

Commerce and Industry

Hong Kong's low tax rates, first-class infrastructure, effective legal system, and free flow of capital and information all contribute to an environment in which business can flourish. The city is an important gateway to the Mainland of China, one of the world's most dynamic economies.

Hong Kong is a leading international trading and services centre as well as an important command and control centre for manufacturing activities in the region. It is recognised as one of the freest economies in the world, a model for international trade, and the most strategic gateway to the vast Mainland market. The government is firmly committed to free trade and sees its task as facilitating commerce and industry within the framework of a free market. As a separate customs territory of China, the Hong Kong Special Administrative Region (HKSAR) does not impose any 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.

Merchandise Trade Performance

Hong Kong's external trade decreased moderately in 2015. Total merchandise trade decreased 3.0 per cent to \$7,651.7 billion in 2015 compared with 2014. Domestic exports decreased 15.2 per cent to \$46.9 billion, while re-exports decreased 1.6 per cent to \$3,558.4 billion. Imports decreased 4.1 per cent to \$4,046.4 billion. A summary of external merchandise trade statistics is in table 13 of Appendix 6. Hong Kong's biggest trading partner in 2015 was the Mainland, followed by the United States and Japan. In 2015, Hong Kong was the world's eighth largest trading entity in terms of value of merchandise trade.

Imports

In 2015, electrical machinery, apparatus and appliances, and electrical parts thereof constituted the largest share of total imports at \$1,259.2 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$752.4 billion) and office machines and automatic data processing machines (\$351.9 billion).

The Mainland, Taiwan and Japan were Hong Kong's major suppliers, accounting for 49.0 per cent, 6.8 per cent and 6.4 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 \$6.9 billion, or 14.7 per cent of the total value of domestic exports in 2015. Other major export items included plastics in primary and non-primary forms; tobacco manufactured; and machinery specialised for particular industries.

The Mainland, the US and Singapore were Hong Kong's largest markets during the year, absorbing 43.6 per cent, 8.3 per cent and 4.8 per cent respectively of the total value of domestic exports.

Re-exports

In 2015, electrical machinery, apparatus and appliances, and electrical parts thereof worth \$1,138.9 billion were the principal commodities re-exported, accounting for 32.0 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 \$750.2 billion, or 21.1 per cent of the total value of re-exports. The Mainland, Taiwan and Japan were the main origins of the re-exports, while the Mainland, the US and Japan were the main destinations.

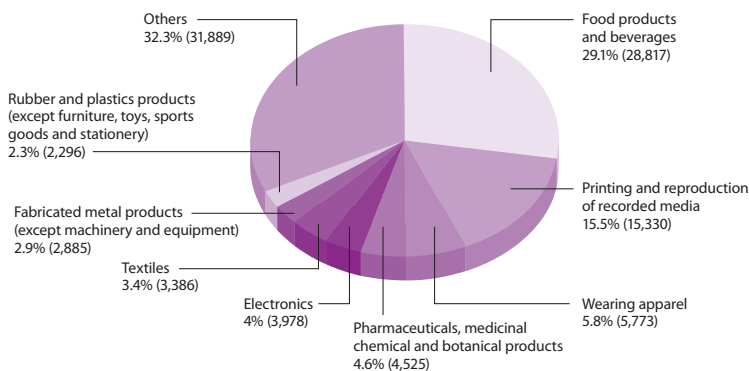
Manufacturing

With the relocation and expansion of manufacturing activities offshore since the 1980s, Hong Kong's role has evolved into a command and control centre with an increasingly globalised production network. Domestic manufacturing contributed 1.3 per cent of Gross Domestic Product in 2014 and provided employment for 101,700 people in 2015, making up 2.7 per cent of overall employment.

Manufacturers of food products and beverages were the largest employers in the manufacturing sector as at December 2015, 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 2015.

Chart 1

Number of Persons Employed by the Manufacturing Sector as at December 2015



Services

Hong Kong is one of the world's most service-oriented economies. The services sector has continued to grow in the past decade. Its share of GDP rose from 91.3 per cent in 2005 to 92.7 per cent in 2014, and accounted for 88.4 per cent of total employment in 2015.

In 2015, Hong Kong's total services trade amounted to \$1,540.0 billion, making it the world's 16th largest services trading entity in value. The territory traded and exported \$1,053.6 billion worth of services, contributing to 43.9 per cent of GDP. It ranked fifth in the region after China, Japan, India and Singapore in total value of services exported, and 14th in the world.

The main components of Hong Kong's exports of services in 2015 were in travel and transport, accounting for 34.4 per cent and 28.6 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$233.9 billion in 2015, recording surpluses of \$100.5 billion and \$93.6 billion in travel services and transport services respectively.

Inward Direct Investment

According to the United Nations Conference on Trade and Development's *World Investment Report 2015*, Hong Kong was the second largest recipient of foreign direct investment (FDI) flow in the world in 2014, after the Mainland of China. The *External Direct Investment Statistics of Hong Kong 2014* released by the Census and Statistics Department indicated Hong Kong's FDI inflow in 2014 amounted to \$1,006.8 billion. At the end of 2014, the position of direct investment liabilities¹ amounted to \$12,714.5 billion. Chart 2 shows selected major investor countries/territories of the inward direct investment. The British Virgin Islands was the largest, accounting for 35.5 per cent of the total as at the end of 2014. Chart 3 shows the major economic activities of Hong Kong enterprise groups². Those engaged in investment and holding, real estate, professional and business services took up the largest share, at 67.0 per cent of the total at the end of 2014.

