

## Chapter 5

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# 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 and 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, the Hong Kong Special Administrative Region (HKSAR) does not impose any tariffs and works at enhancing customs clearance efficiency while maintaining effective control. Hong Kong also adopts an open and liberal investment policy and proactively encourages inward investment.

### Merchandise Trade Performance

Hong Kong's external trade grew notably in 2021. Total merchandise trade increased 25.3 per cent to \$10,268.4 billion compared with 2020. Total exports increased 26.3 per cent to \$4,960.7 billion, while imports increased 24.3 per cent to \$5,307.8 billion. The territory's biggest trading partner was the Mainland, followed by Taiwan and the United States. Hong Kong was the world's sixth-largest trading entity in terms of value of merchandise trade.

#### Total Exports

In 2021, electrical machinery, apparatus and appliances and electrical parts thereof worth \$2,264 billion were the principal commodities exported, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$752.7 billion) and office machines and automatic data processing machines (\$562.5 billion). The Mainland, the US and Taiwan were the main destinations, accounting for 59.5 per cent, 6.2 per cent and 2.9 per cent respectively of the total value of total exports.

#### Imports

In 2021, electrical machinery, apparatus and appliances and electrical parts thereof constituted the largest share of total imports at \$2,322.1 billion, followed by telecommunications and sound recording and reproducing apparatus and equipment (\$756 billion) and office machines and

automatic data processing machines (\$457.1 billion). The Mainland, Taiwan and Singapore were Hong Kong's major suppliers, accounting for 45.8 per cent, 10.3 per cent and 7.8 per cent respectively of the total value of imports.

## Services

Hong Kong is one of the world's most service-oriented economies. The services sector's share of Gross Domestic Product (GDP) in 2020 was 93.4 per cent and it provided employment for 3,230,000 people, making up 88.5 per cent of total employment in 2021.

The total services trade of Hong Kong amounted to \$1,076.27 billion in 2021, the world's 20th largest in value. The territory exported \$596.7 billion worth of services, contributing to 20.8 per cent of GDP, compiled based on the change of ownership principle. It ranked sixth in the region after the Mainland, India, Singapore, Japan and Korea in total value of services exported, and 21st in the world.

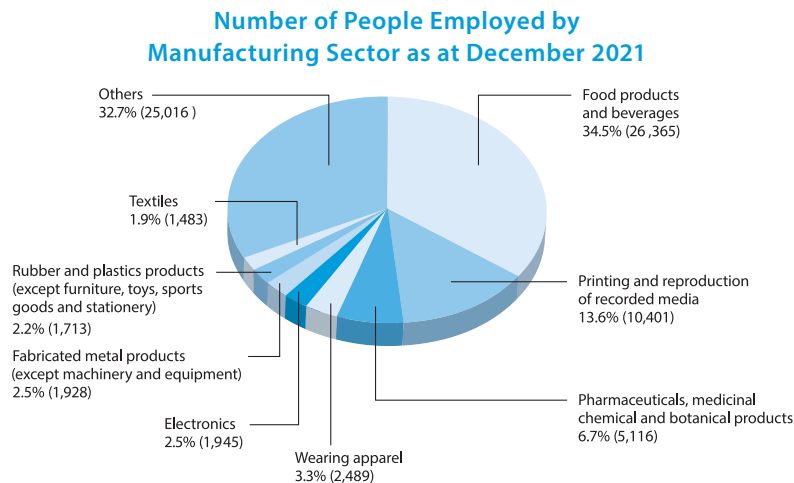
The main components of Hong Kong's exports of services were in transport and financial services, accounting for 41.8 per cent and 30.8 per cent respectively of the total value. The territory is a net exporter of services and had an overall surplus of \$117.1 billion in 2021, including surpluses of \$126 billion and \$88.4 billion in financial services and transport respectively.

## Manufacturing

Hong Kong is a command and control centre for manufacturing with a globalised production network. Domestic manufacturing contributed 1 per cent of GDP in 2020 and provided employment for 78,800 people in 2021, making up 2.2 per cent of overall employment.

Food and beverage producers are the largest employers in the sector, followed by employers in the printing and reproduction of recorded media industries. Chart 1 shows the breakdown of manufacturing employment.

