

Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

Estimate 2010–11	\$993.8m
Establishment ceiling 2010–11 (notional annual mid-point salary value) representing an estimated 487 non-directorate posts as at 31 March 2010 reducing by three posts to 484 posts as at 31 March 2011	\$176.5m
In addition, there will be an estimated 11 directorate posts as at 31 March 2010 and as at 31 March 2011.	
Commitment balance	\$120,678.5m

Controlling Officer's Report

Programmes

<p>Programme (1) Commercial Relations</p> <p>Programme (2) Trade Support and Facilitation</p> <p>Programme (3) Support for Small and Medium Enterprises and Industries</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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	77.8	88.4	91.1 (+3.1%)	92.0 (+1.0%) (or +4.1% on 2009–10 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, 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. Hong Kong relies on the rules-based multilateral trading system under the auspices of the World Trade Organization (WTO) as the cornerstone of its external trade policy. Being a founding Member of the WTO since its establishment in 1995, Hong Kong has continued its separate membership on WTO since 1 July 1997 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 been engaging in on-going discussions on further liberalisation measures and implementation of the announced measures. The Department coordinates, in consultation with relevant bureaux and departments, the discussions with the Mainland authorities, with a view to achieving further liberalisation in trade in goods and services, and facilitating smooth and effective implementation of the announced liberalisation measures.

6 The Department has helped achieve significant results on the commercial relations front. Hong Kong was ranked the 13th largest trading economy in merchandise trade and the 16th largest in services trade in the world in 2008 by the WTO. It came first in the 2010 Index of Economic Freedom published by the Heritage Foundation of the United States (US) in January 2010.

7 In 2009, 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 Seventh WTO Ministerial Conference held in Geneva from 30 November to 2 December 2009;
 - contributing positively in the current round of multilateral trade negotiations, i.e. the Doha Development Agenda (DDA) negotiations, particularly in 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, and serving as the Vice-Chair of the Committee on Trade and Investment;
 - contributing to discussion in addressing the global economic crisis, regional economic integration; trade and investment facilitation; reforming of APEC; and revitalising APEC's communications strategy, including leading a sub-group to develop a branding strategy for APEC; 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 and conjunction with relevant bureaux and departments, with the Mainland authorities on further liberalisation in different service areas under the CEPA including liberalisation measures for implementation in Guangdong Province on a pilot basis, and issues relating to the implementation of the announced liberalisation measures. Following successful CEPA consultations, the Mainland and Hong Kong signed Supplement VI to CEPA in May 2009 introducing 29 liberalisation measures in 20 service areas (of which nine measures are for early and pilot implementation in Guangdong Province);
- discussion with interested trading partners to enhance bilateral economic co-operation, including the exploration and negotiations of bilateral trade agreements and co-operation arrangements. The Department concluded the negotiation of a Closer Economic Partnership Agreement with New Zealand in 2009, which will be Hong Kong's first free trade agreement with a foreign economy. The Secure Freight Initiative pilot scheme, commenced in November 2007 in Hong Kong to further co-operation with the US on port security, concluded successfully in April 2009;
- advising local companies on importing economies' anti-dumping legislation and procedures, and making timely representations against any unfair and unjustifiable allegations and practices in anti-dumping cases. These included representations to India on its anti-dumping actions against recordable digital versatile discs and flax fabrics from Hong Kong, and representations to Turkey on its anti-dumping actions against tempered glass lids, and knives and blades for electromechanical domestic kitchen appliances. On the last case, Turkey decided in June 2009 to terminate the anti-dumping proceedings against the products concerned originating in Hong Kong without taking anti-dumping measures;
- 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, explore the Mainland domestic market and meet challenges brought by the financial tsunami.

Matters Requiring Special Attention in 2010–11

8 During 2010–11, the Department will:

- in the WTO—
 - monitor the implications of the various WTO agreements for Hong Kong and implementation of these agreements by trading partners; and
 - participate actively in the negotiations on 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 the 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, and the revitalised APEC communications and outreach strategy;
- monitor the development of regional economic integration and assess their impact on Hong Kong, and explore with interested trading partners possible means of enhancing economic co-operation;