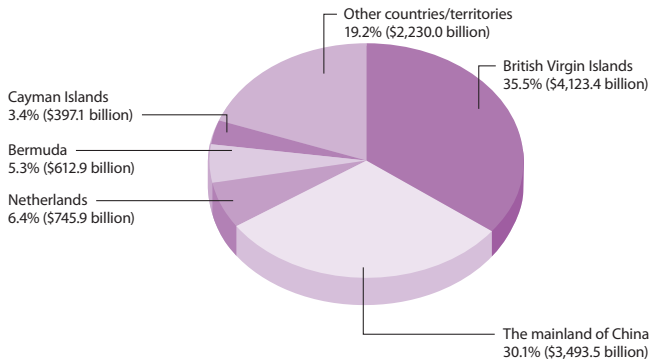
As at June 2015, Hong Kong was host to 7,904 overseas, Mainland and Taiwanese companies, with 3,798 of these companies having regional headquarters or regional offices here.

¹ According to the latest international statistical standards, the FDI inflow and the position of direct investment liabilities presented in this paragraph are compiled based on the 'asset/liability principle', while detailed inward direct investment figures analysed by selected major country/territory and by major economic activity of Hong Kong enterprise groups presented in charts 2 and 3 respectively are based on the 'directional principle'. Owing to the adoption of different presentation principles, the aggregate position of direct investment liabilities is different from the overall totals of the detailed inward direct investment figures by selected major country/territory or by major economic activity of Hong Kong enterprise groups.

² A Hong Kong enterprise group consists mainly of a Hong Kong parent company, its Hong Kong subsidiaries, associates and branches.

Chart 2

Position of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2014

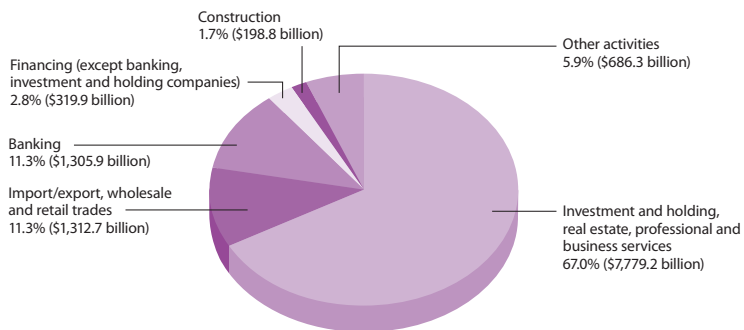


Notes: # Selected based on the position of Hong Kong's inward direct investment from individual investor countries/territories in recent years.

Due to rounding, the total percentage does not equal to 100.

Chart 3

Position of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2014



Institutional Framework

Commerce, Industry and Tourism Branch

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau formulates and co-ordinates 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), and the promotion of services industries. The branch is assisted by the Trade and Industry Department, Invest Hong Kong, the Customs and Excise Department, the Intellectual Property Department, the Hongkong Post and the Hong Kong Observatory. It is also supported by the overseas Economic and Trade Offices (ETOs).

Trade and Industry Department

The Trade and Industry Department handles the HKSAR's commercial relations with its trading partners, and protects Hong Kong's trading rights and trade interests.

Domestically, the department provides locally based trade and industry organisations and businesses with a range of services, including issuing certificates of origin, export and import licences and certificates of Hong Kong service suppliers. It also offers general support services to various sectors, in particular SMEs, and provides local enterprises with trade information and advice on changes in major trading partners' import regulations.

Invest Hong Kong

Invest Hong Kong is responsible for attracting and retaining FDI that is of strategic importance to the territory's economic development. It supports overseas, Mainland and Taiwanese companies to set up and expand their operations in Hong Kong. Invest Hong Kong conducts investment promotion activities worldwide through its 15 Investment Promotion Units in overseas ETOs, the Beijing Office and the Hong Kong Economic, Trade and Cultural Office in Taiwan, as well as its overseas consultants in another 14 strategic global locations.

Customs and Excise Department

The Customs and Excise Department enforces certain trade control systems for the issue of certificates of origin (including those under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)), the import and export of 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 also collects import and export declarations, declaration charges and clothing levies, and enforces statutory controls.

Moreover, the department enforces the criminal laws that protect copyrights and trade marks, and consumer protection legislation relating to the safety of consumer goods, fair trade practices 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, makes recommendations on policy and legislation related to intellectual property, provides civil legal advice on intellectual property to the government, and promotes public awareness of and respect for intellectual property rights. It also facilitates and promotes the development of Hong Kong as a premier intellectual property trading hub in the region.

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. While the Geneva office mainly represents 'Hong Kong, China' as a member of the World Trade Organisation (WTO), and as a participant to the Trade Committee of the Organisation for Economic Co-operation and Development (OECD) headquartered in Paris, the other 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, government ministries/agencies, think tanks and the news media. They organise events regularly to promote Hong Kong's image, and ETOs with an Investment Promotion Unit also offer support to individual enterprises interested in setting up or expanding their presence in Hong Kong.

The Brussels ETO represents Hong Kong's overall economic and trade interests in Europe, particularly in dealings with the European Union, including the European Commission and European Parliament. It also promotes Hong Kong's bilateral relations with 15 European countries. The London ETO represents Hong Kong's interests and promotes bilateral relations in nine countries. Hong Kong's representative to the International Maritime Organisation is based in the London ETO. The Berlin ETO fosters closer economic and trade ties between Hong Kong and eight countries in central and eastern Europe.

The Washington ETO represents Hong Kong's interests in the US. It monitors federal government policies and legislation that may have implications on Hong Kong's economic and trade relationships with the US. The New York and San Francisco ETOs promote Hong Kong's economic and trade interests in 31 eastern states and 19 western states of the US respectively.