Chart 1

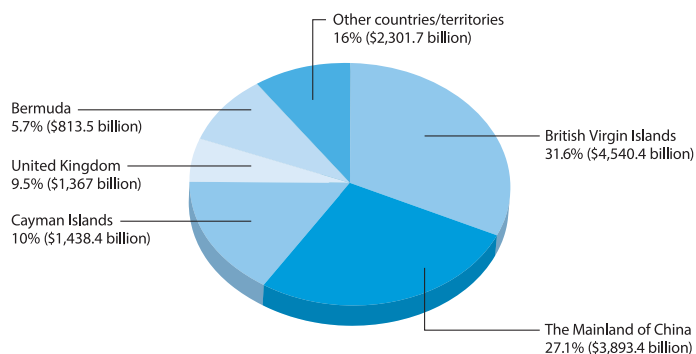


## Inward Direct Investment

According to the *World Investment Report 2021* issued by the United Nations Conference on Trade and Development, Hong Kong was the world's third-largest recipient of inward direct investment in 2020, after the US and the Mainland. The Census and Statistics Department's report *External Direct Investment Statistics of Hong Kong 2020* indicated Hong Kong's foreign direct investment (FDI) inflow in 2020 amounted to \$911.1 billion. At the end of 2020, the total stock of inward direct investment<sup>1</sup> amounted to \$15,883.5 billion. The vast stock of external direct investment in Hong Kong testifies to its status as a prominent international financial centre and commercial hub, as well as its attraction to multinational corporations as a base to manage their investments and businesses around the world. Chart 2 shows selected major investor countries and territories of inward direct investment. The British Virgin Islands and the Mainland were the two largest, accounting for 31.6 per cent and 27.1 per cent of the total respectively. Chart 3 shows the major economic activities of Hong Kong enterprise groups<sup>2</sup> having received inward direct investment. Those engaged in investment and holding, real estate, and professional and business services took up the largest share, at 65.2 per cent of the total.

According to the latest survey in 2021, the number of overseas and Mainland companies in Hong Kong reached 9,049, an all-time high, covering companies across different sectors, sizes and origins of parent companies.

**Chart 2** Stock of Hong Kong's Inward Direct Investment at Market Value by Selected Major Investor Country/Territory# at end-2020



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

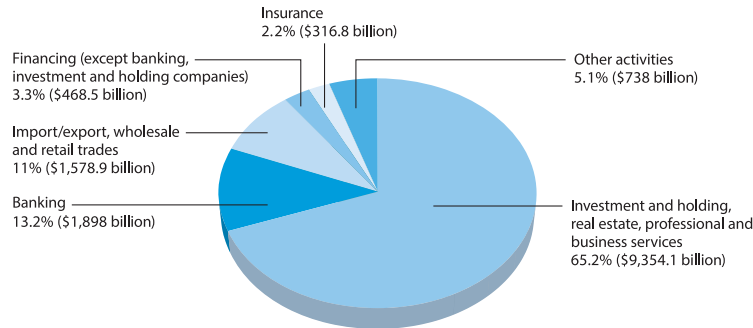
Note: Individual percentage shares may not add up to 100 due to rounding.

<sup>1</sup> According to international statistical standards, the total stock and flow of inward direct investment presented in this paragraph is compiled based on the asset/liability principle, while detailed inward direct investment figures analysed by 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 total stock of inward direct investment is different from the sum of the detailed inward direct investment figures by country/territory or by major economic activity of Hong Kong enterprise groups.

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

Chart 3

### Stock of Hong Kong's Inward Direct Investment at Market Value by Major Economic Activity of Hong Kong Enterprise Groups at end-2020



Note: Individual percentage shares may not add up to 100 due to rounding.

## Institutional Framework

### Commerce, Industry and Tourism Branch

The Commerce, Industry and Tourism Branch of the Commerce and Economic Development Bureau formulates and coordinates 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 sets the overall policy for the HKSAR's participation in the Belt and Road Initiative and coordinates the work of the HKSAR Government on the initiative. The branch is assisted by the Trade and Industry Department, Invest Hong Kong, Customs and Excise Department, Intellectual Property Department, Hongkong Post and Hong Kong Observatory. It is also supported by overseas Hong Kong 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.

The department provides locally based trade and industry organisations and businesses with services, including issuing certificates of origin, import and export licences and certificates of Hong Kong service suppliers. It offers general support to various sectors, in particular small and medium enterprises (SMEs), and provides local enterprises with updated information on changes in major trading partners' trade-related laws, regulations and policies.

### Invest Hong Kong

Invest Hong Kong (InvestHK) attracts and retains FDI that is of strategic importance to the territory's economic development. It supports overseas and Mainland companies to set up and expand their operations in Hong Kong. Investment promotion activities are conducted through its 16 investment promotion units worldwide, as well as its overseas consultants in another 15 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) and other free trade agreements (FTAs) signed with Hong Kong's trading partners; 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. It collects import and export declarations, declaration charges and the clothing industry training levy, and enforces statutory controls.

