

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

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

**Estimate 2016–17** ..... **\$773.7m**

**Establishment ceiling 2016–17** (notional annual mid-point salary value) representing an estimated 486 non-directorate posts as at 31 March 2016 rising by nine posts to 495 posts as at 31 March 2017 ..... **\$240.5m**

In addition, there will be an estimated 11 directorate posts as at 31 March 2016 and as at 31 March 2017.

**Commitment balance**..... **\$131,631.0m**

### 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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	<b>2016–17 (Estimate)</b>
Financial provision (\$m)	111.9	113.9	121.0 (+6.2%)	<b>131.8</b> (+8.9%)
				(or +15.7% on 2015–16 Original)

#### *Aim*

**2** The aim is to secure and preserve maximum access and fair treatment for Hong Kong's goods, services and investments in external markets.

#### *Brief Description*

**3** The Department is responsible for Hong Kong's commercial relations with its trading partners, and for promoting and protecting Hong Kong's trade interests and rights. 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 return to China, 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 co-ordinates with relevant bureaux and departments in discussions with the Mainland authorities.

**6** According to the latest statistics compiled by the WTO, in 2014 Hong Kong was the world's eighth largest economy in terms of merchandise trade and the 18th largest in terms of commercial services trade.

**7** In 2015, the Department's key activities included the following:

- active participation in the WTO, including—
  - monitoring and evaluating the implementation of agreements and work programmes adopted at WTO Ministerial Conferences;
  - taking part in the Tenth WTO Ministerial Conference (MC10) held in Nairobi, Kenya in December 2015;

- monitoring the progress of and contributing positively to the Doha Development Agenda negotiations, particularly the negotiations on non-agricultural market access, trade in services and rules; 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, comprehensive connectivity, 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 Mainland authorities on further liberalisation under CEPA, and on issues relating to implementation of CEPA and its supplemental agreements. The Agreement on Trade in Services was signed in November 2015 to achieve basic liberalisation of trade in services between the Mainland and Hong Kong;
- discussion with trading partners, including selected emerging economies, to enhance economic co-operation through, for example, establishing co-operation arrangements, free trade agreements (FTAs) and investment promotion and protection agreements (IPPAs). Hong Kong continued to negotiate an FTA with the Association of Southeast Asian Nations (ASEAN) and commenced negotiation with Macao on a Closer Economic Partnership Arrangement (HK-Macao CEPA). Hong Kong participated in plurilateral negotiations with some WTO members on the Trade in Services Agreement (TISA), the Environmental Goods Agreement (EGA), and the expansion of the Information Technology Agreement. Hong Kong signed an IPPA with Canada, commenced formal negotiations of an IPPA with the United Arab Emirates (UAE) and an investment agreement with Chile, continued to negotiate an IPPA with Russia and announced the shared intent with Mexico to launch IPPA negotiations;
- 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 Mainland policy changes.

### *Matters Requiring Special Attention in 2016–17*

**8** During 2016–17, the Department will:

- participate actively in WTO to monitor implementation of agreements and engage in work relating to the MC10 decisions;
- participate actively in APEC, PECC and other regional bodies, and contribute particularly to APEC’s work on regional economic integration, supply chain connectivity, and enhancing ease of doing business;
- enhance economic co-operation with trading partners including emerging economies, continue to negotiate the TISA, the EGA, the FTA with ASEAN, the HK-Macao CEPA, the IPPAs with Russia and the UAE, the investment agreement with Chile and commence negotiations of an IPPA with Mexico, pursue FTAs and IPPAs with countries along the Belt and Road;
- discuss, in consultation with relevant bureaux and departments and the trade, with Mainland authorities to enrich the content of CEPA; and enhance the effective implementation of CEPA and its supplemental agreements;
- facilitate adjustment by the trade to changes in the Mainland’s trade and economic policies of significant impact on business operations and in the global economic environment; and
- safeguard Hong Kong’s trade interests through monitoring and responding where necessary, to anti-dumping and other trade protection measures and changes in major trading partners’ laws, and provide prompt advice to local traders and manufacturers.