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- continue to discuss, in conjunction with relevant bureaux and departments, with the Mainland authorities on further liberalisation in different service areas under the CEPA including liberalisation measures for pilot implementation in Guangdong Province, as well as issues relating to the implementation of the announced liberalisation measures;
- continue efforts to facilitate the trade to meet challenges arising from changes in Mainland's policies and the global economic environment; and
- safeguard Hong Kong's trade interests through—
 - monitoring the institutional reforms related to future enlargement of the European Union (EU) 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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	135.2	122.7	117.4 (–4.3%)	118.5 (+0.9%)
				(or –3.4% on 2009–10 Original)

Aim

9 The aim is to optimise the benefits to Hong Kong flowing from international and bilateral trade agreements, including the 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, rough diamonds, rice, Mainland cereals and grain flour) in fulfillment 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 continues to maintain a textiles control system to provide greater facilitation to the trade while maintaining necessary control to safeguard the interests of Hong Kong's textiles exports. The textiles control system, along with vigorous enforcement actions by the Customs and Excise Department, has served as an effective deterrence against textiles-related malpractices.

12 The Department continues to maintain a robust control system on strategic commodities, and to participate actively in international co-operation of strategic trade control. Legislation was amended in early 2010 to align the list of controlled items with the latest control lists of the international regimes. The "Approval-in-Principle Arrangement for Bulk Users of Strategic Commodities Licensing Service", a trade facilitation scheme which aims to further streamline licensing procedures and expedite processing time for certain frequent and qualified users of licensing services for strategic commodities will continue, with more flexibility in allowing companies to use the scheme.

13 The Department also continues to implement 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.

14 Through the operation of the Rice Control Scheme, the Department aims at ensuring a stable supply of rice in Hong Kong and maintaining a reserve stock to cater for emergencies or any short term shortage of supply. The Scheme has been operating smoothly and efficiently.

15 Apart from operating a one-stop Hong Kong Service Supplier (HKSS) Certification Scheme for all CEPA service areas and handling enquiries on the 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 in the Mainland.

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16 The key performance measures are:

Targets

	Target	2008 (Actual)	2009 (Actual)	2010 (Plan)
consignment-specific textiles licence import (issued within two working days) (%).....	100	100	100	100
export (issued within two working days) (%)Δ.....	100	100	100	100
amendment and cancellation of consignment-specific textiles licence (completed within two working days) (%).....	100	100	100	100
expeditious issue of consignment-specific textiles licence (issued within 24 hrs excluding intervening non-working days) (%).....	100	100	100	100
comprehensive licence (textiles) (70 per cent completed within three working days and 30 per cent within six working days) (%)φ.....	100	100	100	100
amendment of comprehensive licence (textiles) (completed within two working days) (%).....	100	100	100	100
certificate of registration for Textiles Trader Registration (issued within three working days) (%).....	100	100	100	100
amendment of textiles notification under the Textiles Trader Registration Scheme (TTRS) (completed within two working days) (%).....	100	100	100	100
Certificate of Hong Kong Origin, Certificate of Origin Processing and Certificate of Hong Kong Origin- CEPA (CO(CEPA)) (issued within 1.5 working days) (%).....	100	100	100	100
Certificate of Origin (Form A) (issued within 1.5 working days) (%).....	100	100	100	100
expeditious issue of Certificate of Hong Kong Origin/Form A/CO(CEPA) (issued within 24 hrs excluding intervening non-working days) (%).....	100	100	100	100
enquiry on CO(CEPA), CEPA rules of origin				
simple enquiry (replied within three working days) (%).....	100	100	100	100
complicated enquiry (replied within ten working days) (%).....	100	100	100	100
production notification for cut and sewn garments (PN) (issued within 1.5 working days) (%).....	100	100	100	100
enquiry on PN : permissible limits for component parts or classification enquiry				
simple enquiry (replied within one working day) (%).....	100	100	100	100
complicated enquiry (replied within four working days) (%).....	100	100	100	100
application for factory registration (completed processing within 14 working days) (%).....	100	100	100	100

