

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

**Controlling officer:** the Director-General of Trade and Industry will account for expenditure under this Head.

**Estimate 2014–15** ..... **\$828.5m**

**Establishment ceiling 2014–15** (notional annual mid-point salary value) representing an estimated 486 non-directorate posts as at 31 March 2014 rising by six posts to 492 posts as at 31 March 2015 ... **\$213.0m**

In addition, there will be an estimated 11 directorate posts as at 31 March 2014 and as at 31 March 2015.

**Commitment balance**..... **\$131,017.1m**

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Commercial Relations</b></p> <p><b>Programme (2) Trade Support and Facilitation</b></p> <p><b>Programme (3) Support for Small and Medium Enterprises and Industries</b></p>	<p>These programmes contribute to Policy Area 6: Commerce and Industry (Secretary for Commerce and Economic Development).</p>
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#### Detail

##### Programme (1): Commercial Relations

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	98.0	106.6	106.6 (—)	<b>105.2</b> (–1.3%)
				(or –1.3% on 2013–14 Original)

#### Aim

2 The aim is to secure and preserve maximum access and fair treatment for export of goods and services from Hong Kong to the Mainland and international markets.

#### Brief Description

3 The Department is responsible for the commercial relations of Hong Kong, and promotion and protection of Hong Kong's trade interests and rights. It also promotes Hong Kong's status as a separate customs territory and a model for international free trade. The rule-based multilateral trading system under the auspices of the World Trade Organization (WTO) is the cornerstone of Hong Kong's external trade policy. Being a founding Member of the WTO, Hong Kong has continued its separate membership in the WTO since its reunification under the name "Hong Kong, China".

4 The Department continues to participate actively in the Asia-Pacific Economic Cooperation (APEC) forum whose goal is to achieve free and open trade and investment among its member economies, which account for some 80 per cent of Hong Kong's total external trade.

5 Since the Mainland and Hong Kong concluded the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) in 2003, both sides have continued to explore further liberalisation measures for trade in goods and services, and to facilitate smooth and effective implementation of announced liberalisation measures. In this regard, the Department coordinates relevant bureaux and departments in discussions with the Mainland authorities.

6 The Department has helped achieve significant results on the commercial relations front. Hong Kong was the ninth largest trading economy in merchandise trade and the 16th largest in commercial services trade in the world in 2012 according to statistics compiled by the WTO.

7 In 2013, the Department's key activities included the following:

- active participation in the WTO, including—
  - monitoring and evaluating the implementation of the Uruguay Round agreements and work programmes adopted at the WTO Ministerial Conferences;
  - taking part in the Ninth WTO Ministerial Conference held in Bali, Indonesia from 3 to 7 December 2013;

- monitoring the progress of and contributing positively to the current round of multilateral trade negotiations, i.e. the Doha Development Agenda (DDA) negotiations, particularly the negotiations on non-agricultural market access, trade in services, rules and trade facilitation; and
- monitoring the implementation of accession commitments by recently acceded WTO Members (RAMs) and negotiations for accession to the WTO, and keeping the trade and industry community informed of changes in the trade and investment laws and regulations of major RAMs;
- active participation in various APEC activities, including—
  - taking part in the Economic Leaders’ Meeting, Ministerial Meetings and Senior Officials’ Meetings;
  - contributing to work on trade and investment liberalisation and facilitation, particularly in the monitoring of progress towards achieving the Bogor Goals, APEC Growth Strategy, regional economic integration, regulatory co-operation, green growth and food security; and
  - providing secretariat support for Hong Kong, China’s representatives to the APEC Business Advisory Council;
- active participation in regional bodies, including the Pacific Economic Cooperation Council (PECC);
- discussion, in consultation with relevant bureaux and departments and the trade, with the Mainland authorities on further liberalisation under CEPA, and issues relating to the implementation of liberalisation measures under CEPA, including through a newly established Joint Working Group. The Mainland and Hong Kong signed Supplement X to CEPA in August 2013 introducing 73 liberalisation and facilitation measures on trade and investment. These included 65 liberalisation measures for trade in services, two measures to strengthen financial co-operation and six measures to facilitate trade and investment;
- discussion with interested trading partners to enhance economic co-operation, including exploration and negotiation of co-operation arrangements, free trade agreements (FTAs) and investment promotion and protection agreements (IPPAs). Hong Kong signed the Cooperation Arrangement on Strengthening Trade and Economic Relations with Thailand, reached an agreement with the Association of Southeast Asian Nations (ASEAN) to pursue an FTA, completed domestic preparatory work for implementation of the FTA with Chile, and commenced negotiation of the Trade in Services Agreement (TISA) with some WTO Members. Hong Kong also continued to negotiate an IPPA with Russia and concluded negotiation of an IPPA with Myanmar and an IPPA with Bahrain;
- advising local companies on importing economies’ anti-dumping legislation and procedures;
- close monitoring of, and giving prompt advice to local traders and manufacturers on, changes in the import regulations of our trading partners; and
- close liaison with the trade and discussion with the Mainland authorities over measures to support and facilitate the trade to adjust to the Mainland policy changes.

