

Chapter 5

Commerce and Industry

Hong Kong has all the essentials that help business to flourish: low tax rates, first-class infrastructure, an effective legal system, and the 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 2011, Hong Kong's external trade slackened to a relatively modest growth after the strong rebound in 2010. Total merchandise trade increased by 11 per cent

to \$7,101.8 billion in 2011 compared with 2010. Domestic exports decreased by 5.5 per cent to \$65.7 billion whereas that of re-exports increased by 10.5 per cent to \$3,271.6 billion compared with the previous year. Imports increased by 11.9 per cent to \$3,764.6 billion. A summary of external merchandise trade statistics is at Table 13 of Appendix 6.

Hong Kong's biggest trading partner in 2011 was the Mainland, followed by the United States (US) and Japan. In 2011, Hong Kong was the world's 10th largest trading entity in terms of value of merchandise trade.

Imports

Electrical machinery, apparatus and appliances, and electrical parts thereof constituted the largest share of total imports in 2011 at \$1,013.4 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$527.2 billion) and office machines and automatic data processing machines (\$356.6 billion).

In 2011, the Mainland, Japan and Singapore were Hong Kong's major suppliers, accounting for 45.1 per cent, 8.5 per cent and 6.8 per cent respectively of the total value of imports.

Domestic Exports

Jewellery, goldsmiths' and silversmiths' wares, and other articles of precious or semi-precious materials formed the largest component of domestic exports, valued at \$8.5 billion or 13 per cent of the total value of domestic exports in 2011. Other major export items included plastics in primary forms; metalliferous ores and metal scraps; and non-ferrous metals.

The Mainland, the US and Taiwan were Hong Kong's largest markets during the year, absorbing 46.8 per cent, 10.9 per cent and 4.6 per cent respectively of the total value of domestic exports.

Re-exports

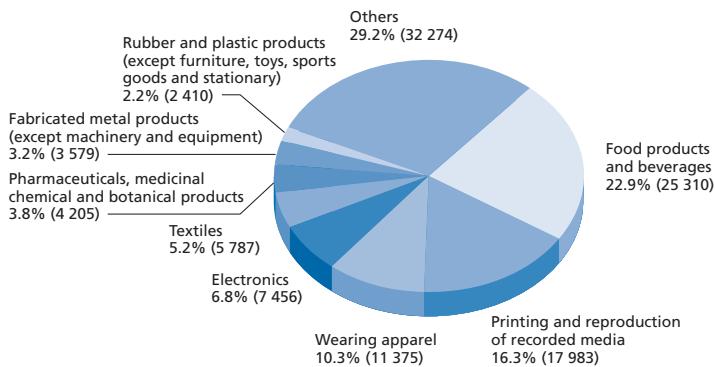
In 2011, electrical machinery, apparatus and appliances, and electrical parts thereof worth \$896.1 billion were the principal commodities re-exported (27.4 per cent of the total value of re-exports). This was followed by re-exports of telecommunications and sound recording and reproducing apparatus and equipment, which amounted to \$559.5 billion (17.1 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 115 000 people (3.2 per cent of overall employment) in 2011.

Manufacturers of food products and beverages were the largest employers in the manufacturing sector as at December 2011, 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 2011.

Chart 1 **Number of Persons Employed by the Manufacturing Sector as at December 2011**



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 88 per cent in 2001 to 92.9 per cent in 2010. In 2011, 88.5 per cent of total employment was in this sector. Hong Kong has become one of the most service-orientated economies in the world.

In 2011, Hong Kong's total services trade amounted to \$1,376.1 billion, making it the world's 14th largest trading entity in terms of value of this trade. In 2011, Hong Kong exported \$941.3 billion worth of services, contributing to 49.7 per cent of GDP. In 2011, Hong Kong ranked fifth after China, India, Japan and Singapore in the region in terms of total value of exports of services. In the global league table, 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 29.2, 27 and 22.5 per cent respectively of the total value in 2011. The corresponding share for exports of financial services was 12.6 per cent, and that for exports of insurance and other services was 8.7 per cent. Hong Kong is a net exporter of services in overall terms with an overall surplus of \$506.4 billion in 2011. Analysed by components of services trade, merchanting and other trade-related services recorded the largest surplus in 2011, at \$237.7 billion, followed by transportation services (\$130.2 billion), financial services (\$88 billion) and travel services (\$62.5 billion).