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	Target	2008 (Actual)	2009 (Actual)	2010 (Plan)
amendment of factory registration particulars				
if factory inspection is necessary (completed processing within 14 working days) (%).....	100	100	100	100
if factory inspection is not necessary and the request is lodged in paper form (completed processing within three working days) (%).....	100	100	100	100
if factory inspection is not necessary and the request is lodged through on-line system (completed processing within one working day) (%)α.....	100	N.A.	100	100
local sub-contracting arrangement (LSA) registration (completed processing within one working day) (%).....	100	100	100	100
outward processing arrangement (OPA) registration (completed processing within one working day) (%).....	100	100	100	100
combined annual renewal of factory registration and OPA registration (completed processing within one working day) (%).....	100	100	100	100
enquiry on OPA: manufacturing processes allowed to be subcontracted outside Hong Kong				
simple enquiry (completed processing within one working day) (%).....	100	100	100	100
complicated enquiry (completed processing within four working days) (%).....	100	100	100	100
import and export licence for reserved commodities (issued within one working day) (%).....	100	100	100	100
import and export licence for ozone depleting substances (issued within two working days) (%).....	100	100	100	100
import and export licence for strategic commodities (issued within 2.5 working days) (%)Ω.....	100	100	100	100
pre-classification service on strategic commodities (completed within two working days) (%).....	100	100	100	100
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 mins) (%).....	100	100	100	100
Kimberley Process Certificate (Export) for rough diamonds (issued within the following working day) (%).....	100	100	100	100
registration for rough diamond traders (completed within one working day) (%).....	100	100	100	100
certified true copy (issued within one working day) (%).....	100	100	100	100
registration for Transshipment Cargo Exemption Scheme (completed within 14 working days) (%).....	100	100	100	100
registration for importers of cereals and grain flour from the Mainland (completed within seven calendar days) (%)§.....	100	100	100	100

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	Target	2008 (Actual)	2009 (Actual)	2010 (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) (%)δ ...	100	100	100	100
other written enquiries (replied within ten days) (%)	100	100	100	100

Δ The licence covers both domestic exports and re-exports and the same target processing time is applicable.

φ Target processing time introduced as from 1 January 2008. The target processing time has been reduced from “30 per cent completed within three working days and 70 per cent within six working days” to “70 per cent completed within three working days and 30 per cent within six working days” as from 1 January 2009. The processing time for the issue of comprehensive licence (textiles) may be longer during the peak seasons of annual registration in the first and fourth quarters.

α Target processing time introduced as from 1 January 2009.

Ω The processing time may be longer for imports of certain sensitive products or exports to certain destinations.

§ The registration arrangement for local importers of cereals and grain flour from the Mainland was implemented on 13 February 2008 to facilitate local importers to obtain relevant imports under the export administrative measures of the Mainland.

δ Target processing time reduced from five working days to three working days as from 1 January 2009.

Indicators

	2008 (Actual)	2009 (Actual)	2010 (Plan)
<i>Licence issued</i>			
consignment-specific textiles import licence.....	25 366	18 560#	13 600#
consignment-specific textiles export licence	23 002	14 556#	9 200#
comprehensive import licence (textiles)	527 590	483 367#	442 900#
comprehensive export licence (textiles)	1 590 400	1 926 577∇	2 151 100∇
export notification I.....	342 032	102 813φ	29 800φ
export notification II.....	2 408 673	1 629 053@	1 072 300@
import notification.....	1 759 898	1 355 333μ	1 043 800μ
transshipment notification.....	452 646	391 654μ	338 900μ
textiles trader registration.....	17 686	16 625Λ	15 628Λ
Certificate of Hong Kong Origin and Certificate of Origin Processing.....	833	589‡	450‡
Certificate of Origin (Form A)	0	0	0
CO(CEPA)	1 054	1 261	1 510
factory registration	1 544	1 165‡	940‡
OPA registration.....	547	276‡	170‡
LSA registration	391	122‡	60‡
PN	48 909	9 125¶	1 200¶
statutory declarations of antique.....	3	1	2
reserved commodities licence.....	8 040	8 397	8 670
registration of reserved commodity stockholder.....	108	121	132
ozone depleting substances licence	187	137	100β
strategic commodities licence.....	160 961	250 382	250 380
delivery verification certificate.....	7	5	10
international import certificate	84	65	70
other non-textiles licence.....	16	6	2ψ
Kimberley Process Certificate.....	5 439	4 413	3 5800
registration of rough diamond tradersΦ.....	204	211	200
HKSS certificate.....	630^	444^	490^
permit under the Chemical Weapons (Convention) Ordinance.....	0	0	3
registration for importers of cereals and grain flour from the Mainland.....	88	97	95
<i>CEPA</i>			
enquiries	8 613	9 029	9 029
visitors to the Department's CEPA website.....	174 779	184 639	184 639

The reduction in the number of textiles licences is due to the on-going relocation of textiles production outside Hong Kong.

