

## 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. It is also an important gateway to the mainland of China, one of the world's fastest growing economies.*

Hong Kong is a leading international trading and services centre 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 proactively 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 economy's shift 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 and venture capitalists, and encourages the development of a significant cluster of innovation and technology-based businesses.

### **Merchandise Trade Performance**

In 2010, Hong Kong's external trade exhibited a strong rebound from the global financial turmoil of 2008-09. Total merchandise trade increased by 23.9 per cent to

\$6,395.9 billion in 2010 compared with 2009. Domestic exports rose by 20.4 per cent to \$69.5 billion while re-exports increased by 22.8 per cent to \$2,961.5 billion compared with the previous year. Imports increased by 25 per cent to \$3,364.8 billion. A summary of external merchandise trade statistics is at Appendix 6, Table 13.

Hong Kong's biggest trading partner in 2010 was the Mainland, followed by the United States (US) and Japan. In 2010, Hong Kong was the world's 10th 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 2010 at \$956.8 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$457.2 billion) and office machines and automatic data processing machines (\$322.7 billion).

In 2010, the Mainland, Japan and Singapore were Hong Kong's major suppliers, accounting for 45.5 per cent, 9.2 per cent and 7.1 per cent respectively of the total value of imports.

### *Domestic Exports*

Telecommunications and sound recording and reproducing apparatus and equipment formed the largest component of domestic exports, valued at \$10.5 billion or 15.2 per cent of the total value of domestic exports in 2010. Other major export items included plastics in primary forms; jewellery, goldsmiths' and silversmiths' wares, other articles of precious or semi-precious materials 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 44.9 per cent, 12 per cent and 4.1 per cent respectively of the total value of domestic exports.

### *Re-exports*

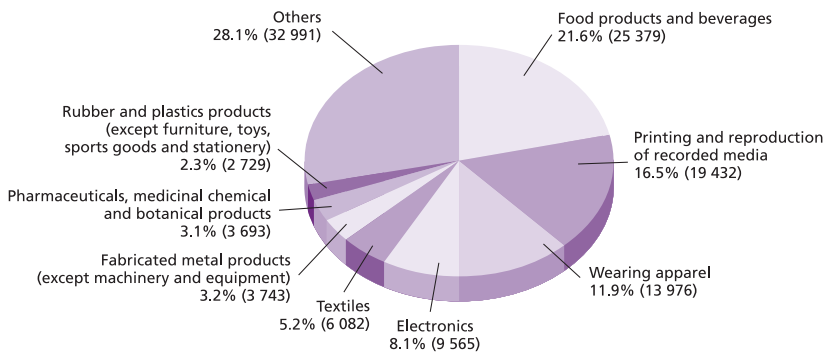
In 2010, electrical machinery, apparatus and appliances, and their electrical parts worth \$838.4 billion were the principal commodities re-exported (28.3 per cent of the total value of re-exports). This was followed by re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$500.5 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 to provide employment for 121 000 people (3.4 per cent of overall employment) in 2010.

Manufacturers of food products and beverages were the largest employers in the manufacturing sector as at December 2010, followed by employers in the printing and reproduction of media industries. *Chart 1* shows the breakdown of employment within the manufacturing sector as at December 2010<sup>1</sup>.

**Chart 1** Number of Persons Employed by the Manufacturing Sector as at December 2010



## The Services Sector

The services sector has grown significantly in the past decade. Its share of Hong Kong's Gross Domestic Product (GDP) rose from 87.2 per cent in 2000 to 92.6 per cent in 2009. In 2010, 88.3 per cent of total employment was in this sector. Hong Kong has become one of the most service-orientated economies in the world.

In 2010, Hong Kong's total services trade amounted to \$1,232 billion, making it the world's 14th largest trading entity in terms of value of this trade. In 2010, Hong Kong exported \$835 billion worth of services, contributing to 48 per cent of GDP. In 2010, Hong Kong ranked fifth after China, Japan, Singapore and India in the region in terms of total value of exports of services. In the global league table, Hong Kong ranked 11th in 2010.

Hong Kong's exports of services comprise mainly merchanting and other trade-related services, transportation services and travel services. These accounted for 30, 28 and 21 per cent respectively of the total value in 2010. The corresponding share for exports of financial services was 12 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 \$438.4 billion in 2010. Analysed by components of services trade, merchanting and other trade-related services recorded the largest surplus in 2010, at \$214.4 billion, followed by transportation services (\$123.4 billion), financial services (\$70.8 billion) and travel services (\$42.1 billion).