Inward Direct Investment

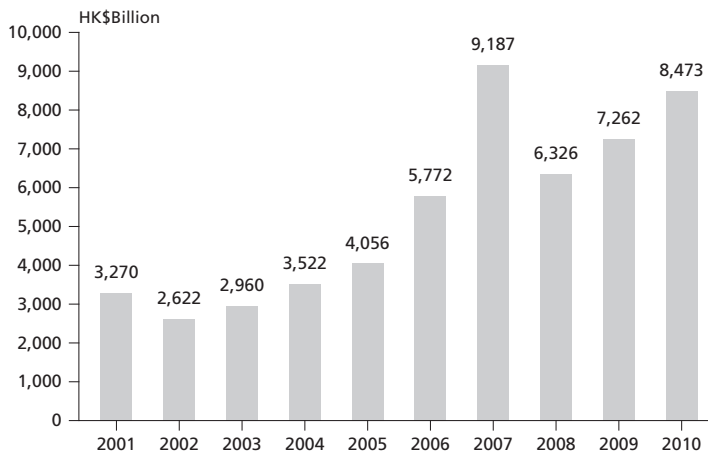
Hong Kong's attraction as a place to do business is evident from the inflow of foreign direct investment (FDI) and the number of regional headquarters and regional offices in Hong Kong set up by companies outside Hong Kong.

Census and Statistics Department data show that Hong Kong's FDI inflow in 2010 amounted to US\$71.1 billion. According to the 'World Investment Report 2011' released by the United Nations Conference on Trade and Development, Hong Kong was the second largest recipient of FDI in Asia in 2010.

At the end of 2010, the position of inward direct investment at market value amounted to \$8,473.2 billion (*Chart 2*). *Chart 3* shows source countries or territories of the inward direct investment. The Mainland was the largest, accounting for 36.9 per cent of the total position as at end-2010. *Chart 4* shows the major economic activities of enterprise groups in Hong Kong¹. Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 66.5 per cent of the total position at end-2010.

Chart 2

Position of Inward Direct Investment in Hong Kong at Market Value at end of 2001-2010



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

Chart 3

Position of Inward Direct Investment in Hong Kong at Market Value by Major Investor Country/Territory at end-2010

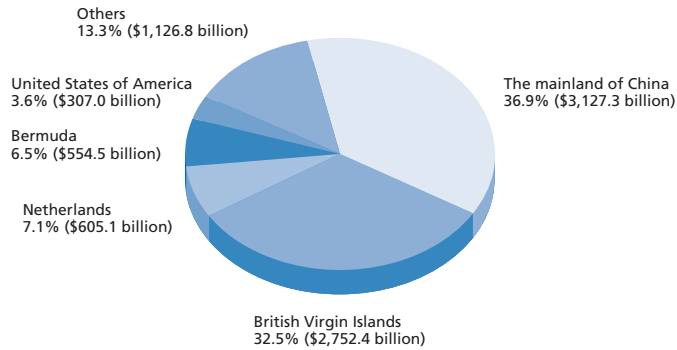
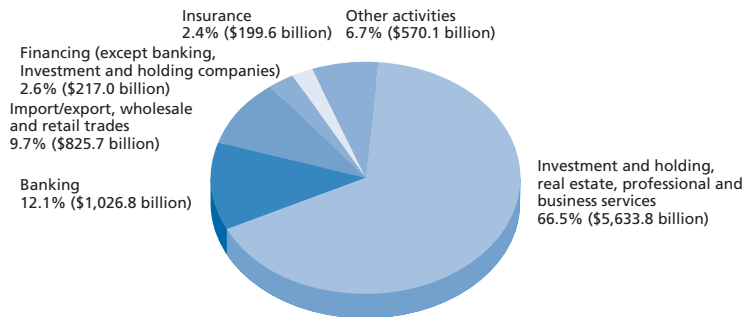


Chart 4

Position of Inward Direct Investment in Hong Kong at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2010



Hong Kong was host to 6 948 overseas, Mainland and Taiwan companies representing parent companies located outside Hong Kong, as at June 1, 2011. Of these companies, 3 752 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 or global 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 co-ordinating 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 12 Hong Kong ETOs and the Beijing Office, as well as its overseas consultants in 14 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, pharmaceutical products and

medicines, 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 operates the trade marks, patents, designs and copyright licensing bodies registries, 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 regularly 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 and promotes bilateral relations 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, while 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 10 member states of ASEAN.

