industry supports the manufacturing and service industries, and is an integral part of the overall supply chain. By providing assurance to overseas buyers on the quality and safety of products and services produced in both Hong Kong and the Mainland, it has played a part in the development of trading and logistics services in Hong Kong as well as the industrialisation of the Pearl River Delta region.

In June 2009, the testing and certification industry was identified by the Task Force on Economic Challenges as one of the six economic areas where Hong Kong enjoys clear advantages and has good potential for further development.

In September 2009, the Government established the Hong Kong Council for Testing and Certification to drive the development of the industry, to raise its professional standards, and to enhance the recognition of the industry in the international arena by building up a brand name for Hong Kong's testing and certification services. The council comprises members from the testing and certification industry, the business sector and professional organisations as well as the relevant public bodies and government departments. The priority task of the council is to work with the industry to formulate a three-year market-driven development plan within six months of its establishment.

The setting up of the council is a milestone in the development of the testing and certification industry that demonstrates staunch support from the Government for the sustained growth of the industry.

### **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 while not yet widely applied will in future 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 Talent 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, price surveillance, complaint and advice services, consumer policy studies, consumer education and dissemination of consumer information. It also administers the Consumer Legal Action Fund, which enhances consumer access to legal remedies.

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, 48 product tests, 16 survey projects and 40 in-depth studies were completed. 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.

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, 34 114 consumer complaints and 119 720 consumer enquiries were received.

The council also monitors trade practices and competition-related issues that may have implications for consumer welfare and makes submissions to relevant parties on its views.

In 2009, the council organised the Consumer Rights Reporting Awards for the media and the public vote on the Top Ten Consumer News for the Year. It organised the tenth Consumer Culture Study Award jointly with the Education Bureau, to encourage secondary school students to conduct their own studies of local consumer culture.

The council maintains regular contact with overseas and Mainland counterparts, handles consumer complaints from tourists and considers initiatives to pursue wider consumer interests. The council signed Memorandums of Understanding for Co-operation with major Mainland cities and provinces to strengthen consumer protection for Mainland tourists. The council maintains an informative website

providing one-stop consumer information covering a broad range of topics of interest to Mainland tourists.

### *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, that the quantity of goods supplied in the course of trade by weight and measures is accurate, and to guard against false trade descriptions and mis-statements in respect of goods. In 2009, the department carried out 7 712 spot checks and concluded 2 287 investigations, including 3 301 spot checks and 448 investigations related to the newly enacted Trade Descriptions (Amendment) Ordinance 2008.

The Trade Descriptions (Amendment) Ordinance 2008 and its eight pieces of subsidiary legislation came into effect on March 2, 2009 to enhance consumer protection against dishonest sale practices. The Customs and Excise Department launched a series of publicity activities to introduce the new legislation to the general public and tourists. The department also set up quick response teams to deal with complaints received from short haul visitors.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of the consumer protection legislation. In 2009, the laboratory carried out 36 763 tests to check the compliance of toys, children's products and consumer goods with relevant safety standards, and to determine the weight of retailed goods. It conducted on-site investigations to verify traders' balances and Liquefied Petroleum Gas dispensers in support of the enforcement of the Weights and Measures Ordinance. During the year, the laboratory carried out 7 718 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 other unfair trade practices, the Government was conducting a review on the consumer protection regime in Hong Kong to identify areas for improvements.

In December 2009, the Government introduced the Toys and Children's Products Safety (Amendment) Bill 2009 into the Legislative Council. The Bill sought to update the safety standards applicable to toys and specified children's products available in Hong Kong and align them with the most up-to-date, operative international standards and standards adopted by major economies.

## **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, export, re-export, introduction from the sea 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 2009, a total of 18 429 licences and certificates were issued and 121 prosecutions were conducted.

*Websites*

Commerce and Economic Development Bureau: [www.cedb.gov.hk](http://www.cedb.gov.hk)  
(links to related departments and agencies)  
Hong Kong Consumer Council: [www.consumer.org.hk](http://www.consumer.org.hk)  
Environment Bureau: [www.enb.gov.hk](http://www.enb.gov.hk)