The ETOs 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 ETO covers South Korea. The Singapore ETO now looks after Hong Kong's bilateral economic and trade relations with the 10 member states of the Association of Southeast Asian Nations (Asean). In order to tap emerging Asean markets, preparation work is under way to set up a new ETO in Jakarta, Indonesia.

Promotional activities organised by the overseas Hong Kong ETOs are described in the section on Promoting Hong Kong Worldwide in Chapter 16 The Media, Communications and Information Technology.

External Commercial Relations

Participation in World Trade Organisation

Hong Kong is a founding member of the WTO and has continued its separate membership, since the establishment of the HKSAR, under the name 'Hong Kong, China'. The rule-based multilateral trading system under the auspices of the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong takes part actively in the current round of multilateral trade negotiations launched in 2001 in Doha, Qatar, mainly to seek greater market access for its services and goods. It also took part in the 10th WTO Ministerial Conference held in Nairobi,

Kenya, in December 2015. During the conference, Hong Kong and 52 other WTO members reached an agreement to eliminate tariffs on more information technology products starting July 2016.

Regional Economic Co-operation

Hong Kong continues to play an active role in enhancing regional economic co-operation. It takes part as a full and separate member in Asia-Pacific Economic Co-operation (Apec), a regional forum for high-level dialogue and trade and economic co-operation, under the name 'Hong Kong, China'. In November 2015, the Chief Executive and the Secretary for Commerce and Economic Development represented Hong Kong in Manila, the Philippines, at the 23rd Apec Economic Leaders' Meeting and the 27th Apec Ministerial Meeting respectively. In 2015, some 80 per cent of Hong Kong's external trade was conducted with the other 20 Apec member economies.

The Pacific Economic Co-operation Council 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 advises on and co-ordinates Hong Kong's participation in the council and plays an active role in the council's activities.

Organisation for Economic Co-operation and Development

Hong Kong takes part in the Trade Committee and the Committee on Financial Markets of the OECD, which are important forums for discussing policies on international trade and financial services.

Regional, Plurilateral and Bilateral Trade Agreements

To secure more favourable access to overseas markets for Hong Kong goods and services, the government continues to pursue free trade agreements (FTAs) with our trading partners that are in Hong Kong's interests and are consistent with WTO rules. In 2015, Hong Kong continued its FTA negotiation with Asean with a view to concluding it by 2016. It also began discussions with Macao on a closer economic partnership arrangement in November. In addition, Hong Kong continued to take part in negotiations among some WTO members for a Trade in Services Agreement and an Environmental Goods Agreement. These agreements will enhance trade and investment flows between Hong Kong and relevant markets, generate new opportunities for Hong Kong businesses, and boost economic growth.

Liaison with the Mainland and CEPA

The Mainland's economic and trade growth has boosted Hong Kong's trade in goods and services. Since the signing of CEPA in 2003, the two sides have continuously broadened CEPA's coverage and deepened liberalisation on trade in services. In November, the two sides signed an Agreement on Trade in Services under the CEPA framework to basically achieve liberalisation of trade in services between the Mainland and Hong Kong. The agreement opens up 153 service subsectors on the Mainland to Hong Kong service suppliers, accounting for 95.6 per cent of all services subsectors according to the WTO's classification.

Under CEPA, the Mainland applies zero tariff to all imported goods of Hong Kong origin that meet agreed CEPA rules of origin. As at the end of 2015, rules of origin for some 1,810 products had been agreed.

To help Hong Kong enterprises capitalise on opportunities arising from the National 12th Five-Year Plan, the government introduced a \$1 billion dedicated fund in 2012 to assist them in furthering their development on the Mainland through developing brands, upgrading and restructuring operations, and promoting domestic sales.

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 signed 17 Investment Promotion and Protection Agreements (IPPAs) with other economies, and has concluded IPPA negotiations with Canada, Bahrain and Myanmar. In 2015, Hong Kong continued IPPA negotiations with the Russian Federation, and launched IPPA negotiations with the United Arab Emirates and investment agreement negotiations under the FTA with Chile. Hong Kong and Mexico announced a joint intent to launch IPPA negotiations in 2016.

Trade in Goods

In 2015, the Customs and Excise Department carried out 33,059 factory and consignment inspections and concluded 133 investigations to ensure compliance with factory registration conditions, and import and export licensing requirements. The department also conducted 36 'blitz' check operations on consignments of goods at various import and export control points. It successfully prosecuted 47 companies and 13 offenders, leading to fines totalling \$660,000 and imprisonment sentences of nine months.

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 the territory 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 co-operates closely with its trading partners to keep abreast of international developments on strategic trade controls, and to make sure its control arrangements complement those of its trading partners.

In 2015, the Customs and Excise Department investigated 170 cases of unlicensed import and export of strategic commodities and prosecuted 66 companies, resulting in fines totalling \$3.6 million. Goods valued at \$960,000 were confiscated.

Customs Co-operation

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and Apec's Sub-Committee on Customs Procedures. The department maintains close liaison with the WCO, and seconds one officer each to the WCO Compliance

and Facilitation Directorate in Brussels, Belgium, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, South Korea, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok, Thailand. They help take forward the WCO's initiatives.

Under the Hong Kong Authorised Economic Operator (AEO) Programme, local companies that satisfy pre-determined security standards may be accredited by the department as AEOs and can enjoy customs facilitation, including less inspection and prioritised clearance of their goods. To provide AEOs with more clearance benefits at the international level, the department has concluded mutual recognition arrangements (MRAs) with the customs administrations of the Mainland, India, Singapore, South Korea and Thailand. The department will continue to develop more MRAs between Hong Kong and its principal trading partners.