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

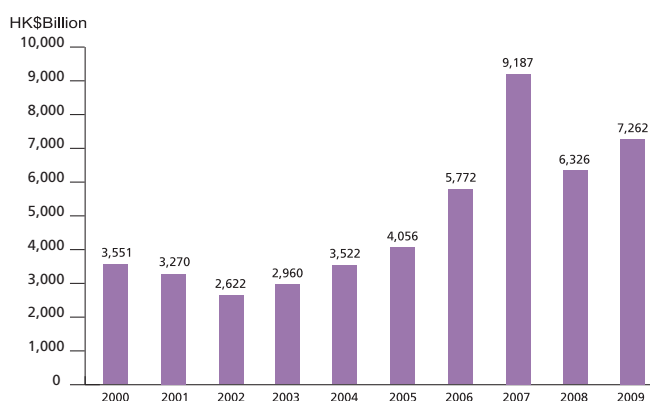
## Inward Direct Investment

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 2009 amounted to US\$52.4 billion. According to the 'World Investment Report 2010' released by the United Nations Conference on Trade and Development, Hong Kong was the second largest recipient of FDI in Asia in 2009.

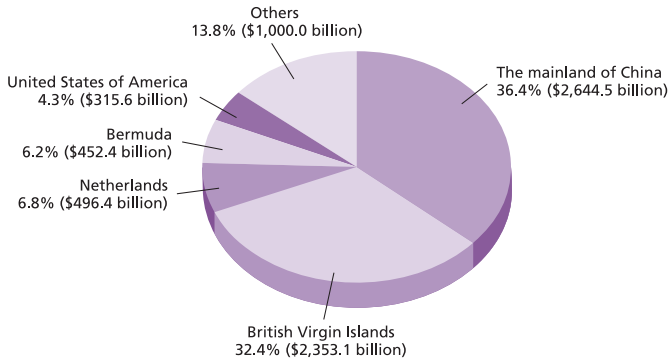
At the end of 2009, the position of inward direct investment at market value amounted to \$7,262.1 billion (*Chart 2*). *Chart 3* shows source countries or territories of the inward direct investment. The Mainland was the largest, accounting for 36.4 per cent of the total position as at end-2009. *Chart 4* shows the major economic activities of enterprise groups in Hong Kong<sup>2</sup>. Those engaged in investment holding, real estate, professional and business services took up the largest share, at 65.9 per cent of the total position at end-2009.

**Chart 2 Position of Inward Direct Investment in Hong Kong at Market Value at end of 2000-2009**

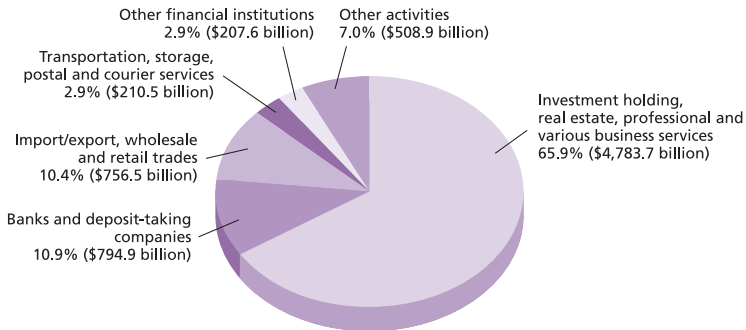


<sup>2</sup> An enterprise group may consist of a parent company, its subsidiaries, associates and branches.

**Chart 3 Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at end-2009**



**Chart 4 Position of Inward Direct Investment in Hong Kong at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2009**



Hong Kong was host to 6 561 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong, as at June 1, 2010. Of these companies, 3 638 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 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, 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 (ETOs).

### *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 SMEs. 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 strategic 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 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 ETOs and the Beijing Office, as well as its overseas consultants in more than ten different strategic locations not covered by the IPUs.

### *Customs and Excise Department*

The Customs and Excise Department enforces various trade controls systems 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 articles, 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 enforcing 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 consumer goods, 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 (WTO), 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 takes up 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 15 European countries. The London office represents Hong Kong's interests 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, 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 legislation 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. The San Francisco office is also 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 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 to sustain the momentum of trade liberalisation, and to strengthen the multilateral rules-based trading system.