For details of the promotional activities organised by the overseas Hong Kong ETOs, please refer to Chapter 17 (Communications, the Media and Information Technology: section on Promoting Hong Kong Worldwide).

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 2011, the Chief Executive represented Hong Kong at the 19th APEC Economic Leaders' Meeting held in Honolulu, the United States. The meeting was preceded by the 23rd APEC Ministerial Meeting, where Hong Kong was represented by the Secretary for Commerce and Economic Development. In 2011, some 82 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 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. Hong Kong signed the Hong Kong-New Zealand Closer Economic Partnership Agreement, the first free trade agreement with a foreign economy. The Agreement has come into force since January 2011. In June 2011, Hong Kong signed another free trade agreement with the Members States of the European Free Trade Association (EFTA) (namely, Iceland, Liechtenstein, Norway and Switzerland), the first one with the European economies. Following several exploratory talks with Chile, Hong Kong will commence negotiation with Chile on a free trade agreement in early 2012. 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 VIII, was signed in December 2011.

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 the end of 2011, the CEPA ROOs for a cumulative total of some 1 730 products had been agreed. For trade in services, 301 liberalisation and facilitation measures have

been announced, covering a total of 47 service areas². 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.

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 (HKTDC) 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 HKTDC, 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. The Government will continue to explore opportunities to sign relevant agreements with other 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.

² 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, inter-disciplinary research and experimental development services, legal, library, museum and other cultural services, 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 manufacturing, 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.

In 2011, the Customs and Excise Department carried out 6 106 factory and consignment inspections and concluded 90 investigations to combat illegal transshipment of textiles. The department also conducted 433 'blitz' check operations on textile consignments at various import and export control points. It successfully prosecuted 51 offenders, resulting in the imposition of fines amounting to \$0.95 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 2011, the Customs and Excise Department investigated 267 cases of unlicensed import and export of strategic commodities and prosecuted 38 offenders, resulting in fines amounting to \$1.1 million. Goods valued at \$0.24 million 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 RILO A/P 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 the FoS is the introduction of an Authorised Economic Operator (AEO) Scheme.

The department launched its AEO Pilot Programme in June 2010. This pilot programme complies with the FoS, and its accreditation mechanism is found to be effective and fits local trading environment. The department is taking progressive steps for the formal launch of its AEO Programme.

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 2011, notwithstanding the challenges of the global economic downturn, Invest Hong Kong assisted a record 303 overseas, Mainland and Taiwan companies in setting up or expanding operations in Hong Kong³, involving direct investment of some HK\$5 billion and the creation of about over 2 700 new jobs within the first year of their operation/expansion⁴.

The department organised a range of activities in 2011 including sector-focused events that provided networking platforms for overseas, Mainland and Taiwanese 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 after-care services to existing companies in Hong Kong. Some of the major events sponsored in 2011 included the Asian Financial Forum, Hong Kong Rugby Sevens, Society of Publishers in Asia Awards Dinner, ArtHK, 'Think Asia Think Hong Kong' promotion in London, Winefuture, World SME Expo, Super Return Asia, and the Cable and Satellite Broadcasting Association of Asia Convention.

In 2011, 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 five Mainland provinces and cities in the Pearl River Delta Region including Guangdong Province, Shenzhen, Guangzhou, Zhuhai and Macao, and held events in key overseas cities, including Warsaw, Munich, Taipei, Bogota and Sao Paulo.

The integrated marketing campaign to promote Hong Kong as China's Global Financial Services Centre continued in 2011, with campaigns held in leading financial centres including New York, Edinburgh, Zurich, Geneva and Luxembourg. The department also tapped into the outward investment potential of the Mainland through a series of promotional programmes, including investment promotion seminars and sector-focused workshops in high-growth Mainland cities, like Tianjin, Suzhou, Qingdao, Guangzhou, Changsha and Xiamen. The department completed 56 projects related to Mainland investments in Hong Kong in 2011, 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 303 000 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

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

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

overall competitiveness. To provide continued support to SMEs, approval was obtained from the Finance Committee of the Legislative Council in July 2011 to substantially increase the total loan guarantee commitment for the SME Loan Guarantee Scheme from the then \$20 billion to \$30 billion, and to inject an additional \$1 billion into the Export Marketing Fund and Development Fund for SMEs, increasing the Funds from \$2.75 billion to \$3.75 billion.