The department also enforces the criminal laws that protect copyrights and trademarks, 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 four registries for trademarks, patents, designs and copyright licensing bodies; makes recommendations on intellectual property policy and legislation; provides civil legal advice on intellectual property matters to the government; and promotes public awareness of and respect for intellectual property rights. It also facilitates and promotes Hong Kong's development as a regional intellectual property trading centre.

### ***Overseas Hong Kong Economic and Trade Offices***

There are 14 overseas Hong Kong ETOs, in Bangkok, Berlin, Brussels, Dubai, Geneva, Jakarta, London, New York, San Francisco, Singapore, Sydney, Tokyo, Toronto and Washington. The Geneva ETO represents Hong Kong, China as a member of the World Trade Organisation (WTO) and as a participant at the Trade Committee of the Organisation for Economic Cooperation and Development (OECD), while the other ETOs promote Hong Kong's economic and trade interests in the countries under their respective purviews by enhancing understanding of Hong Kong among opinion-formers, monitoring developments that may affect Hong Kong's economic and trade interests, and liaising with government bodies, politicians, businesses, think tanks and the media. They organise events to promote Hong Kong's image, and those with investment promotion units also offer support to individual enterprises interested in setting up operations 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 Berlin ETO covers eight countries in central and eastern Europe, while the London ETO is responsible for nine countries and is also the base of Hong Kong's representative to the International Maritime Organisation.

The Washington ETO represents Hong Kong's overall economic and trade interests in the US, monitors developments that may affect Hong Kong's interests, and promotes Hong Kong's bilateral relations with the US. The New York and San Francisco ETOs cover 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 ETO covers New Zealand and the Tokyo ETO covers Korea. The Jakarta ETO represents Hong Kong in dealing with the Association of Southeast Asian Nations (ASEAN) as a whole, and in particular matters with Indonesia, Brunei Darussalam, Malaysia and the Philippines. The Bangkok ETO covers Thailand, Bangladesh, Cambodia and Myanmar, while the Singapore ETO covers Singapore, India, Laos and Vietnam.

The Dubai ETO commenced operation in October. It is Hong Kong's first ETO in the Middle East region and is responsible for bilateral economic and trade relations with the United Arab Emirates and other member states of the Cooperation Council for the Arab States of the Gulf, namely Bahrain, Kuwait, Oman, Qatar and Saudi Arabia.

Promotional activities organised by the ETOs are set out in the 'Promoting Hong Kong Worldwide' section of Chapter 17 Media and Communications.

## **External Commercial Relations**

### ***Participation in World Trade Organisation***

The rules-based multilateral trading system under the auspices of the WTO is the cornerstone of Hong Kong's external trade policy. Hong Kong is a founding member of the WTO and has continued its separate membership under the name 'Hong Kong, China' since the establishment of the HKSAR. Hong Kong takes part in WTO negotiations and discussions to safeguard and advance Hong Kong's trade interest.

### ***Regional Economic Cooperation***

Hong Kong takes part as a full and separate member in the Asia-Pacific Economic Cooperation (APEC), a regional forum for high-level dialogue and trade and economic cooperation, under the name 'Hong Kong, China'. In 2021, Hong Kong conducted about 86 per cent of its external trade with the other 20 APEC member economies.

Hong Kong also takes part in the Pacific Economic Cooperation Council, which is a regional forum comprising government officials, business leaders and academics working on policy issues to enhance trade, investment and economic development in the Asia-Pacific region.

### ***Organisation for Economic Cooperation and Development***

Hong Kong takes part in the Trade Committee of the OECD, which is an important forum for discussing policies on international trade.

### ***Free Trade Agreements***

Hong Kong has signed six FTAs with 18 foreign economies to secure more favourable market access for Hong Kong goods and services, thereby creating new opportunities for Hong Kong businesses and promoting free trade. All FTAs have come into effect, including one with ASEAN which came into effect in full in February. Hong Kong is seeking to join the Regional Comprehensive Economic Partnership and continues exchanges with other trading partners to explore possible FTAs.

### ***Mainland and Hong Kong Closer Economic Partnership Arrangement***

The Mainland's economic and trade growth boosts Hong Kong's trade in goods and services. Both sides work to broaden the coverage of CEPA, signed in 2003, and to deepen liberalisation in trade and investment. CEPA has become a comprehensive FTA, covering trade in goods, trade in services, investment and economic and technical cooperation. The Agreement Concerning Amendment to the Agreement on Trade in Services under CEPA, implemented in 2020, makes it easier for Hong Kong service suppliers, including professionals, to develop business in the Mainland.

### ***Investment Promotion and Protection Agreements***

Hong Kong has signed 22 investment promotion and protection agreements with 31 foreign economies to assure overseas investors that their investments in Hong Kong are protected and to enable Hong Kong investors to enjoy similar protection overseas. In February, the investment agreement signed with ASEAN came into force in full. The agreement signed with Mexico came into force in June, while negotiations with Russia and Turkey continued.