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.

### *Regional Economic Co-operation*

Hong Kong continues to play an active role in enhancing regional economic co-operation. It participates as a full and separate member in Asia-Pacific Economic Co-operation (APEC), a regional forum for high-level dialogue and co-operation on trade and economic issues, under the name of 'Hong Kong, China'. In November 2010, the Chief Executive represented Hong Kong at the 18th APEC Economic Leaders' Meeting held in Yokohama, Japan. The meeting was preceded by the 22nd APEC Ministerial Meeting, where Hong Kong was represented by the Secretary for Commerce and Economic Development. In 2010, some 84 per cent of Hong Kong's external trade was conducted with the other 20 member economies of APEC.

APEC pursues the 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. In 2010, APEC assessed the progress towards achieving this goal of the five industrialised member economies and eight volunteering developing member economies, including Hong Kong. The conclusion was that while significant progress had been made, more work remains to be done. Despite the collective assessment, due recognition was given to Hong Kong's tariff-free treatment for all imports, open services market, and liberal investment regime.

The Pacific Economic Co-operation Council (PECC) is a non-governmental regional forum comprising government officials, business leaders and academics. It works 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 also an observer on the Trade Committee and the Committee on Financial Markets of the Organisation for Economic Co-operation and Development (OECD), important discussion forums for policy matters in respect of trade and financial services.

### *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 March 2010, Hong Kong signed a Closer Economic Partnership Agreement with New Zealand. This is Hong Kong's first free trade agreement with a foreign economy. Hong Kong also commenced negotiations with the European Free Trade Association, consisting of the Governments of Iceland, Liechtenstein, Norway and Switzerland, on a Free Trade Agreement in 2010. The Government will continue to pursue trade agreements with other trading partners in Hong Kong's interests.

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

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 promote the liberalisation of trade in goods and services, and to facilitate trade and investment between them. The two sides concluded a number of supplements to broaden the coverage of CEPA and to deepen the liberalisation measures in different service areas. The latest of these, Supplement VII, was signed in May 2010.

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). As at end 2010, the CEPA ROOs for a cumulative total of some 1 620 products had been agreed. For trade in services, some 280 liberalisation and facilitation measures have been announced, covering a total of 44 service areas<sup>3</sup>. Under these measures, Hong Kong service suppliers enjoy preferential treatment in entering the Mainland's service

<sup>3</sup> These service areas are: accounting, advertising, air transport, audiovisual, banking, building-cleaning, computer and related services, construction and related engineering, convention and exhibition, cultural, distribution, environmental, examinations for professional and technical qualification, freight forwarding agency, individually owned stores, insurance, legal, logistics, management consulting, maritime transport, market research, medical, patent agency, photographic, placement and supply services of personnel, printing, public utility, rail transport, real estate, related scientific and technical consulting services, research and development, road transport, securities and futures, services incidental to mining, services related to management consulting, social services, specialty design, sporting, storage and warehousing, technical testing, analysis and product testing, telecommunications, tourism, trade mark agency, translation and interpretation.

industries. Some of the liberalisation and facilitation measures are for pilot implementation in Guangdong Province.

The Government will continue to help the business community tap the opportunities 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 Mainland to help ensure smooth implementation of measures under CEPA. High-level communication is also maintained through forums such as the CEPA Joint Steering Committee and the Hong Kong/Guangdong Co-operation Joint Conference. Quasi-government bodies including the Hong Kong Trade Development Council (TDC) also assist in the promotion of CEPA.

In addition, with the Mainland policy of expansion of domestic demand, the Government has been working with Mainland authorities in recent years to assist Hong Kong enterprises in tapping the Mainland market. These include conveying the trade's views on domestic sales to the Mainland authorities, and organising more business matching event and trade fairs in the Mainland provinces and cities, mainly through the TDC, with a view to enhancing the awareness over Hong Kong brand products.

### *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 with 17 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, 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 2010, the Customs and Excise Department carried out 9 089 factory and consignment inspections and concluded 158 investigations to combat illegal transshipment of textiles. The department also conducted 466 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 132 offenders, resulting in the imposition of fines amounting to \$2.03 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 2010, the Customs and Excise Department investigated 260 cases of unlicensed import and export of strategic commodities and prosecuted 62 offenders, resulting in fines amounting to \$1.65 million. Goods valued at \$24,250 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 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. One of the core standards under FoS is the introduction of an Authorized Economic Operator (AEO) Scheme.