The department co-operates with other customs administrations and law enforcement agencies and regular bilateral meetings are held with the Mainland and other customs authorities to exchange intelligence and experience on enforcement. It has put in place bilateral co-operation arrangements with a number of customs administrations.

Inward Investment Promotion

In 2015, Invest Hong Kong helped a record 375 overseas, Mainland and Taiwanese companies set up or expand operations in Hong Kong involving direct investment of more than \$10.1 billion and the creation of over 3,600 new jobs within the first year of their operation/expansion³.

Invest Hong Kong organised or sponsored a range of activities, including the Asian Financial Forum, Art Basel, Asian Logistics and Maritime Conference, Cosmoprof, Asian Venture Capital Journal Private Equity and Venture Forum, Super Return Asia, and Cable and Satellite Broadcasting Association of Asia Convention 2015. It also organised joint investment promotions with Guangzhou, Guangdong Province and Macao in the United Arab Emirates, Indonesia, Malaysia and Singapore to promote advantages offered by the economic integration of Hong Kong and the Pearl River Delta region.

During the year, Invest Hong Kong organised a series of promotional programmes in high-growth Mainland cities, including Beijing, Shanghai, Nanjing, Fuzhou, Xiamen, Wuhan, Zhengzhou, Hefei, Lanzhou, Mianyang and Chengdu, so as to promote Hong Kong as the ideal platform for Mainland companies to go global. Invest Hong Kong completed 78 projects from the Mainland, representing 21 per cent of the total number of Invest Hong Kong's completed projects.

In addition, Invest Hong Kong continued a StartmeupHK initiative with an aim to attracting global start-ups to set up business in Hong Kong and to promote the territory as a leading hub for start-ups and entrepreneurship.

³ As reported by some of the companies assisted by Invest Hong Kong. Not all the companies disclosed their data.

Industrial Policy

Hong Kong has benefited significantly with the global centre of economic gravity shifting to Asia and the implementation of the National 12th Five-year Plan ushering in a new wave of development for the Mainland economy. Its competitive edge, coupled with the government's 'appropriately proactive' approach, makes Hong Kong well placed to diversify its industries to meet the aspirations of its people for start-up initiatives, investment, business operation and employment. The government seeks to increase business volume, diversify the products and services of existing industries, and identify new areas for development.

Since its establishment in January 2013, the Economic Development Commission, led by the Chief Executive, has been studying and considering the overall strategy and policy to broaden Hong Kong's economic base and to enhance economic growth and development. The commission's four working groups, responsible for transport; convention and exhibition industries and tourism; manufacturing industries, innovative technology, and cultural and creative industries; and professional services, have submitted specific recommendations for the related industries for the government's consideration.

Small and Medium Enterprises

Small and medium enterprises refer to manufacturing businesses that employ fewer than 100 people and non-manufacturing businesses employing fewer than 50 people in Hong Kong. The territory has about 320,000 SMEs, representing 98 per cent of all local enterprises and employing 1.3 million people. The Trade and Industry Department operates three funding schemes to help SMEs secure loans from lending institutions, expand export markets and enhance their competitiveness.

Promotion of Innovation and Technology

Innovation and technology development is a key driver of economic growth. The government is determined to develop Hong Kong into a knowledge-based economy and an innovation hub for technology and its application in the region. In November 2015, the Innovation and Technology Bureau was established with the responsibility of formulating holistic innovation and technology policies, thereby fostering the development of innovation and technology and related industries in Hong Kong.

Innovation and Technology Commission

The Innovation and Technology Commission under the bureau implements policies and measures to promote innovation and technology development. It also promotes internationally accepted standards and conformity assessment services to underpin technological development and international trade in Hong Kong.

Innovation and Technology Fund

The Innovation and Technology Fund (ITF) supports applied research and development (R&D) projects that help upgrade technology and promote innovation in the manufacturing and service industries. In February 2015, the Legislative Council approved an injection of \$5 billion into the fund to provide sustained and comprehensive support for the development of

innovation and technology. By the end of the year, the fund had committed more than \$10 billion to support over 4,900 projects undertaken by research institutions and the industry.

An Enterprise Support Scheme was launched under the fund in April 2015. It provides direct funding to the private sector for carrying out in-house R&D projects. Hong Kong-registered companies, regardless of size, can apply. The scheme grants government funding of up to \$10 million for each approved project on a dollar-for-dollar matching basis. There is no recoupment requirement.

Research and Development Cash Rebate Scheme

The R&D Cash Rebate Scheme reinforces the research culture among enterprises and encourages them to establish stronger partnerships with local research institutions. It provides 30 per cent cash rebates to companies conducting applied R&D projects under the ITF, or in collaboration with designated research institutions. By the end of 2015, the scheme had approved more than 1,200 applications for rebates amounting to over \$150 million.

Hong Kong Science and Technology Parks Corporation

The Hong Kong Science and Technology Parks Corporation provides one-stop infrastructural support to technology-based companies. It manages the 22-hectare Science Park in Sha Tin, the government's flagship infrastructure to turn Hong Kong into a regional innovation hub. Phases 1 and 2 have been completed and are 92 per cent occupied. The first three buildings of Phase 3 were completed in March 2014, while the remaining two buildings will be completed in 2016. In total, they will provide 330,000 square metres of gross floor area for applied R&D to local and overseas companies in biomedical technology, electronics, green technology, information and telecommunications technology, and material and precision engineering.

For start-ups, the corporation runs incubation programmes to provide rental, marketing, financial and technical help for their critical initial years. It launched a HK\$50 million Corporate Venture Fund in July 2015 for co-investment, on a matching basis with angel investors or venture capital funds, in technology start-ups.