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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	<b>2016–17 (Estimate)</b>
Financial provision (\$m)	126.4	123.3	127.1 (+3.1%)	<b>129.1</b> (+1.6%)
				(or +4.7% on 2015–16 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, 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 continues to operate a voluntary Textiles Trader Registration Scheme to enable it to disseminate textiles-related regulatory and other information to the trade in a speedy manner.

12 The Department maintains a robust control system on strategic commodities and participates 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 continues to implement a powdered formula export licensing arrangement. Complemented by other supply chain improvement measures, this arrangement helps to ensure 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" that fuels armed conflicts, terrorist activities and illicit proliferation of armament.

15 The Department operates the Rice Control Scheme to ensure a stable supply of rice in Hong Kong and to maintain a reserve stock to cater for short-term shortage of supply and other emergencies.

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 businesses which encounter difficulties in making use of CEPA benefits.

17 The key performance measures are:

#### *Targets*

	Target#	2014 (Actual)	2015 (Actual)	<b>2016 (Plan)</b>
registration of textiles traders (completed processing within three working days) (%)µ .....	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	N.A.¶	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>

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	Target#	2014 (Actual)	2015 (Actual)	2016 (Plan)
enquiry on CO(CEPA) and CO(NZ) and preferential 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
application for factory registration (completed processing within 14 working days) (%) .....	100	100	100	100
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 online system (completed processing within one working day) (%) .....	100	100	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				
licence application with prior approval-in-principle (issued within the same day) (%) .....	100	100	100	100
other licence applications (issued within 2.5 working days) (%)Ψ .....	100	100	100	100
pre-classification service on strategic commodities (completed within two working days) (%)Ψ .....	100	100	100	100
powdered formula export licence (issued within two working days) (%) .....	100	100	100	100
amendment and cancellation of powdered formula export licence (completed within one working day) (%) .....	100	100	100	100
Kimberley Process Certificate (Import) for rough diamonds (issued within 20 minutes) (%) .....	100	100	100	100

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	Target#	2014 (Actual)	2015 (Actual)	2016 (Plan)
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>
HKSS certificate				
fresh application (completed within 14 working days) (%) .....	100	100	100	<b>100</b>
amendment and renewal (issued within five working days) (%) .....	100	100	100	<b>100</b>
replacement and cancellation (issued within three working days) (%) .....	100	100	100	<b>100</b>
other written enquiries (replied within ten calendar days) (%) .....	100	100	100	<b>100</b>

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

μ Revised description of the previous target “certificate of registration for Textiles Trader Registration (issued within three working days)” as from 2015. Paper certificates will no longer be issued with effect from 21 November 2014.

¶ 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 Closer Economic Partnership Agreement with New Zealand, the FTA with the European Free Trade Association States and the FTA with Chile.

Ψ The processing time may take longer for complicated cases.

### Indicators

	2014 (Actual)	2015 (Actual)	2016 (Plan)
<i>Licence issued</i>			
textiles trader registration <sup>β</sup> .....	11 755	9 010	<b>6 910</b>
Certificate of Hong Kong Origin, Certificate of Origin - Processing, Certificate of Origin (Form A), CO(CEPA) and CO(NZ) <sup>δ</sup> .....	2 741	3 224	<b>3 780</b>
factory registration <sup>φ</sup> .....	844	781	<b>740</b>
OPA registration <sup>φ</sup> .....	101	69	<b>55</b>
LSA registration <sup>φ</sup> .....	15	7	<b>4</b>
statutory declarations of antique .....	0	0	<b>1</b>
reserved commodities licence .....	10 017	9 943	<b>9 950</b>
registration of reserved commodity stockholder .....	185	196	<b>200</b>
ozone depleting substances licence .....	120	89	<b>89</b>
strategic commodities licence <sup>ϖ</sup> .....	417 658	395 559	<b>396 000</b>
powdered formula export licence <sup>Δ</sup> .....	13 673	32 700	<b>32 700</b>
delivery verification certificate .....	9	9	<b>9</b>
international import certificate .....	50	35	<b>35</b>
pesticide (methyl bromide) licence .....	8	2	<b>6</b>
Kimberley Process Certificate <sup>Φ</sup> .....	4 498	3 343	<b>3 350</b>
registration of rough diamond traders .....	245	237	<b>250</b>
HKSS certificate <sup>Λ</sup> .....	568	512	<b>570</b>
permit under the Chemical Weapons (Convention) Ordinance (Cap. 578) <sup>Ω</sup> .....	0	0	<b>3</b>
registration for importers of cereals and grain flour from the Mainland .....	91	92	<b>92</b>