The department launched a 12-month AEO Pilot Programme in June 2010 to test the effectiveness of the AEO accreditation mechanism. The Pilot Programme complies with the standards under the FoS, and offers two tiers of AEO to cope with the local trading environment.

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 experience on enforcement. The department has also concluded bilateral co-operative arrangements with a number of customs administrations.

### **Inward Investment Promotion**

In 2010, notwithstanding the challenges of the global economic downturn, Invest Hong Kong assisted a record 284 overseas, Mainland and Taiwan companies in setting up or expanding operations in Hong Kong<sup>4</sup>, involving direct investment of some HK\$8.1 billion and the creation of about 6 000 new jobs within the first two years of their operation/expansion<sup>5</sup>.

The department organised a range of activities in 2010 including sector-focused events that provided networking platforms for overseas companies from various industries and services. It also organised programmes for foreign communities in

<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.

Hong Kong and participated in major international and regional business forums to raise the profile of the city, identify potential leads and provide after-care services to existing companies in Hong Kong. Major events sponsored in 2010 included the Forbes Best Under a Billion Awards Dinner, the Hong Kong Rugby Sevens, Society of Publishers in Asia Awards Dinner, World SME Expo, Super Return Asia, and the Cable and Satellite Broadcasting Association of Asia Convention.

In 2010, 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 six Mainland provinces and cities, Zhuhai, Fujian, Zhongshan, Shenzhen, Guangzhou and Guangdong, and held events in key overseas cities, including Boston, Philadelphia, Zurich, Venice, Tel Aviv, Munich, Dusseldorf and New Delhi. An integrated marketing campaign to promote Hong Kong as China's global financial services centre was launched in London, to be followed by campaigns in other leading financial centres in 2011 and beyond. The department also tapped into the outward investment potential of the Mainland through a series of promotional programmes, including the investment promotion seminars and workshops under the nationwide 'On Your Marks, Get-set, Go' marketing campaign held in Guangdong and Liaoning provinces. The department completed 52 projects related to Mainland investments in Hong Kong in 2010, 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 296 000 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.

The application period of the Special Loan Guarantee Scheme, which was launched in late 2008 in response to the global financial crisis, closed at the end of 2010. The scheme, which was well received by the trade, was very successful, helping more than 20 000 enterprises tide over the cashflow problem during the financial crisis and preserve more than 340 000 jobs. Nearly 40 000 applications were approved, involving a total loan amount of about \$97 billion.

### **Promotion of Innovation and Technology**

Innovation and technology development is a key driver of economic growth. The Government sees this industry as one in which Hong Kong enjoys clear advantage. A series of new measures have been introduced since June 2009 to further support the growth of industries in this sector. Over the years, the Government has been providing hardware and software support to foster innovation and technology development and will continue to create greater synergies among the major stakeholders in the academia, research and industrial sectors.

### *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 is part of the Commerce and Economic Development Bureau (CEDB). It 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.

### *Innovation and Technology Fund*

A \$5 billion Innovation and Technology Fund (ITF) was established in 1999 to support projects that help upgrade technology and promote innovation in the manufacturing and service industries. By the end of 2010, the fund had provided \$5.7 billion to support more than 2 250 projects undertaken by research institutes and the industry.

In January 2009, the ITF internship programme was expanded to provide more opportunities for local graduates to participate in R&D work. Under the programme, additional financial support is provided to ITF projects that employ up to two interns for an internship lasting up to 24 months. More than 300 internships were provided in 2010.

Another ITF scheme, Small Entrepreneur Research Assistance Programme, provides matching grants of up to \$4 million per project to help small start-up companies to carry out R&D in turning innovative technological ideas into commercially viable products, processes or services. By year-end, \$363 million had been provided to assist 334 such projects.

### *Research and Development Cash Rebate Scheme*

The Government launched an 'R&D Cash Rebate Scheme' on April 1, 2010 to encourage enterprises to invest more in R&D. Under the \$200 million scheme, the Government provides a 10 per cent cash rebate on the R&D investments by companies conducting applied R&D projects under the ITF or in collaboration with designated research institutions. By the end of 2010, the scheme had approved over 150 applications for rebates amounting to about \$4.5 million.