The corporation also manages three industrial estates in Tai Po, Yuen Long and Tseung Kwan O, which together provide 217 hectares of serviced land. To enhance the value chain of the innovation and technology industries in Hong Kong, the corporation revised the admission criteria and business mode of industrial estates in early 2015. In future, it will mainly build and manage specialised multistorey industrial buildings for renting to multi-users in these industries.

Hong Kong Applied Science and Technology Research Institute (ASTRI)

This publicly funded institute is designated as the R&D Centre for Information and Communications Technologies. It carries out R&D projects to raise the standard of local technology-based industries and to strengthen their growth.

Research and Development Centres

The government's five R&D Centres drive and co-ordinate applied R&D in selected focus areas and promote the commercialisation of R&D results and technology transfer. The five centres are the:

- 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 is a high-level steering committee for the Mainland's Ministry of Science and Technology and Hong Kong's Innovation and Technology Bureau to work together in fostering technology collaboration. Progress in 2015 included completing the first round of applications to establish Hong Kong Branches of Chinese National Engineering Research Centres, resulting in the formation of five new Hong Kong Branches; and making preparations for the first round of reassessment of the Partner State Key Laboratories in Hong Kong, to start in mid-2016.

The HKSAR and Guangdong governments jointly run a Guangdong-Hong Kong Technology Co-operation Funding Scheme to encourage collaboration between their universities, research institutions and technology enterprises. As at end-December 2015, the ITF has funded 236 projects under the scheme with about \$818 million, of which \$193 million was for 79 projects jointly funded by the ITF and Guangdong/Shenzhen authorities.

Publicity and Promotional Events

The Innovation and Technology Commission's annual InnoTech Month features a wide range of activities to foster a stronger innovation and technology culture in the community. In 2015, these activities included an InnoCarnival, roadshows, exhibitions, workshops, industry conferences and seminars. The commission also collaborated with the academia and non-governmental organisations in supporting science competitions and activities to increase students' interest in innovation and technology. The Innovation and Technology Scholarship Award Scheme recognises outstanding science undergraduates in local universities and encourages them to pursue careers in science and technology.

Protection of Intellectual Property Rights

Hong Kong maintains a robust regime for protecting intellectual property rights that features comprehensive legislation, convenient registration systems, rigorous enforcement and

continuous public education programmes. This has earned the territory 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. Various electronic services of the department seek 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 data searches in Chinese or English through the internet at any time free of charge. 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.

By using the department's interactive services, owners of intellectual property rights or their agents can make changes directly to certain particulars of their registrations and applications recorded in the registers. These changes are updated instantly in the registry records. The electronic services, particularly electronic filing, have been well received. In 2015, the proportions of electronic filings for trade mark, patent and design applications were 62 per cent, 81 per cent and 77 per cent respectively, marking increases of 6 per cent, 8 per cent and 8 per cent respectively compared with the previous year.

Trade Marks

In 2015, the Trade Marks Registry received 39,179 applications. During the period, 37,476 marks were registered, an increase of 9.4 per cent compared with 2014. Out of the 121 countries and regions that filed applications, the principal ones were:

Hong Kong	14,376	France	939
Mainland	8,241	United Kingdom	907
US	3,901	Taiwan	851
Japan	2,158	Germany	730
South Korea	1,343	Switzerland	666

The register had 364,081 registered marks by the end of the year.

Patents

The Patents Ordinance provides for the grant of standard patents based on the corresponding patents granted by one of three designated patent offices, namely, the State Intellectual Property Office of China, the United Kingdom Patent Office and the European Patent Office (in respect of patents designating the United Kingdom). It also provides for the grant of short-term patents upon formality examination. The Patents Registry received 12,212 standard patent applications and 702 short-term patent applications in 2015. It granted 5,963 standard patents and 495 short-term patents, representing an increase of 0.5 per cent and a decrease of 5.2 per cent respectively compared with 2014.

In November 2015, the government introduced the Patents (Amendment) Bill 2015 into LegCo with a view to improving the patent system. Key proposals under the bill include establishing

an 'original grant' patent system while retaining the current 're-registration' system for granting standard patents; introducing a post-grant substantive examination for short-term patents; and introducing interim measures to regulate the use of certain titles and descriptions relating to patent agency services. Subject to the progress of the legislative exercise and other preparatory work, the government aims to implement the new patent system in 2017 at the earliest.

Registered Designs

In 2015, the Designs Registry received 2,769 applications for the registration of 5,182 designs and registered 4,702 designs, representing a 9.3 per cent increase compared with 2014.

Copyright

The Copyright Ordinance protects 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.

Enforcement

The Customs and Excise Department enforces criminal sanctions for the infringement of 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.

In 2015, the department took action in 118 piracy cases, arrested 158 people and seized goods, mostly pirated optical discs, worth \$4.2 million. It took action to prevent street sales of pirated and counterfeit goods. In addition to targeted raids, officers carry out intensive and high-profile patrols in high-risk areas to deter and suppress the peddling of pirated and counterfeit goods. In 2015, the department took action in 946 cases of forged trade marks, seizing counterfeit goods worth \$104 million and arresting 784 people.

Customs-Business Partnership

To help effective enforcement against piracy and counterfeiting activities, the department liaises closely with the business sector to promote intellectual property rights protection.

Public Education

In 2015, nine trade associations with 1,054 retail merchants, covering 6,785 outlets, took part in the Intellectual Property Department's 'No Fakes Pledge' scheme. The department's school visits programme covered 71 schools and 17,790 students and the interactive drama programme covered 122 schools and 31,310 students. The department also promoted the value of intellectual property trading and the importance of protecting intellectual property rights through seminars and exhibitions.