Promotion of Innovation and Technology

Innovation and technology development is a key driver of economic growth. The Government is determined to facilitate the growth of this industry which Hong Kong enjoys clear advantages. Over the years, the Government had been providing both hardware and software support to foster innovation and technology development and to create synergies among the government, 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 applied R&D projects that help upgrade technology and promote innovation in the manufacturing and service industries. By the end of 2011, the fund had provided \$6.3 billion to support more than 2 680 projects undertaken by research institutions and the industry.

The Small Entrepreneur Research Assistance Programme under the 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 or services. By the end of 2011, \$388 million had been provided to assist 353 such projects.

Research and Development Cash Rebate Scheme

The Government launched an 'R&D Cash Rebate Scheme' on April 1, 2010 to reinforce the research culture among enterprises and to encourage them to establish stronger partnership with local research institutions. Under the \$200 million scheme, the Government provides a 10 per cent cash rebate to companies conducting applied R&D projects under the ITF, or in collaboration with designated research institutions. By the end of 2011, the scheme had approved over 340 applications for rebate amounting to about \$10.5 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 for carrying out R&D projects to 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 five technology sectors: communications technologies, consumer electronics, integrated circuit design, opto-electronics, and bio-medical electronics.

Research and Development Centres

The Government has set up five R&D Centres to drive and co-ordinate applied R&D in selected focus areas and to promote commercialisation of R&D results and technology transfer. The five centres are:

- Automotive Parts and Accessory Systems R&D Centre;
- R&D Centre for Information and Communications Technologies under ASTRI;
- Hong Kong Research Institute of Textiles and Apparel;
- Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies; and
- Nano and Advanced Materials Institute.

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 fostering technology collaboration.

The committee held its sixth meeting in August 2011. The two sides agreed to reinforce collaboration under the National 12th Five-Year Plan, which include following up on the initiatives for setting up a 'National High-tech Industrialisation Base' and a 'Chinese National Engineering Research Centre' in Hong Kong. With regard to the former, the Ministry of Science and Technology approved the Hong Kong Science Park as the National High-tech Industrialisation Base (Partner Base) for Green Technology in November 2011.

To support the 'Partner State Key Laboratories' in Hong Kong to strengthen their research capability, the ITF will provide funding support up to \$10 million to each Partner State Key Laboratory during the period 2011-12 to 2015-16.

The HKSAR 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 more than 30 projects costing over \$200 million. The 8th meeting of the Guangdong/Hong Kong Expert Group on Co-operation in Innovation and Technology was held in Guangzhou. The meeting agreed to further enhance science and technology collaboration between Hong

Kong and Guangdong under the 'Framework Agreement on Hong Kong/Guangdong Co-operation'.

The 'Shenzhen-Hong Kong Innovation Circle' was an initiative set up by the Hong Kong and Shenzhen governments in May 2007 to promote exchange and collaboration in innovation and technology between the two sides. The three-year action plan (2009-2011) involved 24 co-operation projects which were implemented satisfactorily. The 'Shenzhen-Hong Kong Innovation Circle' has enabled both sides to pull together their technological strengths and to create greater synergies.

Publicity and Promotional Events

The ITC held a massive publicity event called InnoTech Month in 2011 which featured a wide range of activities to foster a stronger innovation and technology culture in Hong Kong. The activities included roadshows, exhibitions, seminars, workshops, a large-scale carnival and conferences. The ITC also collaborated with non-profit-making organisations and government departments in organising science competitions to strengthen students' interest in innovation and technology. The Innovation and Technology Scholarship Award Scheme was also first organised in 2011 to provide recognition to outstanding science undergraduates in local universities and to encourage them to pursue innovation and technology as a lifelong career.

Protection of Intellectual Property Rights

Hong Kong maintains a robust regime for protecting intellectual property rights. With its comprehensive legislation, convenient registration systems, 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>).