### *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 to carry out research and development projects to help raise the standard of Hong Kong's technology-based industries and to strengthen their growth. The ASTRI houses the R&D Centre for Information and Communications Technologies which focuses on matters relating to five technology industries: communications technologies, consumer electronics, integrated circuit design, opto-electronics, and bio-medical electronics.

### *Research and Development Centres*

The Government has set up centres for co-ordinating applied R&D and assisting the transfer of technology for the following industries:

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

These centres work closely with the respective industries and government departments in drawing up R&D plans and in facilitating the commercialisation of R&D products.

### *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 Mainland's Ministry of Science and Technology and Hong Kong's Commerce and Economic Development Bureau to work together in formulating and co-ordinating technology exchanges.

The committee held its fifth meeting in October 2010, and among other things, agreed to explore further trade facilitation measures through the latest provisions to the Closer Economic Partnership Arrangement (CEPA) between Hong Kong and the Mainland. The meeting also agreed to encourage more Hong Kong researchers and institutes to participate in the Mainland's science and technology programmes.

The Hong Kong and Guangdong governments run jointly a Guangdong-Hong Kong Technology Co-operation Funding Scheme (TCFS) to encourage collaboration between their universities, research institutions and technology enterprises. Since its inception in 2004, the TCFS has supported 30 projects costing about \$200 million. The two sides also signed an accord in 2010 called the 'Agreement on Joint Promotion of Hong Kong/Guangdong Industry-Academia-Research Co-operation' to foster co-ordination of technological resources and complementary strengths to speed up commercialisation of R&D achievements and enhance industrial competitiveness.

The 'Shenzhen-Hong Kong Innovation Circle' was an initiative set up by the Hong Kong and Shenzhen Governments in May 2007 to promote communication, exchange and collaboration in innovation and technology between the two sides. The three-year action plan (2009-2011) involved 24 co-operation projects and received extensive support from the R&D sectors of both places. There was satisfactory progress in the launch and operation of these projects, creating an Innovation Circle modelling effect.

### *Publicity and Promotional Events*

The Innovation and Technology Commission held a massive publicity event called InnoTech Month in 2010 (ITM 2010) which featured a wide range of activities to foster

a stronger innovation and technology culture in Hong Kong and develop a bigger platform for the industry to exchange information and knowledge on innovation and technological development. The activities included roadshow, exhibitions, seminars, workshops, a large-scale carnival and conferences. ITC also collaborated with non-profit-making organisations and government departments in organising science competitions to strengthen school children's interest in innovation and technology.

## Protection of Intellectual Property Rights

Hong Kong maintains 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 reputation for effective protection of intellectual property.

### Registration

The Intellectual Property Department is committed to providing high-quality and responsive registration services to the public. The 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 (<https://iponline.ipd.gov.hk>).

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

The electronic services, particularly electronic filing, have been well received. In 2010, over 50 per cent of trade marks, patents and designs applications respectively were filed electronically.

### Trade Marks

In 2010, the Trade Marks Registry received 28 872 applications. During the period, 23 043 marks were registered, an increase of 2 per cent as compared with 2009. Out of the total of 92 countries/areas filing applications, the principal places were:

Hong Kong, China	10 902	Switzerland	658
Mainland of China	5 332	Taiwan, province of China	638
US	3 070	United Kingdom	582
Japan	2 349	Germany	563
France	662	British Virgin Islands	460

The register had a total of 255 262 marks by the end of the year.

### *Patents*

The Patents Ordinance provides for the grant of standard patents based on patents granted by 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 2010, the Patents Registry received 11 702 standard patent applications and 5 353 were granted. There were also 614 short-term patent applications and 522 were granted.

### *Registered Designs*

In 2010, the Designs Registry received 2 525 applications for the registration of 4 245 designs. During the year, 3 896 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.

The copying and distribution offence came into force on July 16, 2010. This offence seeks to tackle business end-user piracy involving frequent or regular making or distribution of infringing copies of printed publications (i.e. books, magazines, newspapers and periodicals) on a large scale in the course of trade or business, causing a financial loss to the copyright owners. Separately, the Government was drawing up legislative provisions to be introduced into the Legislative Council in 2011 for strengthening copyright protection in the digital environment.