### ***Matters Requiring Special Attention in 2014–15***

- 8 During 2014–15, the Department will:
- monitor the implementation of the WTO agreements and participate actively in work relating to the DDA. We will continue to work closely and constructively with the Director-General of the WTO and all WTO Members towards a successful conclusion of the negotiations;
  - participate actively in APEC, PECC and other regional bodies, and contribute particularly to APEC’s work on greater regional economic integration as well as on trade and investment liberalisation and facilitation;
  - continue to explore opportunities for Hong Kong’s participation in regional economic integration initiatives, enhance economic co-operation with trading partners including emerging economies, continue to negotiate the TISA and the FTA with ASEAN, as well as the IPPA with Russia, continue to implement the Hong Kong, China – New Zealand Closer Economic Partnership (CEP) Agreement and the FTA with the European Free Trade Association (EFTA), and seek to implement the FTA with Chile and start negotiations on an investment agreement with Chile;
  - continue to discuss, in consultation with relevant bureaux and departments and the trade, with the Mainland authorities on further liberalisation under CEPA so as to realise the goal of basically achieving liberalisation of trade in services between the Mainland and Hong Kong by the end of the National 12th Five-Year Plan period and to have early achievement of it in Guangdong; and continue to use the existing mechanism, including the Joint Working Group, to further enhance the effective implementation of the liberalisation measures under CEPA;
  - continue to facilitate the trade in adjusting to changes in the Mainland’s policies and in the global economic environment; and

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- safeguard Hong Kong's trade interests through—
  - monitoring the progress of accession to the European Union (EU) by certain European countries (including Montenegro and Turkey) and the related institutional changes to ensure that Hong Kong's trade interests and market access to the enlarged EU will not be adversely affected; and
  - responding to anti-dumping and other trade protection measures, monitoring changes in major trading partners' trade laws and legislation, and giving prompt advice to local traders and manufacturers.

### Programme (2): Trade Support and Facilitation

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	<b>2014–15 (Estimate)</b>
Financial provision (\$m)	120.8	124.5	125.9 (+1.1%)	<b>124.7</b> (–1.0%)
				(or +0.2% on 2013–14 Original)

### *Aim*

9 The aim is to optimise the benefits to Hong Kong flowing from international and bilateral trade agreements, including CEPA, to fulfil Hong Kong's obligations under such agreements by way of providing certifications and licensing services, and to enhance Hong Kong's role as a regional trading and distribution centre.

### *Brief Description*

10 The Department provides various licensing, certification and registration services for commodities (such as textiles and clothing, strategic commodities, powdered formula, rough diamonds, rice, the Mainland cereals and grain flour) in fulfilment of Hong Kong's international and bilateral obligations, to meet public safety and security requirements and to complement the trade arrangements of our major trading partners.

11 The Department maintains a textiles control system to provide facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports. The textiles control system, along with targeted enforcement actions by the Customs and Excise Department, has served as an effective deterrence against textiles-related malpractices. In tune with evolving changes to global trade rules affecting textiles, the textiles control system has been regularly reviewed and progressively liberalised. In 2013, the Department has completed another review of the control system with a view to further liberalising it.

12 The Department maintains a robust control system on strategic commodities, and to participate actively in international co-operation in strategic trade control. The list of strategic commodities controlled in Hong Kong is reviewed regularly to align the list of controlled items with the latest control lists of the international regimes. The Department implements the "Approval-in-Principle Arrangement for Bulk Users of Strategic Commodities Licensing Service", which aims to streamline licensing procedures and expedite processing time for certain frequent and qualified users of licensing services for strategic commodities.