Intellectual Property Trading

The Working Group on Intellectual Property Trading completed its work and released a report in March 2015. It recommended 28 measures to develop Hong Kong as a premier regional

intellectual property trading hub under four strategic areas, namely, enhancing the intellectual property protection regime; supporting intellectual property creation and exploitation; fostering intellectual property intermediary services and manpower capacity; and pursuing promotion, education and external collaboration efforts. The government has been working with the public sector, professional bodies, industry players and other stakeholders to implement the recommendations.

Co-operation with Mainland Counterparts

The Intellectual Property Department works closely with its Mainland counterparts at the national, regional and provincial levels to promote the protection, management and trading of intellectual property.

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. Hong Kong and Guangdong customs conduct regular joint operations to intercept infringing goods smuggled across the boundaries. The department and the National Copyright Administration provide mutual administrative assistance in the fight against internet piracy to better protect intellectual property rights.

Participation in International Organisations

The Intellectual Property Department takes part in international forums, including events of the WTO's Council for Trade-related Aspects of Intellectual Property Rights and the World Intellectual Property Organisation, and represents Hong Kong, China, at international and regional intellectual property symposiums and conferences, including the 40th and 41st meetings of the Asia-Pacific Economic Co-operation Intellectual Property Experts Group held in the Philippines.

Business Facilitation

The Business Facilitation Advisory Committee and its task forces advise the government on the development and implementation of programmes and measures to facilitate business compliance with government regulations and to sustain a competitive regulatory environment for business in Hong Kong while safeguarding the public interest. The advisory committee is made up of representatives from the business, academic, professional and political sectors and senior government officials from the relevant bureaus.

Business Liaison Groups foster communication between the government bureaus and departments and the major business sectors and help resolve regulatory and licensing matters at the operational level. A business consultation e-platform (www.gov.hk/bizconsult) helps businesses access information on proposed regulations, administrative measures and procedures that would affect business, and offer their comments. Users can also download its mobile app for free by searching for 'eabfu' on the iPhone App Store or the Google Play Store.

Around 30 government bureaus and departments involved in providing licensing services to businesses take part in the government's 'Be the Smart Regulator' programme, aimed at improving the efficiency, transparency and business-friendliness of the licensing system. The

programme is jointly co-ordinated by the Efficiency Unit under the Chief Secretary's Office and the Business Facilitation Division of the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office. The division also supports the work of the advisory committee and its task forces.

Trade Documentation

As a free port, Hong Kong maintains optimal import and export documentation requirements to facilitate trade. Most products do not need licences to enter or leave the territory. Licences are required mainly to fulfil Hong Kong's international obligations; to protect public health, safety, the environment or intellectual property rights; and to ensure the territory's continued access to advanced technologies and high-tech products.

Hong Kong maintains an origin certification system to facilitate its exports to external markets.

Road Cargo System

The Customs and Excise Department's Road Cargo System facilitates customs clearance through prior risk-profiling. To do this, a shipper or his agent is required to submit a few items of cargo information electronically to the department through the system before the consignment is imported to, or exported from, Hong Kong. All cross-boundary goods vehicles, except those selected for inspection, now enjoy seamless customs clearance at the land boundary.

Intermodal Transshipment Facilitation Scheme

The Intermodal Transshipment Facilitation Scheme simplifies customs clearance procedures for air-land and sea-land intermodal transshipment cargoes. Enrolment is voluntary. Transshipment cargoes of participating enterprises, conveyed by goods vehicles installed with electronic locks and Global Positioning System devices recognised by the department, will normally be subject to inspection only once (if selected) at the point of entry or exit.

Other Transshipment Facilitation Measures

The department has also implemented measures to allow consignments passing through Hong Kong to enjoy reduced tariffs for goods traded between the Mainland and trading partners concerned. The department will provide a supervision service for the goods and issue a certificate of non-manipulation so traders can claim tariff benefits from the authorities at the importing end.

Government Electronic Trading Services

The Government Electronic Trading Services allows the trading community to submit certain trade-related documents electronically to fulfil statutory obligations in a cost-effective and environmentally friendly manner. Three government-appointed operators provide the services, which processed about 20 million transactions in 2015. A study was launched during the year to examine how the services could facilitate trade further.

Trade and Industrial Support Organisations

Hong Kong Trade Development Council

The Hong Kong Trade Development Council (HKTDC) was established under the HKTDC Ordinance to promote, assist and develop trade with places outside Hong Kong, with particular reference to exports; and to make such recommendations to the government as it sees fit in relation to any measures which it considers would achieve an increase in Hong Kong's trade. It operates a global network of more than 40 offices, including 13 on the Mainland, to promote Hong Kong as a platform for doing business with the Mainland and throughout Asia.

The HKTDC helps local companies, especially SMEs, capitalise on business opportunities by promoting Hong Kong as Asia's global business platform and lifestyle trendsetter. It also promotes the territory's advantages in services sectors, including finance, professional services, infrastructure services, logistics and trading, information and communication technology, and the creative industries.

Enhancing the competitiveness of SMEs and start-ups in the digital era is a major focus of the HKTDC's work to help sustain Hong Kong's long-term economic growth.

Hong Kong Export Credit Insurance Corporation

The Hong Kong Export Credit Insurance Corporation was established by statute to encourage and support export trade through the provision of insurance protection for Hong Kong exporters against non-payment risks arising from commercial and political events.

In 2015, the corporation's total insured business fell 3.6 per cent to \$108 billion while gross premium income dropped 9.0 per cent to \$266.3 million on the back of sluggish exports. Cash claims payments decreased 9.5 per cent to \$52.6 million. To help Hong Kong exporters seize business opportunities and explore overseas markets, the corporation continued to provide various measures, including the waiver of annual policy fees and a free buyer credit assessment service. It also continued to support SMEs by extending special concessions – a premium discount and a policy fee waiver – on the Small Business Policy, which is designed for exporters with annual business turnover of less than \$50 million, and increasing the maximum liability of the policy from \$5 million to \$10 million, including \$5 million for pre-shipment cover and \$5 million for post-shipment cover.