- ∇ The increase in the number of comprehensive export licence (textiles) (CEL) in 2009 and 2010 is due to the re-classification of the EU as a non-sensitive market on 29 June 2009 where CEL can be used to cover textiles exports/re-exports to the EU thereafter.
- ϕ The substantial decrease in the number of export notification I (ENI) is due to the on-going relocation of textiles production outside Hong Kong and the re-classification of the EU as a non-sensitive market on 29 June 2009 where ENI can no longer be used to cover exports to the EU thereafter.
- @ The substantial decrease in the number of export notification II (ENII) is due to diminishing re-export of Mainland-origin products through Hong Kong and the re-classification of the EU as a non-sensitive market on 29 June 2009 where ENII can no longer be used to cover re-exports to the EU thereafter.
- μ The reduction in the number of import notification and transshipment notification is due to diminishing re-export of Mainland-origin products through Hong Kong.
- Λ The reduction in the number of textiles trader registrants is due to the on-going relocation of textiles production outside Hong Kong.
- ‡ The decrease in the number of Certificate of Hong Kong Origin (CHKO) and Certificate of Hong Kong Processing (COP) issued, factory registration, OPA registration and LSA registration in 2009 was mainly due to the plummeting demand for domestic exports arising from the global financial turmoil in late 2008. With the global economy gradually bottoming out, a less drastic decrease is expected in 2010.
- ¶ The substantial decrease in the number of PN in 2009 and 2010 is due to the on-going relocation of textiles production outside Hong Kong and the re-classification of the EU as a non-sensitive market on 29 June 2009 where cut-and-sewn garments for export to the EU are no longer subject to the PN requirement thereafter.
- β The projected figure for ozone depleting substance licence in 2010 is adjusted downwards to reflect the decreasing trend in the actual number of licences recorded in 2009.
- ψ The projected figure for other non-textiles licence in 2010 is adjusted downwards to reflect the decreasing trend in the actual number of licences recorded in 2009.
- θ The projected figure for Kimberley Process Certificate in 2010 is adjusted downwards to reflect the decreasing trend in the actual number of licences recorded in 2009.
- Φ Under the biennial registration system introduced in January 2003, more traders were registered in 2003 and renewal of registration takes place every two years thereafter, which explains the cyclical fluctuation between years.
- ^ The figures include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy. The projected figure for 2010 reflects the cyclical pattern for renewal applications.
- γ The total number of registrants in 2010 is expected to be at similar level as 2009, taking into account potential new entrants for quota items and discontinuation of registration for non-quota items.

Matters Requiring Special Attention in 2010–11

17 During 2010–11, the Department will:

- continue discussion with the Mainland authorities on further trade liberalisation and facilitation measures and other implementation matters under the CEPA, and consult the local trade and reflect their views to the Mainland in the process;
- continue to promote understanding of the CEPA liberalisation and implementation through the provision of user-friendly enquiry hotline, organisation of or participation in various promotional and publicity activities, and timely dissemination of information to the trade;
- strengthen liaison with the Mainland authorities and the local trade on various issues of interest with significant impact on the local trade, particularly small and medium enterprises (SMEs); and
- continue to 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.

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

	2008–09 (Actual)	2009–10 (Original)	2009–10 (Revised)	2010–11 (Estimate)
Financial provision (\$m)	328.9	370.0	524.1 (+41.6%)	783.3 (+49.5%)
				(or +111.7% on 2009–10 Original)

Aim

18 The aim is to support and facilitate the development of Hong Kong's SMEs and industries.

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Brief Description

19 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, workshops and other activities to help broaden SMEs' business knowledge and enhance their entrepreneurial skills.

20 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). The Department also runs a time-limited Special Loan Guarantee Scheme (SpGS) to help Hong Kong enterprises tide over the liquidity problem during the global financial crisis. It also provides secretariat support for the Small and Medium Enterprises Committee, which advises the Government on issues affecting the development of SMEs in Hong Kong.

21 The Department maintains regular liaison with local industries and trade and industrial organisations. It also provides support to the organisation of the Hong Kong Awards for Industries, as well as the Working Group on Industrial, Commercial and Professional Sectors under the Basic Law Promotion Steering Committee.