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	2014 (Actual)	2015 (Actual)	<b>2016 (Plan)</b>
<i>CEPA</i>			
enquiries.....	11 029	10 602	<b>10 600</b>
visitors to the Department's CEPA website.....	112 737	96 375	<b>96 400</b>

- β Due to the termination of the textiles control system on 21 November 2014, the number of textiles trader registrants decreased significantly in 2015. The trend is expected to continue.
- δ The projected increase in the number of certificates of origin issued mainly reflects the 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.
- Due to the relaxation of international control for certain items, the number of strategic commodities licences has shown a decrease in 2015. The figure for 2016 is projected to remain at a similar level as 2015.
- Δ The increased number of powdered formula export licences issued in 2015 reflects a growth in re-export trade of powdered formula in Hong Kong in 2015. The figure for 2016 is projected to remain at a similar level as 2015.
- Φ The actual number of Kimberley Process Certificate issued in 2015 has decreased when compared with the previous year. The figure for 2016 is projected to remain at a similar level as 2015.
- Λ The figures on HKSS certificates include fresh applications as well as certificates for amendment, replacement, cancellation and renewal, and certified true copy. Each certificate issued is valid for two years and certificate holders may apply for renewal of certificates every two years thereafter, which explains the cyclical fluctuation between years.
- 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 2016–17*

**18** During 2016–17, the Department will:

- 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;
- 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 streamlining procedures and requirements without compromising the integrity and effectiveness of control; 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**

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	<b>2016–17 (Estimate)</b>
Financial provision (\$m)	573.7	593.9	498.2 (–16.1%)	<b>512.8</b> (+2.9%)
				(or –13.7% on 2015–16 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.

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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 capital injection of \$1.5 billion into the EMF and SDF together with enhancement measures to both schemes took effect in 2015; with the enhancements, the maximum grant of an approved project under the SDF has been raised from \$2 million to \$5 million, and the scope of the EMF has been expanded to cover export promotion activities conducted through electronic platforms and media. 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 and the Department is now dealing with the residual work relating to the Scheme.

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#	2014 (Actual)	2015 (Actual)	<b>2016 (Plan)</b>
<b>SUCCESS</b>				
confirming consultation meeting with applicants of Business Advisory Service within ten working days (%).....	100	100	100	<b>100</b>
replying to simple enquiries on licensing requirements within one working day (%) .....	100	100	100	<b>100</b>
replying to complicated enquiries on licensing requirements within three working days (%) .....	100	100	100	<b>100</b>
replying to simple enquiries on SME support services and facilities within one working day (%).....	100	100	100	<b>100</b>
replying 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	100	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.