By using the department's interactive services, owners of intellectual property rights or their agents can directly make changes to certain particulars of their registrations and applications recorded in the registers. These changes are updated instantly in the various registry records.

The electronic services, particularly electronic filing, have been well received. In 2011, over 50 per cent of trade marks, patents and designs applications respectively were filed electronically.

Trade Marks

In 2011, the Trade Marks Registry received 32 559 applications. During the period, 24 122 marks were registered, an increase of 4.7 per cent as compared with 2010. Out of the total of 107 countries/areas filing applications, the principal places were:

Hong Kong, China	11 703	United Kingdom	710
Mainland of China	6 728	Switzerland	657
US	3 497	Taiwan, province of China	649
Japan	2 541	Germany	621
France	829	British Virgin Islands	529

The register had a total of 276 139 registered 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 2011, the Patents Registry received 13 493 standard patent applications and 615 short-term patent applications. During the year, 5 050 standard patents and 517 short-term patents were granted.

Registered Designs

In 2011, the Designs Registry received 2 353 applications for the registration of 4 839 designs. During the year, 4 478 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 Copyright (Amendment) Bill 2011 was introduced into the Legislative Council in June. The bill mainly seeks to strengthen copyright protection in the digital environment. The main legislative proposals include introducing a right of communication covering all modes of electronic transmission for copyright works, establishing a statutory safe harbour for online service providers, introducing a copyright exception for temporary reproduction of copyright works by online service providers, introducing a copyright exception for copying sound recordings for private and domestic use, and prescribing additional factors to assist the court in determining the award of additional damages in civil proceedings.

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 actions 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 2011, the department acted on 322 piracy cases, arrested 435 people and seized goods worth \$32 million. The goods seized were largely pirated optical discs. In 2011, 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 2011, the department acted on 458 false trade mark cases. Counterfeit goods worth \$146 million were seized and 430 people were arrested.

To tackle the rising trend of Internet infringement, the department joined hands with the University of Hong Kong and developed the Lineament Monitoring System II which operates automatically in monitoring suspected infringing activities at Internet auction sites, thereby enhancing the effectiveness of law enforcement.

To support the further development of wine trading and distribution businesses in Hong Kong, the department has set up a dedicated enforcement team since 2008 to combat possible wine-related counterfeiting activities, and formed an alliance with the industry to enhance collaboration and keep market activities under close monitoring. In May 2011, the alliance set up an expert group to help strengthen Customs' capacity in combating counterfeit wine.

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 and various associations representing copyright and trade mark owners.

Public Education

The Intellectual Property Department continued its territory-wide campaigns such as the 'No Fakes Pledge' Scheme and 'I Pledge' Campaign. In 2011, nine trade associations with 708 retail merchants, covering over 5 650 outlets in Hong Kong, took part in the scheme.

The department conducted programmes in schools to promote respect for intellectual property rights. In 2011, the school visit programme covered 67 schools and 20 285 students. The department also launched an Interactive Drama Programme on 'Anti-Internet Piracy' in primary and secondary schools. A new IP Teen City website ('Kids Zone' and 'Youth Zone') was launched in July 2011 with an aim of promoting awareness and respect of intellectual property among the younger generation.

The department launched the second phase of the Intellectual Capital Management (ICM) Consultancy Programme starting from March 2010 which

deployed ICM consultants to provide free consultancy service to local SMEs. A total of 620 organisations joined the programme which was completed in March 2011.

The department launched the Chinese version of a free online intellectual property audit tool 'Intellectual Property Explorer' in May 2011. Developed by the government intellectual property offices of Hong Kong, Australia and Singapore under the auspices of the APEC, Intellectual Property Explorer was designed to help the business sector, in particular SMEs, to identify and protect their intellectual property assets. The English version was launched in August 2010.

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. In collaboration with the State Intellectual Property Office (SIPO) and the Macao Economic Services, the department organised the 'Mainland, Hong Kong SAR and Macao SAR Intellectual Property Symposium 2011' with intellectual property trading as one of the themes.

The department signed the first co-operation agreement with SIPO in November 2011 to strengthen co-operation in the area of intellectual property. The department also signed the 'Agreement on Guangdong/Hong Kong Co-operation on Intellectual Property (2011-12)' with the Guangdong Intellectual Property Office in August 2011 with a view to strengthening and actively promoting the co-operation and development of intellectual property in Guangdong and Hong Kong.