22 The Department assists Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets.

23 On the regional front, the Department participates in various APEC meetings and seminars/fora concerning SMEs.

24 In 2009, the Department's key activities included the following:

- in June 2009, approval was sought and obtained from the Finance Committee of the Legislative Council to increase the total guarantee commitment for the SGS from \$12.6 billion to \$20 billion, and the total funding commitment for EMF and SDF from \$1.75 billion to \$2.75 billion. In addition, a series of enhancement measures were introduced to the SpGS and EMF in June 2009 to strengthen the Government's support to Hong Kong enterprises in accessing credit and markets outside Hong Kong;
- in October 2009, the Government announced the extension of the application period for the SpGS for six months until June 2010;
- preparations were in hand for hosting the 30th APEC SME Working Group Meeting and its related activities in Hong Kong from 7 to 10 June 2010; and
- in December 2009, a high level SME conference was held at the Hong Kong Convention and Exhibition Centre to explore the potential of the Mainland's domestic market and relevant brand-building strategies.

25 The key performance measures are:

Targets

	Target	2008 (Actual)	2009 (Actual)	2010 (Plan)
SUCCESS				
confirmation of consultation meeting with applicants of Business Advisory Service (BAS) within ten working days (%)	100	100	100	100
replies to simple enquiries on licensing requirements within one working day (%)	100	100	100	100
replies to complicated enquiries on licensing requirements within three working days (%)	100	100	100	100
replies to simple enquiries on SME support services and facilities within one working day (%)	100	100	100	100
replies to complicated enquiries on SME support services and facilities within three working days (%)	100	100	100	100
SME Loan Guarantee Scheme				
processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%)	100	99.5	100	100

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	Target	2008 (Actual)	2009 (Actual)	2010 (Plan)
Special Loan Guarantee Scheme [^] processing applications for guarantee within three working days (after receipt of complete applications from participating lending institutions) (%).....	100	100	98.8	100Ψ
SME Development Fund processing applications for grant within 70 working days (%) ϕ	100	100	100	100
SME Export Marketing Fund processing applications for grant within 30 working days (%)	100	95.7	84.3 $\#$	100

ϕ The processing time refers to the time taken by the Secretariat of the SME Development Fund to conduct initial assessments on applications and submit recommendations to the Vetting Committee for decision.

$\#$ The drop in the percentage of applications meeting the performance pledge is due to a significant increase in the number of applications received in early 2009 (220 per cent increase in the first three months of 2009) as a result of the enhancement measures introduced in November 2008.

Indicators

	2008 (Actual)	2009 (Actual)	2010 (Plan)
SUCCESS			
enquiries	24 336	24 247	24 000
visitors to SUCCESS	35 653	35 547	36 000
visits to SUCCESS website	699 170	717 517	720 000
seminars and other activities.....	107	107	100
publications relating to local industries and SMEs.....	2	2	2
SME Loan Guarantee Scheme			
applications received and processed.....	1 684	1 283	1 410
no. of SME beneficiaries	1 222	1 147	1 270
amount of government guarantees issued (\$m)	1,359.0	2,321.0	2,553.0
Special Loan Guarantee Scheme			
applications received and processed.....	164 [^]	25 544	9 680Ψ
no. of beneficiaries	39 [^]	15 471	8 470Ψ
amount of government guarantees issued (\$m)	116.0 [^]	47,744.4	29,040.0Ψ
SME Development Fund			
applications received and processed.....	47	69	69
amount of government grants approved (\$m).....	11.0	25.6	25.0
SME Export Marketing Fund			
applications received and processed.....	17 770	31 052	31 000
no. of SME beneficiaries	3 004	4 511	4 500
amount of government grants approved (\$m).....	194.0	388.2	388.0

[^] The SpGS was launched on 15 December 2008.

Ψ Application period for the SpGS is scheduled to end on 30 June 2010.

Matters Requiring Special Attention in 2010–11

26 During 2010–11, the Department will:

- continue to closely monitor the impact of the global financial crisis on Hong Kong's enterprises, in particular SMEs, and consider measures to strengthen its support to the SMEs as and when necessary;
- continue to administer the SME Funding Schemes and the Special Loan Guarantee Scheme, and closely monitor the effectiveness and utilisation of the schemes;
- conduct a review of the SpGS before the end of its application period in June 2010;
- continue to provide support services for SMEs through SUCCESS;
- host the 30th APEC SME Working Group Meeting and its related activities in Hong Kong from 7 to 10 June 2010;
- continue to maintain close liaison with the trade, and help them meet the challenges in reaching out the global market; and
- continue to implement measures to support the development and promotion of Hong Kong brands.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2008-09 (Actual) (\$m)	2009-10 (Original) (\$m)	2009-10 (Revised) (\$m)	2010-11 (Estimate) (\$m)
(1) Commercial Relations.....	77.8	88.4	91.1	92.0
(2) Trade Support and Facilitation	135.2	122.7	117.4	118.5
(3) Support for Small and Medium Enterprises and Industries.....	328.9	370.0	524.1	783.3
	541.9	581.1	732.6 (+26.1%)	993.8 (+35.7%)
				(or +71.0% on 2009-10 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2010-11 is \$0.9 million (1.0%) higher than the revised estimate for 2009-10. This is mainly due to the full-year salary provision for filling vacant posts.