### ***Trade in Goods***

In 2021, the Customs and Excise Department carried out 33,703 factory and consignment inspections and concluded 249 investigations to ensure compliance with factory registration conditions and import and export licensing requirements. The department also conducted 19 'blitz' operations on consignments of goods at various import and export control points. It prosecuted 54 companies and 17 offenders successfully, leading to fines totalling \$1.1 million.

### ***Trade in Strategic Commodities***

The Trade and Industry Department maintains a comprehensive import and export licensing system for strategic commodities. It also administers a permit system for certain chemicals in order to implement the requirements under the Chemical Weapons Convention. Hong Kong works with its trading partners to keep abreast of international developments on strategic trade controls and to ensure its control arrangements are in line with international standards.

In 2021, the Customs and Excise Department successfully prosecuted 34 companies and seven offenders involved in the unlicensed import and export of strategic commodities, resulting in fines totalling \$560,000. Goods valued at \$1.07 million were confiscated.

### ***Customs Cooperation***

The Customs and Excise Department plays an active role in the work of the World Customs Organisation (WCO) and APEC's Sub-Committee on Customs Procedures. It liaises with the WCO and seconded one officer each to the WCO Compliance and Facilitation Directorate in Brussels, the WCO Regional Intelligence Liaison Office for Asia and the Pacific in Seoul, and the WCO Asia Pacific Regional Office for Capacity Building in Bangkok.

Local companies that satisfy the department's security standards may be accredited under the Hong Kong Authorised Economic Operator Programme and enjoy customs facilitation, including reduced inspection and prioritised clearance of their goods in Hong Kong and in economies with mutual recognition arrangements with Hong Kong. As at December, these

economies included the Mainland, Australia, Canada, India, Israel, Japan, Korea, Malaysia, Mexico, New Zealand, Singapore and Thailand.

The department shares intelligence and enforcement experience with other law enforcement agencies. It also maintains bilateral cooperation arrangements with a number of customs administrations.

### **Participation in Belt and Road Initiative**

The government adopts a whole-government approach to further consolidate Hong Kong's position as both a key link and the prime functional platform for Belt and Road.

In January, the bureau, together with the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the Hong Kong Monetary Authority, organised an online high-level roundtable to promote exchanges and cooperation between state-owned enterprises and Hong Kong's businesses and professional services sector.

In May, the bureau, in conjunction with SASAC, launched the Mainland Enterprises Partnership Exchange and Interface Programme, and organised its first sharing session. Around 50 business matching sessions were held on the day, promoting ties between Mainland enterprises and Hong Kong's professional services sector.

In June, the bureau's Belt and Road Office and the Commercial Office of the Economic Affairs Department of the Liaison Office of the Central People's Government in the HKSAR jointly organised two webinars on business development in five of the Economic and Trade Cooperation Zones in Southeast Asia.

In July, the fourth Joint Conference on Advancing Hong Kong's Full Participation in and Contribution to the Belt and Road Initiative was convened by the government and the Mainland authorities to follow up on the implementation of measures set out in the relevant arrangement signed between the National Development and Reform Commission and the HKSAR Government in 2017.

On 1-2 September, the government and the Hong Kong Trade Development Council (HKTDC) co-organised the 6th Belt and Road Summit. Over 6,000 government officials, entrepreneurs and professionals from more than 80 countries and regions signed up to participate online, and over 770 one-on-one business matching sessions were arranged for some 260 projects. At the summit, the government and the Ministry of Commerce signed a memorandum of understanding on enhancing exchanges and cooperation in promoting high-quality development of overseas Economic and Trade Cooperation Zones.

In September and November, through the Belt and Road Office, the government co-organised webinars respectively with the governments of Vietnam and Cambodia to explore collaboration opportunities in such fields as trade, investment, professional services and innovation and technology.



## Inward Investment Promotion

In 2021, InvestHK helped 333 overseas and Mainland companies set up or expand operations in Hong Kong, involving direct investment of more than \$22.3 billion and the creation of more than 3,050 jobs within the first year of their operation or expansion<sup>3</sup>.

InvestHK promotes the city's business advantages by organising investment promotion activities in the Mainland and key overseas markets, and by sponsoring important events to bring FDI to Hong Kong. In 2021, it collaborated with relevant Mainland cities to promote Hong Kong as a two-way platform to attract overseas companies to invest in the Mainland via Hong Kong, and to encourage Mainland enterprises to use Hong Kong to go global. It organised five hybrid events in Jiangsu, Yunnan and Hong Kong. The department also organised a hybrid investment promotion symposium in Sydney in March to promote the latest development and business opportunities of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) to the Australian business community. It completed 83 investment projects from the Mainland in 2021, representing 25 per cent of its total number of completed projects.