13 The Department implements a powdered formula export licensing arrangement to combat the acute shortage problem caused by parallel traders diverting large quantities of powdered formula out of Hong Kong. Complemented by other supply chain improvement measures, this arrangement helps to ensure a sufficient and stable supply of powdered formula for infants and young children under 36 months of age in Hong Kong.

14 The Department implements the Kimberley Process Certification Scheme, which aims at stopping trade in "conflict diamonds" from fuelling armed conflicts, activities of rebel movements and illicit proliferation of armament.

15 The Department operates the Rice Control Scheme to ensure a stable supply of rice in Hong Kong by maintaining a reserve stock to cater for emergencies or any short-term shortage of supply. The Scheme has been operating smoothly and effectively.

16 Apart from providing a one-stop Hong Kong Service Supplier (HKSS) certification service to support the implementation of CEPA and handling enquiries on CEPA matters, the Department actively organises and participates in various promotional and publicity activities, and handles requests for assistance from Hong Kong service suppliers who have encountered difficulties in making use of CEPA benefits.

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17 The key performance measures are:

### *Targets*

	Target#	2012 (Actual)	2013 (Actual)	2014 (Plan)
consignment-specific textiles licence import (issued within two working days) (%) .....	100	100	100	<b>100</b>
export (issued within two working days) (%)^ .....	100	100	100	<b>100</b>
amendment and cancellation of consignment-specific textiles licence (completed within two working days) (%) .....	100	100	100	<b>100</b>
expeditious issue of consignment-specific textiles licence (issued within 24 hours excluding intervening non-working days) (%).....	100	100	100	<b>100</b>
certificate of registration for Textiles Trader Registration (issued within three working days) (%) .....	100	100	100	<b>100</b>
amendment of textiles notification under the Textiles Trader Registration Scheme (completed within two working days) (%) .....	100	100	100	<b>100</b>
Certificate of Hong Kong Origin, Certificate of Origin - Processing, Certificate of Hong Kong Origin - CEPA (CO(CEPA)) and Certificate of Hong Kong Origin - New Zealand (CO(NZ)) (issued within 1.5 working days) (%) .....	100	100	100	<b>100</b>
Certificate of Origin (Form A) (issued within 1.5 working days) (%) .....	100	100	N.A.¶	<b>100</b>
expeditious issue of Certificate of Hong Kong Origin/Form A/CO(CEPA)/ CO(NZ) (issued within 24 hours excluding intervening non-working days) (%).....	100	N.A.¶	N.A.¶	<b>100</b>
enquiry on CO(CEPA) and CO(NZ) and preferential rules of origin‡ simple enquiry (replied within three working days) (%) .....	100	100	100	<b>100</b>
complicated enquiry (replied within ten working days) (%) .....	100	100	100	<b>100</b>
production notification for cut and sewn garments (PN) (issued within 1.5 working days) (%) .....	100	100	100	<b>100</b>
enquiry on PN : permissible limits for component parts or classification enquiry simple enquiry (replied within one working day) (%) .....	100	100	100	<b>100</b>
complicated enquiry (replied within four working days) (%) .....	100	100	100	<b>100</b>
application for factory registration (completed processing within 14 working days) (%) .....	100	100	100	<b>100</b>
amendment of factory registration particulars if factory inspection is necessary (completed processing within 14 working days) (%) .....	100	100	100	<b>100</b>
if factory inspection is not necessary and the request is lodged in paper form (completed processing within three working days) (%) .....	100	100	100	<b>100</b>