### *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 2010, the department acted on 610 piracy cases, arrested 532 people and seized goods worth \$26 million. The goods seized were largely pirated optical discs. In 2010, the department adopted a preventive strategy to tackle on-street sale of pirate and counterfeit goods. In addition to targeted raids, officers are deployed to carry out intensive and high profile patrol in high risk areas to deter the peddling of pirated and counterfeit goods. The new strategy has resulted in a significant reduction in such activities. In 2010, the department acted on 739 false trade mark cases. Counterfeit goods worth \$119 million were seized and 667 people were arrested.



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

### *Customs-Business Partnership*

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 continues to conduct programmes in schools to promote respect for intellectual property rights. In 2010, the school visits programme covered 91 schools and 24 116 students. The department also launched an Interactive Drama Programme on 'Anti-Internet Piracy' in primary and secondary schools.

Following the passage of the Copyright (Amendment) Ordinance 2009 concerning the copying and distribution offence in relation to making or handling infringing copies of newspapers, books and periodicals in the course of business, the Intellectual Property Department launched a series of publicity activities to enhance business organisations' awareness and understanding of the new provisions and help organisations guard against business end-user piracy.

The department also ran the second phase of the Intellectual Capital Management (ICM) Consultancy Programme from March 2010 to March 2011 providing a free service to local organisations — especially SMEs. The consultancy service helps organisations apply ICM tools to maximise their business potential. Up to December 2010, 580 organisations had taken part in the programme.

### *Co-operation with Mainland Counterparts*

The Intellectual Property Department worked closely with its relevant Mainland counterparts at the national level, as well as authorities in the Pan-Pearl River Delta region and Guangdong Province to promote the protection and management of intellectual property rights. Activities in 2010 included the Mainland, Hong Kong SAR and Macao SAR Intellectual Property Symposium, a seminar for SMEs, joint conferences and exchange programmes.

The Customs and Excise Department maintains close 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 conducted regular joint operations to intercept infringing goods smuggled across the boundaries.

The department entered into a co-operative arrangement with the National Copyright Administration in March 2010 to strengthen co-operation by providing mutual administrative assistance in the fight against internet piracy with a view to better protecting the interests of the intellectual property right owners.

### *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 World Intellectual Property Organisation. The department also represented Hong Kong, China at other international and regional intellectual property symposiums and conferences, including the 30th and 31st meeting of the APEC Intellectual Property Experts Group held in Japan.

The 2010 International Law Enforcement Intellectual Property Crime Conference was held in Hong Kong in October 2010 to promote global participation and cross-agency participation in the protection of intellectual property rights and to combat transnational organised intellectual property crime. This is the first such conference jointly hosted by the Hong Kong Customs and INTERPOL.

### **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 road shows and exhibitions). Of the 229 projects that received funding under the scheme up to the end of 2010, about 38 per cent were related to enhancing the competitiveness of local professional services 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 initiated to make Government regulations and procedures more business-friendly and 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 implementation details of new regulations.

In February 2007, the Government launched a programme entitled 'Be the Smart Regulator' to improve further Hong Kong's business licensing processes and business environment. The aim is to enhance the efficiency, transparency and customer-friendliness of licensing services provided by Government bureaux and

departments and to reduce compliance cost to business. Around 30 Government bureaux and departments providing licensing services to various business sectors participate in the programme.

Business Liaison Groups established for major business sectors facilitate communication between the Government bureaux and departments and the trades regarding regulatory and licensing issues. A business consultation e-platform ([www.gov.hk/en/theme/bf/consultation/calendar.htm](http://www.gov.hk/en/theme/bf/consultation/calendar.htm)) set up under the GovHK portal facilitates business sectors' access to consultation information relating to proposed regulations, administrative measures and procedures that would impact business, and enables them to offer their feedback. The Government has made good progress 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 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 required mainly to fulfill HKSAR's international obligations; to protect public health, safety, the 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 external markets.

### *Road Cargo System*

The Road Cargo System (ROCARS) is an electronic platform developed to facilitate customs clearance of road cargoes. ROCARS was launched in May 2010, with a transitional period of 18 months. With effect from November 17, 2011, ROCARS submissions will become mandatory. All cross-boundary trucks using the system, except those selected for inspection, now enjoy seamless customs clearance at the land boundary.

### *Intermodal Transshipment Facilitation Scheme*

An Intermodal Transshipment Facilitation Scheme (ITFS) was launched in November 2010 to simplify customs clearance procedures for air-land and sea-land intermodal transshipment cargo. Under ITFS, for traders using ROCARS and certain tracking devices prescribed by the Customs and Excise Department, such cargo will normally be inspected only once by Customs when passing through Hong Kong.