InvestHK's StartmeupHK initiative aims to attract global start-ups to set up in Hong Kong, promote the territory as a leading hub for start-ups and entrepreneurship, and support the development of the local start-up ecosystem. It hosted the week-long virtual StartmeupHK Festival in May to promote innovation and technology, attracting close to 39,000 participants.

InvestHK's financial technology team helps overseas and Mainland fintech-related companies establish their presence in Hong Kong and organises international events, such as the annual Hong Kong Fintech Week, which attracted over 20,000 attendees and more than 4 million online views, and more than 400 exhibitors and over 300 speakers from 87 economies to its first virtual and physical hybrid iteration in November.

## Industrial Policy

Leveraging Hong Kong's competitive edge, the government develops a high value-added and diversified economy which embraces the development of new economic sectors. The government also encourages industry participation to capitalise on opportunities emerging from the Belt and Road Initiative and the GBA development, in order to generate new impetus for the territory's economic development.

## Small and Medium Enterprises

SMEs are manufacturing businesses that employ fewer than 100 people and non-manufacturing businesses with fewer than 50 employees in Hong Kong. As at end-2021, there were about 350,000 SMEs, representing over 98 per cent of all local enterprises and employing about 1.2 million people. The government's funding schemes help SMEs secure loans from lending institutions, explore new markets and enhance their competitiveness.

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<sup>3</sup> As reported by some of the companies assisted by InvestHK. Not all the companies disclosed their data.

## 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 comprehensive public education programmes. This has earned Hong Kong a reputation for effective protection of intellectual property.

### Registration

The Intellectual Property Department provides electronic registration and management services through the internet. Its e-registers allow free data searches in Chinese or English, while the e-filing system enables intellectual property owners and agents to file their applications securely and to make changes to certain particulars of their registrations and applications directly. In 2021, 81 per cent, 97 per cent and 86 per cent of applications for trademarks, patents and designs respectively were filed electronically.

### Trademarks

The Trade Marks Registry received 35,240 applications in 2021, a 4.5 per cent increase from 2020. It registered 32,719 marks, taking the number of registered marks to 476,443 by end-2021. Of the 106 countries and regions that filed applications, the principal ones were:

Hong Kong	14,224	France	766
Mainland	5,918	United Kingdom	756
US	3,687	Singapore	692
Japan	2,363	Germany	676
Korea	930	Switzerland	628

The government is pressing ahead with the preparatory work to implement the international registration system under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, including preparing the related subsidiary legislation and setting up the required information technology system.

### Patents

The original grant patent system, launched in 2019, provides a direct route for applicants to file standard patent applications in Hong Kong that are subject to the Patents Registry's substantive examination. The pre-existing re-registration system is retained to grant standard patents based on corresponding patents granted by one of three designated patent offices, namely the China National Intellectual Property Administration, UK Intellectual Property Office, and European Patent Office in respect of patents designating the UK. The short-term patent system has also been refined, enabling short-term patent owners or third parties having a legitimate interest in the validity of a patent to ask the registry to carry out post-grant substantive examination.

The registry received 21,686 standard patent (by re-registration), 257 standard patent (by original grant) and 552 short-term patent applications in 2021. It granted 14,655 standard patents (by re-registration) and 684 short-term patents, respectively 91.4 per cent higher and 6.2 per cent lower than in 2020. Seven standard patents by original grant were granted in 2021.

### **Designs**

In 2021, the Designs Registry received 1,882 applications to register 3,858 designs and registered 4,206 designs, a 16.6 per cent decrease from 2020.

### **Copyright**

The Copyright Ordinance protects original 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 authors and performers. No registration is required to obtain protection.

To revive the Copyright Ordinance amendment exercise, a public consultation on updating Hong Kong's copyright regime in the light of the digital environment was launched in November.

### **Enforcement**

The Customs and Excise Department enforces criminal sanctions against the infringement of intellectual property rights. It investigates reports of copyright infringement and trademark 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 the possession of such goods for business use. The department liaises with businesses to investigate cases and promote protection of intellectual property rights.

In addition to targeted raids, officers carry out intensive and high-profile patrols in high-risk areas to deter the peddling of pirated and counterfeit goods, including street sales. In 2021, the department arrested 70 people in 52 piracy cases and confiscated goods, mostly electronics and pirated optical discs, worth \$2.94 million. It also seized counterfeit goods worth \$163 million and arrested 366 people in 690 cases of forged trademarks.