Hong Kong Productivity Council

The Hong Kong Productivity Council promotes productivity excellence among Hong Kong enterprises. Its focus is on the manufacturing and service industries in Hong Kong and the Mainland in four areas, namely, manufacturing technologies, information technologies, environmental technologies and management systems. The council helps Hong Kong manufacturers move up the value ladder through higher technology and better manufacturing processes. It is a strong promoter of green manufacturing and continually introduces new technology to assist manufacturers in meeting the environmental requirements of Hong Kong, the Mainland and other countries. The council also houses the Automotive Parts and Accessory Systems R&D Centre, which undertakes market-led R&D projects in collaboration with industry, universities and research institutions. In addition, it 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 promote the interests of, and foster relationships among, their members. There are many other associations representing specific sectors or interests, and overseas chambers of commerce.

Development of Testing and Certification Industry

The Hong Kong Council for Testing and Certification (HKCTC) advises the government on the overall development strategy of the testing and certification industry. The council comprises members from the testing and certification industry, the business sector, professional organisations and relevant public bodies and government departments.

The government works closely with the HKCTC to implement recommendations made in the council's 2013 review report. General improvements have been made to the accreditation service and factors of production for industry, that is, manpower, technology, capital and land, whilst promoting the development of new testing and certification services in six specific trades, that is, Chinese medicines, construction materials, food, jewellery, environmental protection, and information and communications technologies.

The Mainland is gradually opening up its market to Hong Kong's testing and certification industry. The Agreement on Trade in Services, signed in November 2015, introduced a new liberalisation measure of implementing, on a pilot basis, a mutual recognition arrangement of certification and relevant testing business among Guangdong, Hong Kong and Macao in the China (Guangdong) Pilot Free Trade Zone, with a view to carrying out 'certified once, tested once, and results accepted by three places'. The agreement also covers and consolidates commitments relating to liberalisation of trade in services and the testing and certification sector provided in the Mainland and Hong Kong CEPA and its Supplements, as well as the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong.

The government, with the support from HKCTC, also hosted the annual meeting of the International Organisation for Standardisation (ISO)/Technical Committee 176 in November 2015. The event has helped promote the sector's knowledge of the standardisation process and relevant accreditation and certification work. This is the first time that this ISO Technical Committee on quality management and quality assurance held its meeting in Hong Kong. Representatives from about 45 countries and territories, including the Mainland and Hong Kong, as well as over 10 international and regional organisations and other ISO Technical Committees joined the meeting.

The Innovation and Technology Commission's Hong Kong Accreditation Service operates in accordance with international standards and is active in international and regional accreditation communities. Through participation in multilateral mutual recognition arrangements, the results of tests, calibrations, certifications and inspections provided by its accredited organisations are widely recognised globally, thus facilitating cross-border business and trading.

Standards and Calibration Services

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

The Product Standards Information Bureau operates a product standards library, provides sales of standards and offers free technical advice on standards-related matters. The bureau represents the HKSAR on regional and international standardisation bodies and acts as Hong Kong's Enquiry and Notification Point under the World Trade Organisation Agreement on Technical Barriers to Trade.

Human Resources, Vocational and Professional Education and Training

The knowledge-based economy of the 21st century requires talent and skilled manpower at all levels. A variety of post-secondary education and training programmes are available. The Vocational Training Council provides a comprehensive system of vocational and professional education and training for school-leavers and adult learners. It also administers the New Technology Training Scheme, which offers 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.

Creative Industries

Create Hong Kong and CreateSmart Initiative

Create Hong Kong (CreateHK) under the Commerce and Economic Development Bureau's Communications and Creative Industries Branch aims to drive the development of creative industries by:

- nurturing a pool of creative human capital;
- facilitating start-ups and development of creative establishments;
- generating demand for innovation and creativity and expanding the local market size for creative industries;
- promoting creative industries on the Mainland and overseas to help explore outside markets;
- fostering a creative atmosphere within the community;

- developing creative clusters to generate synergy and facilitate exchanges; and
- organising major events to promote Hong Kong as Asia's creative capital.

In 2015, CreateHK's CreateSmart Initiative provided \$123.5 million to support 66 promotional and educational projects for various creative sectors and to encourage wider use of design by SMEs.

Creative Events

CreateHK works closely with stakeholders to foster an environment conducive to the development of creative industries. In particular, it helps industry groups organise major creative events to engage the public and to attract enterprises, talent and academics in creative industries from around the world to visit Hong Kong. Initiatives and events in 2015 included:

- a 'Friday Dress Hong Kong' to raise public awareness of local fashion design;
- an 'Entertainment Expo Hong Kong' co-ordinated by the HKTDC;
- a 'Business of Design Week';
- a 'Bi-city Biennale of Urbanism\Architecture (Hong Kong)'; and
- a 'Fourth Hong Kong Comic Camp', featuring comic artists from Hong Kong, Guangdong, Macao and Taiwan.

Support for Design

CreateHK funds a Design Incubation Programme to nurture design start-ups. By the end of 2015, the programme had admitted more than 170 start-ups since its launch in 2006.

Mainland, Taiwan and Overseas Promotions

CreateHK promotes the accomplishments of Hong Kong's creative industries to the Mainland, Taiwan and overseas countries and helps them explore new markets.

In 2015, Hong Kong film festivals were organised by the Hong Kong ETOs in major overseas cities to promote the territory as a film production centre. CreateHK also took part in major international exhibitions and events to promote location filming in Hong Kong. In 2015, CreateHK helped 29 non-local production crews carry out shooting in Hong Kong.