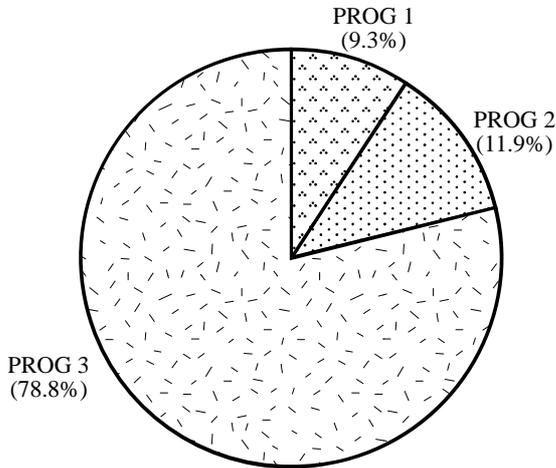
Programme (2)

Provision for 2010-11 is \$1.1 million (0.9%) higher than the revised estimate for 2009-10. This is mainly due to the full-year salary provision for filling vacant posts.

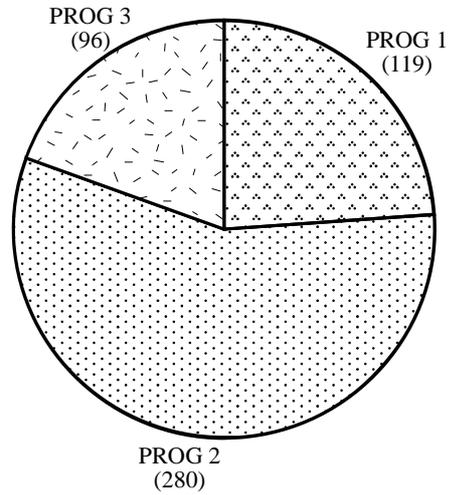
Programme (3)

Provision for 2010-11 is \$259.2 million (49.5%) higher than the revised estimate for 2009-10. This is mainly due to the full-year salary provision for filling vacant posts, hosting of the 30th APEC SME Working Group Meeting and its related activities in Hong Kong in 2010, and increase in cash flow requirements for SME funding schemes.

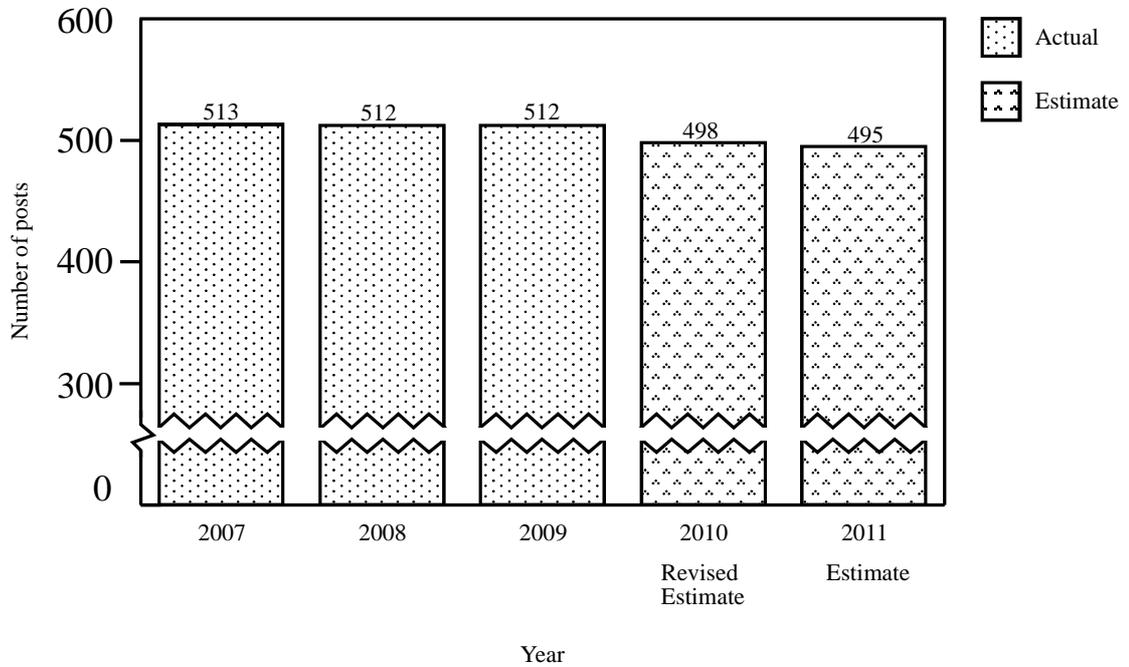
*Allocation of provision
to programmes
(2010-11)*