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	Target#	2012 (Actual)	2013 (Actual)	2014 (Plan)
if factory inspection is not necessary and the request is lodged through on-line system (completed processing within one working day) (%).....	100	100	100	<b>100</b>
local sub-contracting arrangement (LSA) registration (completed processing within one working day) (%).....	100	100	100	<b>100</b>
outward processing arrangement (OPA) registration (completed processing within one working day) (%).....	100	100	100	<b>100</b>
combined annual renewal of factory registration and OPA registration (completed processing within one working day) (%).....	100	100	100	<b>100</b>
enquiry on OPA: manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry (completed processing within one working day) (%).....	100	100	100	<b>100</b>
complicated enquiry (completed processing within four working days) (%).....	100	100	N.A.¶	<b>100</b>
import and export licence for reserved commodities (issued within one working day) (%).....	100	100	100	<b>100</b>
import and export licence for ozone depleting substances (issued within two working days) (%).....	100	100	100	<b>100</b>
import and export licence for strategic commodities				
licence application with prior approval-in-principle (issued within the same day) (%).....	100	100	100	<b>100</b>
other licence applications (issued within 2.5 working days) (%)Ψ.....	100	100	100	<b>100</b>
pre-classification service on strategic commodities (completed within two working days) (%)Ψ.....	100	100	100	<b>100</b>
powdered formula export licence (issued within two working days) (%)§.....	100	N.A.	100	<b>100</b>
amendment and cancellation of powdered formula export licence (completed within one working day) (%)ε.....	100	N.A.	100	<b>100</b>
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 minutes) (%).....	100	100	100	<b>100</b>
Kimberley Process Certificate (Export) for rough diamonds (issued within the following working day) (%).....	100	100	100	<b>100</b>
registration for rough diamond traders (completed within one working day) (%).....	100	100	100	<b>100</b>
certified true copy (issued within one working day) (%).....	100	100	100	<b>100</b>
registration for Transshipment Cargo Exemption Scheme (completed within 14 working days) (%).....	100	100	100	<b>100</b>
registration for importers of cereals and grain flour from the Mainland (completed within four working days) (%).....	100	100	100	<b>100</b>

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	Target#	2012 (Actual)	2013 (Actual)	2014 (Plan)
HKSS certificate				
fresh application (completed within 14 working days) (%) .....	100	100	100	100
amendment and renewal (issued within five working days) (%) .....	100	100	100	100
replacement and cancellation (issued within three working days) (%) .....	100	100	100	100
other written enquiries (replied within ten calendar days) (%) .....	100	100	100	100

# Target is applied upon receipt of all necessary documents and information.

^ The licence covers both domestic exports and re-exports and the same target processing time applies.

¶ No application/enquiry was received.

‡ Preferential rules of origin refer to the rules of origin applicable under respective arrangements/agreements of trade liberalisation between Hong Kong and its trading partners, including CEPA, the CEP Agreement with New Zealand, the FTA with EFTA and the FTA with Chile.

Ψ The processing time may take longer for complicated cases.

§ New target as from 2013. The powdered formula export licensing arrangement came into effect on 1 March 2013.

ε New target as from 2013. The target processing time has been reduced from “two working days” to “one working day” as from 1 January 2014.

### Indicators

	2012 (Actual)	2013 (Actual)	2014 (Plan)
<i>Licence issued</i>			
consignment-specific textiles import licence <sup>λ</sup> .....	7 808	6 525	5 460
consignment-specific textiles export licence <sup>λ</sup> .....	5 864	4 681	3 740
export notification I <sup>λ</sup> .....	51 217	40 186	31 600
export notification II <sup>λ</sup> .....	1 085 434	1 037 123	991 000
import notification <sup>λ</sup> .....	1 015 522	923 540	840 000
textiles trader registration <sup>β</sup> .....	14 180	13 416	12 700
Certificate of Hong Kong Origin, Certificate of Origin - Processing, Certificate of Origin (Form A), CO(CEPA) and CO(NZ) <sup>δ</sup> .....	2 119	1 875	1 960
factory registration <sup>φ</sup> .....	946	886	830
OPA registration <sup>φ</sup> .....	138	117	100
LSA registration <sup>φ</sup> .....	29	19	20
PN <sup>β</sup> .....	1 962	1 862	1 770
statutory declarations of antique .....	0	0	1
reserved commodities licence .....	9 150	10 001	10 000
registration of reserved commodity stockholder .....	155	168	170
ozone depleting substances licence .....	131	123	130
strategic commodities licence .....	449 456	459 558	460 000
powdered formula export licence <sup>Δ</sup> .....	N.A.	8 119	9 750
delivery verification certificate .....	4	8	8
international import certificate .....	71	50	50
pesticide (methyl bromide) licence <sup>@</sup> .....	6	10	10
Kimberley Process Certificate <sup>Φ</sup> .....	4 137	5 847	5 850
registration of rough diamond traders .....	233	294	240
HKSS certificate <sup>Λ</sup> .....	546	517	620
permit under the Chemical Weapons (Convention) Ordinance (Cap. 578) <sup>Ω</sup> .....	0	0	3
registration for importers of cereals and grain flour from the Mainland .....	88	92	100
<i>CEPA</i>			
enquiries .....	10 857	11 511	11 500
visitors to the Department's CEPA website .....	140 638	132 389	132 000

<sup>λ</sup> Due to the continual slackening of the global economy in 2013, the number of textiles licences and notifications lodged continued to decrease, and the trend is expected to continue.