### **Public Education**

The Intellectual Property Department promotes the value of intellectual property trading and the importance of protecting intellectual property rights. In 2021, 12 trade associations with over 1,600 retail merchants, covering more than 7,000 outlets and online shops, took part in its No Fakes Pledge scheme. Through school talks and interactive drama programmes, the department reached out to 140 schools and over 35,600 students.

### **Intellectual Property Trading**

The National 14th Five-Year Plan supports Hong Kong's development into a regional intellectual property trading centre. The Intellectual Property Department will continue to implement initiatives to promote the commercialisation and trading of intellectual property in Hong Kong. The department offers free consultation, the Intellectual Property Manager Scheme Plus and, in collaboration with stakeholders, seminars and training courses. It also showcases success stories of enterprises that engage in intellectual property trading in the GBA, and works with the Department of Justice to promote arbitration and mediation in resolving intellectual property disputes.

### ***Cooperation with Mainland***

The Intellectual Property Department works with its Mainland counterparts, including those in the GBA, to promote intellectual property protection, management and trading.

The Customs and Excise Department exchanges experience and information with its Mainland counterparts on the detection and prosecution of intellectual property-related offences. It conducts joint operations with Guangdong Customs to intercept the cross-boundary movement of infringing goods, and works with the Economic Crime Investigation Bureau of the Guangdong Provincial Public Security Department to share intelligence and provide mutual assistance in combating cross-boundary infringing activities.

### ***Participation in International Organisations***

The Intellectual Property Department takes part in events of the WTO's Council for Trade-Related Aspects of Intellectual Property Rights and the World Intellectual Property Organisation, and attends meetings of the APEC Intellectual Property Rights Experts Group.

### **Trade Documentation**

Hong Kong is a free port and most products do not need licences to enter or leave. Licences are required mainly to fulfil Hong Kong's international obligations; to protect public health, safety, the environment and intellectual property rights; and to ensure the territory's continued access to advanced technologies and high-tech products. An origin certification system is also in place to facilitate exports.

### ***Road Cargo System***

The Customs and Excise Department's Road Cargo System facilitates customs clearance of road cargo through prior risk-profiling. Under the system, a shipper or his agent submits key cargo information electronically before the consignment is imported to or exported from Hong Kong. As a result, cross-boundary goods vehicles, except those selected for inspection, may go through seamless customs clearance at land boundary control points.

### ***Intermodal Transshipment Facilitation Scheme and Single E-lock Scheme***

The Intermodal Transshipment Facilitation Scheme (ITFS) seeks to simplify customs clearance procedures for air-land and sea-land intermodal transshipment cargo. Enrolment is voluntary. Participating enterprises convey their cargo using vehicles installed with electronic locks and Global Positioning System devices recognised by the department. The cargo normally undergoes inspection only once, if selected at all, when entering or leaving Hong Kong.

The Single E-lock Scheme (SELS) streamlines customs clearance procedures by connecting the ITFS to a speedy clearance system operated by Mainland customs. Mutually recognised electronic locks are used to minimise duplicate inspections of the same consignment at the boundary. The SELS network covers all nine Mainland municipalities in the GBA. As at 2021, there were 76 clearance points in total (13 in Hong Kong and 63 in Guangdong).

### ***Free Trade Agreement Transshipment Facilitation Scheme***

The Free Trade Agreement Transshipment Facilitation Scheme allows consignments passing through Hong Kong to enjoy preferential tariffs under FTAs signed between the Mainland and its trading partners. The department supervises such consignments and issues certificates of non-manipulation, enabling traders to claim preferential tariffs from the authorities at the importing end.

### ***Government Electronic Trading Services***

The Government Electronic Trading Services allows the trading community to submit key trade-related documents to the government electronically to fulfil statutory obligations in a cost-effective and environment-friendly manner. Three government-appointed operators selected by open tender provide the services. They processed more than 23 million transactions in 2021.

### ***Trade Single Window***

The government is setting up the Trade Single Window in three phases to allow one-stop lodging of over 40 types of trade documents with the government for trade declaration and customs clearance. All the 14 types of documents under phase 1 have been launched. Phase 2 will be rolled out by batches from 2023, adding another 28 types of documents. The government is finalising the implementation details of phase 3 which will cover documents required for the import and export of all goods.

## **Trade and Industrial Support Organisations**

### ***Hong Kong Trade Development Council***

The statutory HKTDC promotes, assists in and develops Hong Kong's external trade. With 50 offices globally, including 13 in the Mainland, it promotes Hong Kong as a two-way global investment, trade and business hub.

The council organises international exhibitions, conferences and business missions to create business opportunities for companies, particularly SMEs, in the Mainland and around the world. It also provides business support programmes, up-to-date market insights and product information via sourcing platforms, research reports and digital news channels.