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 32nd and 33rd meeting of the APEC Intellectual Property Experts Group held in the United States.

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 251 projects that received funding under the scheme up to the end of 2011, about 37 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 Advisory Committee (BFAC) was set up in January 2006 to advise the Government on the development and implementation of business facilitation measures. 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 and industry experts provide their input through participation in the sector-specific task forces.

Advised by the BFAC and its task forces, the Government has been conducting regulatory reviews to make the existing regulatory regimes more business-friendly and reduce compliance costs to business while safeguarding the public interest. The BFAC and its task forces also serve as an effective platform for the Government and the affected trade to thrash out implementation details of regulatory proposals.

In February 2007, the Government launched the 'Be the Smart Regulator' Programme as a major regulatory reform initiative to further improve Hong Kong's business environment and long-term competitiveness. The aim is to enhance the efficiency, transparency and customer-friendliness of business licensing services. Around 30 Government bureaux and departments, providing licensing services to various business sectors, participate in the programme. The Government has made good progress on various fronts in improving the overall licensing environment for doing business in Hong Kong.

Business Liaison Groups have been established for major business sectors to foster communication between the Government bureaux and departments and the trades and help resolve regulatory and licensing matters at the operational level. A business consultation e-platform (www.gov.hk/bizconsult) has been set up under the GovHK portal to facilitate business community to access to relevant consultation information on proposed regulations, administrative measures and procedures that would impact on business, and to offer their views or comments.

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 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 fulfil 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 by the Customs and Excise Department to facilitate customs clearance of road cargoes. ROCARS was launched in May 2010, and submissions of ROCARS became mandatory since November 17, 2011 after an 18-month transitional period. All cross-boundary trucks, 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 subject to one inspection at most, at either the point of entry or exit.

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 (GETS) 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 2011, the transaction volume was about 21 million. The appointment of a third GETS service provider in 2010, 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.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The Hong Kong Trade Development Council (HKTDC), a statutory body established in 1966, is responsible for promoting and expanding Hong Kong's trade in goods and services. With its global network of more than 40 offices, including 11

in the Mainland, the HKTDC helps Hong Kong SMEs develop business opportunities and trade contacts; and to acquire market knowledge and competitive skills.

The HKTDC 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 nearly 32 500 exhibitors and more than 658 000 buyers.

In the Mainland, the HKTDC'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 HKTDC stepped up efforts to differentiate Hong Kong merchandise by highlighting reliable quality, stylish designs and adherence to stringent green and safety standards. The HKTDC's focus in new markets was primarily on pathfinding and image-building to identify business opportunities for Hong Kong SMEs.

The HKTDC publishes 15 product magazines and industry supplements that annually reach more than five million readers. It also produced about 170 trade reports, sector-specific updates and business newsletters in 2011. The HKTDC's online marketplace (<http://www.hktdc.com>) featured more than 1.1 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 established by statute in 1966. It was created with the aim of encouraging and supporting export trade by providing Hong Kong exporters with insurance protection against pre- and post-shipment non-payment risks arising from commercial and political events. Its contingent liability is guaranteed by the HKSAR Government, with the statutory maximum liability currently standing at HK\$30 billion. The ECIC 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 ECIC's total insured business in 2011 amounted to \$87 billion, an increase of 9.8 per cent over 2010. Gross premium income grew by 1.9 per cent to \$283.2 million. Cash claims payments decreased by 39.7 per cent to \$41.7 million.

The ECIC is committed to strengthening 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. It introduced the extended cover in March 2011 to insure the sales contract between Hong Kong policyholders' mainland/overseas subsidiaries and their buyers, so as to cope with the need of the Hong Kong export sector for developing the mainland domestic and emerging markets. In view of the uncertain

global trade prospect, the ECIC introduced in December 2011 three enhanced measures which include the policy fee waiver for one year, free credit assessment service of three buyers and the shortening of processing time of credit limit applications for \$1 million or less.

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 nurtures start-ups through incubation programmes, provides facilities and services at the Science Park for applied R&D, supports a design cluster in the InnoCentre, as well as offers land in industrial estates for manufacturing and servicing industries.