### *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 2010, the transaction volume was about 22 million. Three service providers were appointed by the Government with effect 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 implemented to reduce traders' data input efforts. These include harmonisation of the data format of import and export declarations as well as the document for ROCARS, 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 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, to develop business opportunities and trade contacts; and to acquire market knowledge and competitive skills.

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, 10 of which are the largest of their kind in Asia, while three are the largest of their kind in the world. These events attracted more than 32 200 exhibitors and more than 660 000 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. The 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 2010, providing timely market intelligence on Hong Kong, the Mainland and international markets. The TDC's online marketplace ([www.hktdc.com](http://www.hktdc.com)) featured more than one million registered buyers and more than 120 000 quality suppliers from Hong Kong, the Mainland and beyond. It also provided 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 the payment of all moneys due by the ECIC. It is required to operate in accordance with the requirements laid down in the Hong Kong Export Credit Insurance Corporation Ordinance and to pursue a policy directed towards securing revenue sufficient to meet all expenditure properly chargeable to its revenue account. The statutory maximum liability of the ECIC currently stands at \$30 billion.

The ECIC's total insured business in 2010 amounted to \$79.2 billion, an increase of 34.9 per cent over 2009. Gross premium income grew by 26.7 per cent to \$277.8 million. Cash claims payments decreased by 54.9 per cent to \$69.2 million.

In consideration of economic conditions, trading environment and the need of exporters, the ECIC extended the free credit assessment service of three buyers and waiver of annual policy fee to September and December 2010 respectively. It continued to strengthen its support for the exporting community by enhancing exporters' understanding of the essence of credit management. Its insurance cover is useful collateral in facilitating exporters in obtaining trade finance.

### *The Hong Kong Science and Technology Parks Corporation*

The Hong Kong Science and Technology Parks Corporation provides one-stop infrastructural support services to technology-based companies. It helps nurture start-ups through incubation programmes, provides facilities and services at the Science Park for applied research and development, and creates and sustains a design cluster in the InnoCentre, as well as offers land and premises in industrial estates for the companies there to provide their goods and services.

The 22-hectare Science Park is in Sha Tin. Phases 1 and 2 are completed and together are close to 90 per cent occupied. The construction work of Phase 3 is expected to be fully completed by 2016. Together the three phases provide 330 000 square metres of gross floor space for local and overseas companies to carry out research and development in electronics, information technology and telecommunications, biotechnology, precision engineering and environmental clean technology. The corporation operates three industrial estates in Tai Po, Yuen Long and Tseung Kwan O which occupy 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 have upgraded Hong Kong's technological standard, and their role may be changed to meet the future demands of Hong Kong's restructured economy.

The corporation runs incubation programmes for technology and design start-up companies. It provides these companies with low-cost accommodation, as well as marketing, financial and technical assistance in their critical initial years of operation. Over the years, the number of programme members filing patents, trademarks and

registered designs, and winning local and international technical and managerial awards, has increased steadily.

### *Hong Kong Productivity Council*

The Hong Kong Productivity Council promotes productivity excellence among Hong Kong enterprises by 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 technologies, information technologies, environmental technologies and management systems. The council helps Hong Kong manufacturers move up the value ladder by channelling resources towards the provision of higher technology and better manufacturing processes. The council continues to be a strong promoter of 'green' manufacturing and continually introduces new technology to assist manufacturers in fulfilling the stringent environmental requirements of Hong Kong, the Mainland and other countries. In addition, the council continues to forge close 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 Support 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.

## **Development of Testing and Certification Industry**

The testing and certification industry is one of the six industries in Hong Kong's economic realm which enjoys clear advantages, and the Government is committed fully to strengthening it. The Hong Kong Council for Testing and Certification (HKCTC) was established in September 2009 to advise the Government on the overall development strategy of this industry and has introduced a series of new measures to support its growth.

HKCTC comprises members from the testing and certification industry, the business sector and professional organisations as well as relevant public bodies and government departments.

In March 2010, the HKCTC submitted to the Government a three-year market-oriented development plan for the industry, calling on the administration to — make general improvements to the accreditation service and factors of production (i.e. manpower, technology, capital and land) of the industry, while focusing attention on

four selected trades with good potential in using testing and certification services. The four trades are Chinese medicine, construction materials, food and jewellery. The Government has accepted the HKCTC recommendations and has been working closely with it to implement them.