Funding was provided to creative establishments and industry and trade organisations for participation in major international exhibitions and events, targeting potential clients in strategic markets. For example, Hong Kong's publishing and printing sectors set up a Hong Kong pavilion at international book fairs in Bologna, Frankfurt and Taipei to showcase their achievements. Hong Kong designs were displayed at New York Fashion Week 2015 and Ambiente 2015 in Frankfurt. CreateHK also sponsored Hong Kong comic artists to exhibit their works in the 2015 Angoulême International Comics Festival in France, the largest comics festival in Europe.

The Hong Kong Week 2015 in Taipei featured two exhibitions, on Hong Kong's architecture and on six eminent writers of the territory.

Nurturing Creative Talent

CreateHK sponsors programmes that nurture the next generation of local creative talent. Its First Feature Film Initiative provided funding for the two winning teams in a screenplay and production proposals competition to make their first feature films. CreateHK also sponsored 12 winners of the Hong Kong Young Design Talent Award 2015 to undertake overseas studies or work attachments. The Third Animation Support Programme provided resources, training and mentorship to animation start-ups. The Second Microfilm Production Support Scheme (Music) continued to support 15 new production companies to produce original music microfilms while offering more performance and exposure opportunities to budding singers.

International Awards

CreateHK supports the participation of local creative talent and creative works in international competitions and promotional events to help them gain exposure and recognition overseas, and to raise the global profile of Hong Kong and its creative industries. As at end-2015, local creative talent and companies sponsored by CreateHK had won about 180 awards.

To recognise design excellence, CreateHK funds awards including the DFA Awards, the EcoChic Design Awards, the Global Design Awards, the Greater China Illustration Awards and the Hong Kong Smart Gifts Design Awards.

Promotion of Creative Clusters

CreateHK supports the promotional efforts of PMQ and the Comix Home Base, with a view to generating greater awareness of both creative landmarks. PMQ in Central provides studio shops for young designers to display and sell their creative products, while serving as a venue for creative events such as deTour 2015. The Comix Home Base in Wan Chai celebrated its second anniversary in 2015 with a series of animation and comic-related programmes.

Film Development Fund

The Film Development Fund finances small-to-medium budget film productions and funds projects conducive to the long-term development of the local film industry. In 2015, three film production financing projects and 24 other film-related projects beneficial to the healthy and long-term development of the film industry, involving a total funding of \$43.66 million, were approved. A new Film Production Grant Scheme, which subsidises low-budget productions, was introduced in November 2015.

Film Development Council

The Film Development Council advises the Secretary for Commerce and Economic Development on policy, strategy and institutional arrangements for the promotion and development of the film industry; the use of public funds to support the industry; the planning, co-ordination and implementation of film-related activities; the industry's manpower and training needs; and the promotion of film literacy in Hong Kong. The council is chaired by a non-official member and consists mainly of members of the film industry.

Consumer Protection

Consumer Council

The Consumer Council is a statutory body which protects and promotes the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property. The council comprises 22 government-appointed members, including the chairman and vice-chairman.

The council's work includes testing consumer products, conducting market surveys, monitoring prices and trade practices, handling complaints and enquiries, advising the government and public authorities on consumer protection, and educating consumers. It also administers the Consumer Legal Action Fund, which enhances consumer access to legal remedies.

In 2015, the council received 27,378 consumer complaints and 98,494 consumer enquiries, and completed 42 product tests, 35 surveys and 24 in-depth studies. It publishes the findings and disseminates practical consumer advice in its monthly magazine, Choice.

During the year, the council continued to raise awareness of consumer rights through various activities. It also maintained close contact with its counterparts around the world in promoting and protecting consumer interests.

Enforcement of Consumer Protection Legislation

The Customs and Excise Department enforces the Consumer Goods Safety Ordinance, the Toys and Children's Products Safety Ordinance, the Trade Descriptions Ordinance, and the Weights and Measures Ordinance.

In order to ensure toys and other children's products supplied in Hong Kong are subject to up-to-date and operative international safety standards, the Toys and Children's Products Safety Ordinance is updated regularly. Updated safety standards for items listed in Schedule 2 of the ordinance came into effect in October 2015.

The department carries out spot checks and investigations to ensure toys, children's products and consumer goods supplied locally are safe and that the quantity of goods supplied in the course of trade by weight and other measures is accurate, and to guard against false trade descriptions and other unfair trade practices in respect of goods and services. In 2015, the department carried out 9,245 spot checks and concluded 482 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation. In 2015, the laboratory carried out 33,801 tests to check the compliance of toys, children's products and consumer goods with safety standards, and to determine the weight of retailed goods. Where necessary, it conducted on-site investigations in support of the enforcement of the Weights and Measures Ordinance. The laboratory also carried out 5,948 tests to examine the authenticity of commodities and the correctness of trade descriptions as part of investigations under the Trade Descriptions Ordinance.

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 that department and the Customs and Excise Department. It provides for a maximum fine of \$5 million and imprisonment of up to two years. In 2015, the departments issued 23,475 licences and certificates and initiated 179 prosecutions.

Websites

Business consultation e-platform: www.gov.hk/bizconsult

Commerce and Economic Development Bureau: www.cedb.gov.hk

Consumer Council: www.consumer.org.hk

Create Hong Kong: www.createhk.gov.hk

Environment Bureau: www.enb.gov.hk

Film Development Council: www.fdc.gov.hk

Film Services Office: www.fso-createhk.gov.hk

Intellectual Property Department: www.ipd.gov.hk

Special Effects Licensing Unit: www.createhk-esela.gov.hk