### ***Hong Kong Export Credit Insurance Corporation***

The statutory Hong Kong Export Credit Insurance Corporation encourages and supports export trade by providing insurance protection for Hong Kong exporters against non-payment risks arising from prescribed circumstances.

Amid the gradual global economic recovery, the corporation's total insured business and gross premium income respectively rose by 8.4 per cent to \$133.5 billion and 12.9 per cent to \$323.6 million in 2021, while payment of claims decreased by 93.7 per cent to \$41 million. To support exporters during the pandemic, the validity period of the 100% Credit Limit Top-up Scheme has been extended three times, to end-June 2022. The corporation is introducing three

new initiatives to enhance support for exporters. They are the Export Credit Guarantee Programme to be piloted, the Flexible Indemnity Ratio arrangement and EC-Reach 2.0, the upgraded online self-service platform, launched in December.

### ***Other Trade and Industrial Support Organisations***

The Federation of Hong Kong Industries, Chinese Manufacturers' Association of Hong Kong, Hong Kong General Chamber of Commerce, Chinese General Chamber of Commerce, Hong Kong Chinese Enterprises Association and Hong Kong Chinese Importers' and Exporters' Association promote the interests of, and foster relationships among, their members. There are also overseas chambers of commerce, SME organisations and other associations representing specific sectors or interests.

### **Promotion of Competition**

The government promotes sustainable competition to enhance economic efficiency and the free flow of trade, benefiting both consumers and businesses. The Competition Ordinance provides a legal framework to tackle anti-competitive conduct in different sectors. Serious anti-competitive conduct includes price fixing, market sharing, bid rigging and output limitation.

The government-appointed Competition Commission enforces the ordinance and investigates possible contraventions, promotes public understanding of the ordinance, carries out market studies and advises the government on competition matters. In 2021, the commission received 256 complaints and 308 enquiries. It also started initial assessments of 19 meritorious cases and escalated four cases to in-depth investigation. During the year, the commission brought two cases to the Competition Tribunal and issued infringement notices to seven entities in another case.

In 2021, the tribunal handed down judgment on sanctions in one case and four other cases were either pending trial or judgment.

### **Creative Industries**

#### ***Create Hong Kong***

Hong Kong's creative industries cover eight sectors: advertising, architecture, design, digital entertainment, film, music, printing and publishing, and television. The government supports their development through Create Hong Kong (CreateHK), under the bureau's Communications and Creative Industries Branch.

#### ***Support for Film Sector***

##### ***Film Development Council***

The Film Development Council advises the Secretary for Commerce and Economic Development on policies, strategies and arrangements to promote and develop the film industry, and the use of the Film Development Fund (FDF) to support film-related projects and activities to nurture talent, enhance local production, expand markets and build audiences.

### *Film Development Fund*

The FDF supports film productions and other film-related projects to sustain and develop the industry. The government has injected \$1.54 billion into the fund since 2005. Around \$130 million was committed to 18 film productions and 13 other film-related projects in 2021.

### *Nurturing Talent*

The First Feature Film Initiative identifies new directors through a competition of screenplay and production proposals, and subsidises the winners to make their first feature-length commercial films. In 2021, two past winners' films were released commercially.

The Directors' Succession Scheme invites experienced directors to partner with one or two up-and-comers to co-produce films, aiming to nurture young talents and enhance the quality and quantity of local productions. In 2021, proposals from three teams were approved.

The FDF supports the industry to provide local and overseas training in different areas of filmmaking, including post-production services.

### *Enhancing Local Production*

In 2021, 15 films, engaging eight new directors and two new producers, were approved under the Film Production Financing Scheme and its relaxation plan, and three films funded by the Film Production Grant Scheme were released commercially.

### *Expanding Markets and Building Audiences*

Due to the pandemic, the annual Entertainment Expo Hong Kong was held mostly online, drawing an audience of more than 300,000.

The FDF subsidises distribution and publicity of Hong Kong-produced Cantonese films in the Mainland, as well as participation by Hong Kong films at international film festivals. It also subsidises screenings, seminars and film appreciation courses by trade organisations for the local community, especially young people. In 2021, CreateHK supported the screening of over 70 Hong Kong films at 12 international film festivals or overseas film events by direct subsidy or in collaboration with Hong Kong ETOs.

CreateHK organised a film-related photo exhibition in Guangzhou from April to May, and the 'Hong Kong Film Show in Guangdong', presenting over 50 screenings of nine Hong Kong films in three cities of the Greater Bay Area from December.

### *Support for Other Creative Sectors*

#### *CreateSmart Initiative*

The CreateSmart Initiative (CSI) supports promotional and nurturing projects from seven other creative sectors, providing about \$260 million to 40 such projects in 2021.