The 22-hectare Science Park in Sha Tin is the flagship infrastructure that supports the Government's mission to turn Hong Kong into a regional innovation hub. Phases 1 and 2 have been completed and have an occupation rate of close to 90 per cent. Phase 3 will be available for use between early 2014 and 2016. The three phases will provide a total of 330 000 square metres of gross floor area for local and overseas companies to carry out R&D in electronics, information technology and telecommunications, biotechnology, precision engineering and green technology. The corporation manages three industrial estates in Tai Po, Yuen Long and Tseung Kwan O which occupy a total land area of 217 hectares. Serviced land is provided to companies using new or improved technology and processes that cannot operate in multi-storey buildings. The industrial estates have helped broaden Hong Kong's industry base. The corporation will continue to revitalise the industrial estates to meet the challenges and opportunities brought about by economic re-structuring.

The corporation runs incubation programmes for technology and design start-ups. It provides start-up companies with rental, marketing, financial and technical assistance in their critical initial years. Over the years, the number of incubatees and graduates have increased steadily. Some have won local and international technology and managerial awards.

Hong Kong Productivity Council

The Hong Kong Productivity Council (HKPC) promotes productivity excellence among Hong Kong enterprises by providing them with integrated support across the value chain. The HKPC's focus is on the manufacturing and service industries in Hong Kong and the Pearl River Delta region.

During the year, the HKPC continued to promote productivity excellence through focused endeavours in four 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 HKPC continues to be a strong promoter of 'green' manufacturing and continually introduces new technology to assist manufacturers in meeting the stringent environmental requirements of Hong Kong, the Mainland and other countries. In addition, the HKPC 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 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 that the Government is committed to developing to their full potential. 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.

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

The Government has been working closely with the HKCTC to implement the three-year market-oriented industry development plan formulated by the HKCTC in March 2010. The dual development strategies are to make general improvements to the accreditation service and factors of production (i.e. manpower, technology, capital and land) of the industry and to promote focused development of testing and certification services in four selected trades (i.e. Chinese medicines, food, construction materials and jewellery) which offer good potential. Services being developed include authenticity testing of Chinese herbal medicines, food hygiene management system certification, product certification of construction materials and development of standard testing methods for two types of jade.

In January 2011, the Mainland 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. Starting from 2012, the pilot scheme will be extended to all 22 types of products covered by the CCC System.

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. The 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

The 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, including participation in the International Organisation for Standardisation for the development of international standards. It also co-ordinates Hong Kong's input to the 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.

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, 45 product tests, 19 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, seven Consumer Advice Centres and its website. It acts as a mediator between consumers and the traders concerned. During the year, 27 541 consumer complaints and 104 750 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 supply of infant formula milk products and diesel pricing. It also provided views to the Government on subjects such as the review of the operation and regulatory framework for the tourism sector, the regulation of the sale of first-hand residential properties, the regulation of mandatory provident fund intermediaries and the competition law.

In 2011, the council organised Consumer Rights Reporting Awards and Top Ten Consumer News for the media and the public and, in co-operation with the Education Bureau and local social welfare agencies, consumer culture study awards to encourage secondary students and third age persons 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 2011, the department carried out 9 781 spot checks and concluded 2 225 investigations.

The Government Laboratory provides analytical and advisory services to the Customs and Excise Department in the enforcement of consumer protection legislation. In 2011, the laboratory carried out 34 106 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 also carried out 5 375 tests to examine the authenticity of commodities and the correctness of trade descriptions 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 January 2011, the Government published a Report on Public Consultation on Legislation to Enhance Protection for Consumers against Unfair Trade Practices, affirming the proposals to amend the Trade Descriptions Ordinance to prohibit commonly seen unfair trade practices including false trade descriptions of services, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch, and wrongly accepting payment. In addition to criminal sanctions to deal with suspected contraventions of fair trade provisions, the Government also proposed to establish a civil compliance-based enforcement mechanism aiming at encouraging compliance and facilitating quicker settlement.

To combat more effectively objectionable schemes adopting a pyramid structure, the Government introduced into the Legislative Council on June 1, 2011 the Pyramid Schemes Prohibition Bill. The bill was passed on December 7, 2011 and will go into operation on January 1, 2012.

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 2011, a total of 21 614 licences and certificates were issued and 117 prosecutions were conducted.

Websites

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

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

Environment Bureau: www.enb.gov.hk