The Mainland has allowed qualified Hong Kong testing laboratories to test four types of Hong Kong-processed products for the China Compulsory Certification (CCC) System on a pilot basis. The four types of products are toys, circuit installations, information technology equipment and lighting devices.

The Government also supports the development of the testing and certification industry through the accreditation service provided by the Hong Kong Accreditation Service (HKAS) of ITC. HKAS 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.

Hong Kong's testing and certification industry is well known for its professionalism, integrity and knowledge of the international market. The enormous socio-economic growth in the Mainland offers huge expansion potential for this sector.

### *Standards and Calibration Services*

ITC's services in the areas of metrology and documentary standards provide the technical foundation for Hong Kong's standards and calibration infrastructure.

The Standards and Calibration Laboratory (SCL) 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 by all the participating national metrology institutes.

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. It also organises seminars to promote the benefits of standardisation. The bureau represents the HKSAR in regional and international standardisation bodies and encourages local experts to take part in international standardisation activities, participation in the International Organisation for Standardisation for the development of international standards. 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.

## **Human Resources, Technical Education and Industrial Training**

Success in the knowledge-based economy of the 21st century depends heavily on availability of talent and skilled manpower at all levels. High level education and training are provided by tertiary education institutions. The Vocational Training Council is a statutory body established in 1982 to provide a comprehensive system of vocational education and training for school leavers and adult learners. It also administers a new technology training scheme which provides financial help to employers to train their staff to use new technologies. The Clothing Industry Training Authority runs two training centres for the clothing and footwear industries.

The Government oversees a plan called 'Admission Scheme for Mainland Talent and Professionals' implemented to attract talented people and professionals from the Mainland to work in Hong Kong to meet the city's manpower needs and to enhance its 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, 42 product tests, 24 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, 29 048 consumer complaints and 117 071 consumer enquiries were received.

The council also monitors trade practices and competition-related issues that may have implications for consumer rights. During the year, it conducted various studies on topics including the provision of market information to prospective purchasers of first-hand private residential properties. It also provided views to the Government on subjects such as healthcare reform, prohibition of unfair trade practices and enacting a competition law.



In 2010, the council organised awards ceremonies for the media and the public and, in co-operation with the Education Bureau, a consumer culture study award to encourage secondary 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 'Shopsmart' 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 measure is accurate, and to guard against false trade descriptions and mis-statements in respect of goods. In 2010, the department carried out 9 542 spot checks and concluded 2 405 investigations.

The department launched various publicity activities to raise the awareness of the general public and tourists about consumer rights. It also set up quick response teams to deal with complaints received from short haul visitors.

The Toys and Children's Products Safety (Amendment) Ordinance 2010 and the Toys and Children's Products Safety Ordinance (Amendment of Schedule 2) Notice 2010 came into operation on April 1, 2010 and December 1, 2010 respectively, with the aim of adopting updated safety standards. The Customs and Excise Department has stepped up promotional efforts for the trade to promote their awareness of product safety and of their legal obligations in complying with the new legislation.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of consumer protection legislation. In 2010, the laboratory carried out 36 856 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' weighing and measuring equipment in support of the enforcement of the Weights and Measures Ordinance. During the year, the laboratory carried out 6 313 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*

The Government is committed to tackling unfair trade practices with a view to protecting consumer interests and ensuring a level playing field for business. In this regard, it conducted a public consultation on relevant legislative proposals between July and October 2010.

The Government proposed to amend the Trade Descriptions Ordinance to prohibit commonly seen unfair trade practices including false trade descriptions of services, misleading omissions, aggressive practices, bait-and-switch, and accepting payment without the intention or ability to supply. The Government also proposed establishing a civil compliance-based mechanism and introducing mandatory cooling-off arrangements for contracts involving goods or services with a duration of not less than six months.

Overall, the proposals received community support. The Government is working on the drafting of legislative amendments. Towards the end of 2010, the Government conducted a public consultation on proposals aimed at eradicating pyramid schemes. The majority of respondents supported the legislative proposals, including proposals to tighten the definition of 'pyramid scheme' in the Pyramid Selling Prohibition Ordinance, extend the regulatory coverage of the ordinance and increase penalties. The Government is preparing legislative amendments.

### **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 2010, a total of 20 097 licences and certificates were issued and 116 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)