#### *Nurturing Talent and Facilitating Start-ups*

Through the CSI, CreateHK supports the manpower development of creative industries and nurturing of start-ups.

Support arrangements include: the Design Incubation Programme, for design start-ups; the Fashion Incubation Programme, for up-and-coming fashion designers; graduate programmes, providing internships at digital advertising, digital entertainment and design companies; the DFA Hong Kong Young Design Talent Award, which selects winners to receive government funding to pursue work attachments or further studies overseas; the Animation Support Programme, funding original animation by start-ups and small companies; the Hong Kong Game Enhancement and Promotion Scheme, which supports game companies to develop marketing campaigns and enhance the quality and profitability of their products; the Support Programme for Advertising and Music Talents (Microfilm Production), which offers funding and mentorship to advertising production companies and directors; and the Hong Kong Publishing Biennial Awards, which recognise outstanding Chinese books published in Hong Kong.

Creative talent is also sponsored to participate in digital entertainment events, such as DigiCon6 Asia.

### *Exploring Markets*

CreateHK supports these creative sectors to bring high-value customers to Hong Kong, and takes local talent and products to Mainland and overseas markets. CSI-sponsored activities in 2021 included the promotion of local fashion brands and designers at Centrestage 2021 in Hong Kong, and the promotion of local product design at trade fairs in Shenzhen and Shanghai.

### *Promoting Hong Kong as Asia's Creative Capital*

Hong Kong fosters collaboration with Mainland and overseas cities to raise the profile of its creative industries locally and internationally. The CSI provided around \$83 million for nine such projects in 2021.

Events in 2021 included the Hong Kong Collateral Event at the 17th Venice Biennale of International Architecture Exhibition, with a response exhibition in Hong Kong, and the Business of Design Week, an international design industry event.

CreateHK also organised exhibitions in four cities of the Greater Bay Area, namely Shenzhen, Zhuhai, Foshan and Dongguan, from November to December, showcasing the strengths of Hong Kong's creative industries.

## **Consumer Protection**

### ***Consumer Council***

The government-appointed Consumer Council protects and promotes the interests of consumers of goods and services and purchasers, mortgagors and lessees of immovable property.

The council tests consumer products, conducts market surveys, monitors prices and trade practices, handles complaints and enquiries, advises the government and public authorities on consumer protection issues, and raises public awareness of consumer rights. It maintains close contact with its overseas counterparts to promote and protect consumer interests, and



administers the Consumer Legal Action Fund to enhance consumer access to legal remedies. In 2021, the council received 27,382 consumer complaints and 67,080 consumer enquiries, and completed 45 product tests, 26 surveys and 13 in-depth studies. It published the findings and disseminated practical consumer advice in its monthly magazine, *Choice*.

### **Enforcement of Legislation**

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

The Trade Descriptions Ordinance prohibits unfair trade practices commonly deployed against consumers of goods and services, including false trade descriptions, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch, and wrongly accepting payments.

The Toys and Children's Products Safety Ordinance is updated regularly to ensure toys and other children's products supplied in Hong Kong comply with operative, up-to-date international safety standards.

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 over goods and services. In 2021, the department carried out 8,827 spot checks and concluded 220 enforcement cases.

The Government Laboratory provides analytical and advisory services to the department in the enforcement of consumer protection legislation, and conducts on-site investigations to support the enforcement of the Weights and Measures Ordinance. In 2021, the laboratory carried out 34,571 tests to check the compliance of toys, children's products and consumer goods with safety standards, and to determine the weight of retail goods. It also carried out 4,709 tests to examine the authenticity of commodities and the correctness of trade descriptions 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. 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 other endangered species is subject to licensing requirements.

The ordinance is enforced by both the Agriculture, Fisheries and Conservation Department and the Customs and Excise Department. It provides for a maximum fine of \$10 million and imprisonment of up to 10 years. In 2021, there were 13,439 licences and certificates issued and 38 convictions.

### Websites

Commerce and Economic Development Bureau: [www.cedb.gov.hk](http://www.cedb.gov.hk)

Competition Commission: [www.compcomm.hk](http://www.compcomm.hk)

Consumer Council: [www.consumer.org.hk](http://www.consumer.org.hk)

Create Hong Kong: [www.createhk.gov.hk](http://www.createhk.gov.hk)

Film Development Council: [www.fdc.gov.hk](http://www.fdc.gov.hk)

Film Services Office: [www.fso-createhk.gov.hk](http://www.fso-createhk.gov.hk)

Intellectual Property Department: [www.ipd.gov.hk](http://www.ipd.gov.hk)

Special Effects Licensing Unit: [www.createhk-esela.gov.hk](http://www.createhk-esela.gov.hk)