<sup>β</sup> Due to the on-going relocation of textiles production outside Hong Kong, the number of textiles trader registrants and PN issued has been on the decrease and the trend is expected to continue.

- δ This new indicator replaces the indicators “Certificate of Hong Kong Origin and Certificate of Origin-Processing and CO(NZ)”, “Certificate of Origin (Form A)” and “CO(CEPA)” as from 2014. The 2012 (Actual) and 2013 (Actual) are accordingly the sum of actual numbers in the respective years for the above three indicators. Despite a slight drop in 2013, the projected figure for 2014 reflects a projected increasing trend of the number of CO(CEPA) issued over the past five years.
- φ Due to the on-going relocation of production outside Hong Kong, the actual numbers of factory registration, OPA registration and LSA registration have been on the decrease. The trend is expected to continue.
- Δ New indicator as from 2013. The figure for 2013 captures the number of licences issued since commencement of the powdered formula export licensing arrangement on 1 March 2013. The figure for 2014 is a full-year projection.
- @ Revised description of the previous indicator “other non-textiles licence” as from 2014.
- Φ The actual number of Kimberley Process Certificate issued in 2013 has increased when compared to the previous year. The figure for 2014 is projected to remain at a similar level as 2013.
- Λ The figures on HKSS certificates include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy.
- Ω Under the Chemical Weapons (Convention) Ordinance, the Department is empowered to administer a permit system to control and monitor the production and related activities pertinent to scheduled chemicals. There may be potential demand to operate chemical facilities which require permit from the Department. Given the chemical industry in Hong Kong is small in size, such potential demand would not be large.

***Matters Requiring Special Attention in 2014–15***

**18** During 2014–15, the Department will:

- continue to promote understanding of CEPA among the trade through the provision of a user-friendly enquiry hotline, organisation of or participation in various promotional and publicity activities, and timely dissemination of information to the trade;
- continue to liaise closely with the Mainland authorities and local traders on the Mainland issues of significant impact on business operations, and help reflect the trade’s concerns to the relevant Mainland authorities;
- keep the strategic trade control system under review with a view to further streamlining procedures and requirements without compromising the integrity and effectiveness of control;
- adjust the textiles control system as appropriate taking into account the outcome of the review; and
- keep in view the powdered formula export licensing arrangement and make adjustment as appropriate having regard to the outcome of reviews by the Food and Health Bureau on the supply situation of powdered formula in Hong Kong.

**Programme (3): Support for Small and Medium Enterprises and Industries**

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	<b>2014–15 (Estimate)</b>
Financial provision (\$m)	488.2	539.0	580.4 (+7.7%)	<b>598.6</b> (+3.1%)
				(or +11.1% on 2013–14 Original)

***Aim***

**19** The aim is to support and facilitate the development of Hong Kong’s small and medium enterprises (SMEs) and industries.

***Brief Description***

**20** The Department implements programmes to enhance the competitiveness of SMEs and their long-term development. It provides information and consultation services for SMEs through its Support and Consultation Centre for SMEs (SUCCESS). SUCCESS also organises seminars and workshops to help broaden SMEs’ business knowledge and enhance their entrepreneurial skills.

**21** The Department administers three SME Funding Schemes, namely the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF), and the SME Development Fund (SDF). A time-limited Special Loan Guarantee Scheme (SpGS) was launched in mid-December 2008 to help Hong Kong enterprises tide over the liquidity problem during the global financial crisis. The SpGS had ceased receiving applications after December 2010. Subject to certain requirements, the cumulative amount of grant that an SME may obtain from EMF has been increased from \$150,000 to \$200,000 with effect from June 2013. The enhancement aims at encouraging SMEs to participate in new export promotion activities.