*Staff by programme
(as at 31 March 2011)*



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



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Sub-head (Code)	Actual expenditure 2008-09	Approved estimate 2009-10	Revised estimate 2009-10	Estimate 2010-11	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	265,180	270,232	269,141	274,206
	Total, Recurrent	<u>265,180</u>	<u>270,232</u>	<u>269,141</u>	<u>274,206</u>
Non-Recurrent					
700	General non-recurrent	276,687	310,848	463,523	719,602
	Total, Non-Recurrent	<u>276,687</u>	<u>310,848</u>	<u>463,523</u>	<u>719,602</u>
	Total, Operating Account	541,867	581,080	732,664	993,808
<hr/>					
	Total Expenditure	<u>541,867</u>	<u>581,080</u>	<u>732,664</u>	<u>993,808</u>

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Details of Expenditure by Subhead

The estimate of the amount required in 2010–11 for the salaries and expenses of the Trade and Industry Department is \$993,808,000. This represents an increase of \$261,144,000 over the revised estimate for 2009–10 and of \$451,941,000 over actual expenditure in 2008–09.

Operating Account

Recurrent

2 Provision of \$274,206,000 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 2010 will be 498 permanent posts. It is expected that there will be a net decrease of three permanent posts in 2010–11. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2010–11, but the notional annual mid-point salary value of all such posts must not exceed \$176,537,000.

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

	2008–09 (Actual) (\$'000)	2009–10 (Original) (\$'000)	2009–10 (Revised) (\$'000)	2010–11 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	204,490	208,465	201,646	204,168
- Allowances	2,326	2,481	2,259	2,322
- Job-related allowances	7	30	4	8
Personnel Related Expenses				
- Mandatory Provident Fund contribution	321	312	336	324
- Civil Service Provident Fund contribution	720	690	854	904
Departmental Expenses				
- General departmental expenses	51,294	53,604	57,643	59,524
Other Charges				
- Subscription to the Asia Pacific Economic Co-operation	2,706	1,192	1,192	1,203
- Trade negotiations and associated activities	1,069	1,300	3,000	3,500
- Contribution to the organisation of the Hong Kong Awards for Industries	1,600	1,600	1,600	1,600
- Subscription to the Pacific Economic Co-operation Council	255	128	128	128
- Contribution to the International Textiles and Clothing Bureau	392	430	479	525
	265,180	270,232	269,141	274,206

Head 181 — TRADE AND INDUSTRY DEPARTMENT

Commitments

Sub-head (Code)	Item (Code) Ambit	Approved commitment	Accumulated expenditure to 31.3.2009	Revised estimated expenditure for 2009–10	Balance
		\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>					
700	<i>General non-recurrent</i>				
520	SME Loan Guarantee Scheme#.....	20,000,000	122,660	26,000	19,851,340
524	SME Export Marketing and Development Funds	2,750,000	1,487,813	435,000	827,187
802	Special Loan Guarantee Scheme@	100,000,000	—	2,240	99,997,760
942	The 30th APEC SME Working Group Meeting and its related activities	2,539	—	283	2,256
	Total.....	<u>122,752,539</u>	<u>1,610,473</u>	<u>463,523</u>	<u>120,678,543</u>

The approved commitment of \$20 billion refers to the total loan guarantee commitment approved by the Finance Committee (based on an assumed default rate of 7.5 per cent, the expected maximum expenditure for settlement of default claim is \$1.5 billion).

@ 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 10 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).