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22 The Department assists Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets. In particular, the Department administers the Organisation Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), which was launched in 2012 to support Hong Kong enterprises in developing brands, upgrading and restructuring their operations, and promoting sales in the Mainland domestic market. The Department also works with the Commerce and Economic Development Bureau (CEDB) and the Hong Kong Productivity Council (HKPC) to administer the Enterprise Support Programme of the BUD Fund.

23 The Department maintains regular liaison with local industries and trade and industrial organisations. It provides secretariat support for the Small and Medium Enterprises Committee, which advises the Government on issues affecting the development of SMEs in Hong Kong. It also provides support to the organisation of the Hong Kong Awards for Industries.

24 The key performance measures are:

### *Targets*

	Target#	2012 (Actual)	2013 (Actual)	2014 (Plan)
<b>SUCCESS</b>				
confirmation of consultation meeting with applicants of Business Advisory Service within ten working days (%).....	100	100	100	<b>100</b>
replies to simple enquiries on licensing requirements within one working day (%) .....	100	100	100	<b>100</b>
replies to complicated enquiries on licensing requirements within three working days (%) .....	100	100	100	<b>100</b>
replies to simple enquiries on SME support services and facilities within one working day (%) .....	100	100	100	<b>100</b>
replies to complicated enquiries on SME support services and facilities within three working days (%) .....	100	100	100	<b>100</b>
<b>SGS</b>				
processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%) .....	100	100	100	<b>100</b>
<b>SDF</b>				
processing applications for grant within 60 working days (%) .....	100	100	100	<b>100</b>
<b>EMF</b>				
processing applications for grant within 30 working days (%) .....	100	99.9	100	<b>100</b>
<b>BUD Fund (Organisation Support Programme)</b>				
processing applications for grant within 60 working days (%) .....	100	100	100	<b>100</b>

# Target is applied upon receipt of all necessary documents and information.

### *Indicators*

	2012 (Actual)	2013 (Actual)	2014 (Plan)
<b>SUCCESS</b>			
enquiries <sup>a</sup> .....	20 996	17 350	<b>16 000</b>
visitors to SUCCESS <sup>a</sup> .....	29 644	27 797	<b>26 300</b>
visits to SUCCESS website.....	762 466	700 945	<b>701 300</b>
seminars and other activities .....	100	100	<b>100</b>
publications relating to local industries and SMEs .....	2	2	<b>2</b>



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	2012 (Actual)	2013 (Actual)	2014 (Plan)
SGS			
applications received and processed .....	1 767	1 200	1 200
no. of SME beneficiaries.....	1 509	1 061	1 070
amount of government guarantees issued (\$m) .....	1,874.9	1,354.1	1,354.1
SDF			
applications received and processed .....	48	42	40
amount of government grants approved (\$m).....	28.2	24.7	24.7
EMF			
applications received and processed .....	18 825	18 682	20 600
no. of SME beneficiaries.....	2 879	2 825	3 100
amount of government grants approved (\$m).....	259.5	250.9	280.0
BUD Fund (Organisation Support Programme)			
applications received and processed .....	54	50	50
amount of government grants approved (\$m).....	60.6	64.3	64.3

$\alpha$  Due to regular updating of SME-related information on SUCCESS website and notification sent to SME contacts electronically, the numbers of enquiries and visitors received by SUCCESS have decreased gradually. This trend is expected to continue.

### *Matters Requiring Special Attention in 2014–15*

**25** During 2014–15, the Department will:

- continue to closely monitor the global and domestic economic environment and the impact of any changes in the environment on Hong Kong enterprises, in particular SMEs;
- continue to liaise closely with the trade, and help them meet the challenges facing them;
- continue to administer the Organisation Support Programme of the BUD Fund and work with CEDB and HKPC to administer the Enterprise Support Programme of the BUD Fund; and
- continue to administer various SME Funding Schemes and closely monitor their effectiveness and utilisation.

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### ANALYSIS OF FINANCIAL PROVISION

	2012-13 (Actual) (\$m)	2013-14 (Original) (\$m)	2013-14 (Revised) (\$m)	2014-15 (Estimate) (\$m)
<b>Programme</b>				
(1) Commercial Relations .....	98.0	106.6	106.6	<b>105.2</b>
(2) Trade Support and Facilitation .....	120.8	124.5	125.9	<b>124.7</b>
(3) Support for Small and Medium Enterprises and Industries .....	488.2	539.0	580.4	<b>598.6</b>
	707.0	770.1	812.9 (+5.6%)	<b>828.5</b> (+1.9%)
				<b>(or +7.6% on 2013-14 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2014-15 is \$1.4 million (1.3%) lower than the revised estimate for 2013-14. This is mainly due to reduced requirements in operating expenses. There will be an increase of two posts in 2014-15.

##### Programme (2)

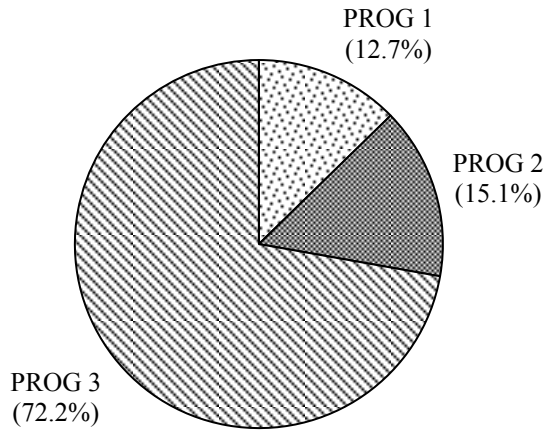
Provision for 2014-15 is \$1.2 million (1.0%) lower than the revised estimate for 2013-14. This is mainly due to reduced requirements in operating expenses. There will be a decrease of six posts in 2014-15.

##### Programme (3)

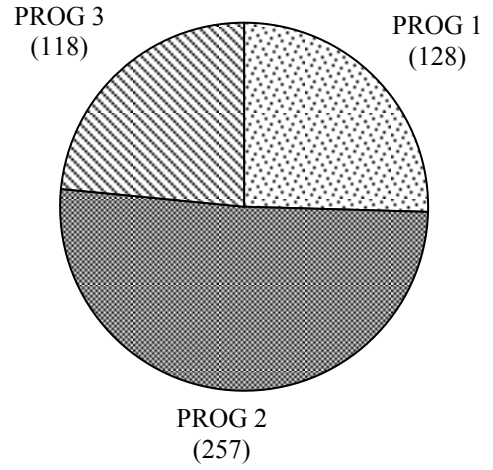
Provision for 2014-15 is \$18.2 million (3.1%) higher than the revised estimate for 2013-14. This is mainly due to increase in cash flow requirements for funding schemes. There will be a net increase of ten posts in 2014-15.

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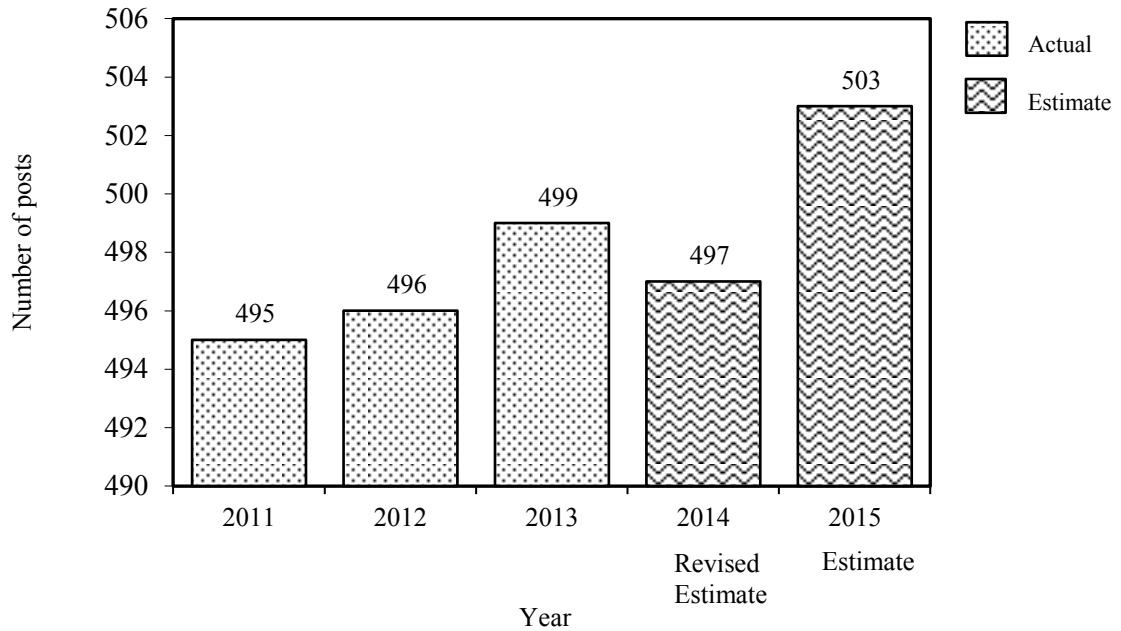
*Allocation of provision to programmes (2014-15)*



*Staff by programme (as at 31 March 2015)*



*Changes in the size of the establishment (as at 31 March)*



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Sub-head (Code)	Actual expenditure 2012-13	Approved estimate 2013-14	Revised estimate 2013-14	<b>Estimate 2014-15</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	294,831	307,636	311,766	<b>308,025</b>
	Total, Recurrent.....	294,831	307,636	311,766	<b>308,025</b>
Non-Recurrent					
700	General non-recurrent .....	412,212	462,452	501,130	<b>520,433</b>
	Total, Non-Recurrent.....	412,212	462,452	501,130	<b>520,433</b>
	Total, Operating Account .....	707,043	770,088	812,896	<b>828,458</b>
	Total Expenditure .....	707,043	770,088	812,896	<b>828,458</b>

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Details of Expenditure by Subhead

The estimate of the amount required in 2014–15 for the salaries and expenses of the Trade and Industry Department is \$828,458,000. This represents an increase of \$15,562,000 over the revised estimate for 2013–14 and of \$121,415,000 over the actual expenditure in 2012–13.

#### *Operating Account*

#### Recurrent

**2** Provision of \$308,025,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Trade and Industry Department.

**3** The establishment as at 31 March 2014 will be 497 permanent posts. It is expected that there will be a net increase of six posts in 2014–15. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2014–15, but the notional annual mid-point salary value of all such posts must not exceed \$212,965,000.

**4** An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2012–13 (Actual) (\$'000)	2013–14 (Original) (\$'000)	2013–14 (Revised) (\$'000)	<b>2014–15 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	218,909	226,614	231,701	<b>237,779</b>
- Allowances.....	5,061	5,038	3,371	<b>3,313</b>
- Job-related allowances.....	—	8	2	<b>4</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	330	413	422	<b>392</b>
- Civil Service Provident Fund contribution.....	3,128	3,472	4,179	<b>5,424</b>
Departmental Expenses				
- General departmental expenses .....	63,955	66,094	65,468	<b>56,057</b>
Other Charges				
- Subscription to the Asia-Pacific Economic Cooperation .....	1,334	1,369	2,495	<b>1,328</b>
- Trade negotiations and associated activities.....	387	2,500	2,000	<b>2,000</b>
- Contribution to the organisation of the Hong Kong Awards for Industries.....	1,600	2,000	2,000	<b>1,600</b>
- Subscription to the Pacific Economic Cooperation Council.....	127	128	128	<b>128</b>
	<hr/> 294,831	<hr/> 307,636	<hr/> 311,766	<hr/> <b>308,025</b>

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2013	Revised estimated expenditure for 2013–14	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700	<i>General non-recurrent</i>					
	520	SME Loan Guarantee Scheme <sup>⊖</sup> .....	30,000,000	195,620	19,200	29,785,180
	524	SME Export Marketing and Development Funds .....	3,750,000	2,826,972	277,500	645,528
	802	Special Loan Guarantee Scheme <sup>ω</sup> .....	100,000,000	165,996	130,000	99,704,004
	836	Dedicated Fund on Branding, Upgrading and Domestic Sales.....	1,000,000	43,134	74,430	882,436
		Total .....	<u>134,750,000</u>	<u>3,231,722</u>	<u>501,130</u>	<u>131,017,148</u>

- ⊖ The approved commitment of \$30 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on an assumed default rate of five per cent, the expected maximum expenditure for settlement of default claim is \$1.5 billion).
- ω The approved commitment of \$100 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on the assumed default rates of ten per cent and 12 per cent for loans approved under 70 per cent and 80 per cent Government guarantee respectively, the expected maximum expenditure for settlement of default claim is \$11.8 billion).