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### Indicators

	2014 (Actual)	2015 (Actual)	2016 (Plan)
<b>SUCCESS</b>			
enquiries <sup>α</sup> .....	13 676	8 714	<b>6 600</b>
visitors to SUCCESS <sup>α</sup> .....	27 629	19 406	<b>17 100</b>
visits to SUCCESS website.....	744 462	957 201	<b>957 300</b>
seminars and other activities.....	100	100	<b>100</b>
publications relating to local industries and SMEs.....	2	2	<b>2</b>
e-newsletters sent to SUCCESS members <sup>ψ</sup> .....	26	26	<b>26</b>
<b>SGS</b>			
applications received and processed.....	1 124	978	<b>980</b>
no. of SME beneficiaries.....	982	861	<b>870</b>
amount of government guarantees issued (\$m).....	1,134.1	1,204.2	<b>1,210.0</b>
<b>SDF</b>			
applications received and processed.....	53	41	<b>41</b>
amount of government grants approved (\$m).....	17.2	20.6	<b>51.5</b>
<b>EMF</b>			
applications received and processed.....	17 672	14 425	<b>14 930</b>
no. of first time SME beneficiaries.....	2 158	1 948	<b>2 020</b>
total no. of SME beneficiaries.....	8 735	7 734	<b>8 010</b>
amount of government grants approved (\$m).....	216.8	205.0	<b>212.0</b>
<b>BUD Fund (Organisation Support Programme)</b>			
applications received and processed.....	28	21 <sup>λ</sup>	<b>21</b>
amount of government grants approved (\$m).....	23.7	18.3 <sup>λ</sup>	<b>18.3</b>

<sup>α</sup> Due to regular updating of SME-related information on SUCCESS website and regular notification sent to SME contacts electronically, the number of “enquiries” and “visitors to SUCCESS” has decreased steadily in recent years. This trend is expected to continue.

<sup>ψ</sup> New indicator as from 2016. It refers to an electronic newsletter of SUCCESS sent to over 40 000 SUCCESS members on a bi-weekly basis, which provides business information and updates on SME-related activities and services.

<sup>λ</sup> The drop in applications in 2015 was due to the fact that many trade or industry organisations were already undertaking one or more BUD-funded projects approved since the inception of the Fund in mid-2012. Such projects may last for up to three years. The organisations concerned have limited capacity to organise new projects. The number of new projects approved was relatively lower, hence the amount of government grants approved was lower.

### *Matters Requiring Special Attention in 2016–17*

25 During 2016–17, the Department will:

- closely monitor the global and domestic economic environment and the impact of any changes in the environment on Hong Kong enterprises, in particular SMEs;
- liaise closely with the trade, and help them meet the challenges facing them;
- 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
- administer various SME Funding Schemes and closely monitor their effectiveness and utilisation.



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### ANALYSIS OF FINANCIAL PROVISION

Programme	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
(1) Commercial Relations .....	111.9	113.9	121.0	<b>131.8</b>
(2) Trade Support and Facilitation .....	126.4	123.3	127.1	<b>129.1</b>
(3) Support for Small and Medium Enterprises and Industries .....	573.7	593.9	498.2	<b>512.8</b>
	812.0	831.1	746.3 (–10.2%)	<b>773.7</b> <b>(+3.7%)</b>
				<b>(or –6.9% on 2015–16 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2016–17 is \$10.8 million (8.9%) higher than the revised estimate for 2015–16. This is mainly due to the increased provision for enhancing the effort in pursuing FTAs and IPPAs with countries along the Belt and Road and the full-year effect of filling vacancies. There will be an increase of eight posts in 2016–17.

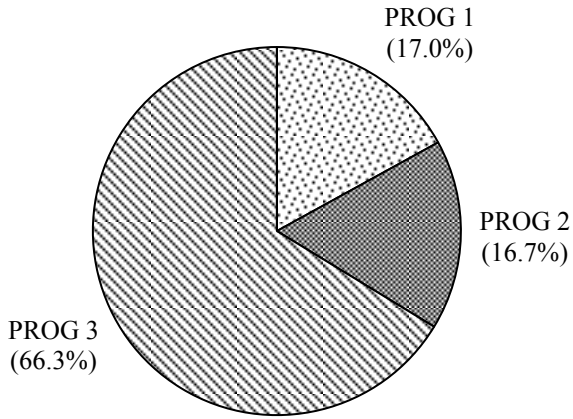
##### Programme (2)

Provision for 2016–17 is \$2.0 million (1.6%) higher than the revised estimate for 2015–16. This is mainly due to the increased provision for enhancing the effort in pursuing FTAs with countries along the Belt and Road and the full-year effect of filling vacancies. There will be an increase of one post in 2016–17.

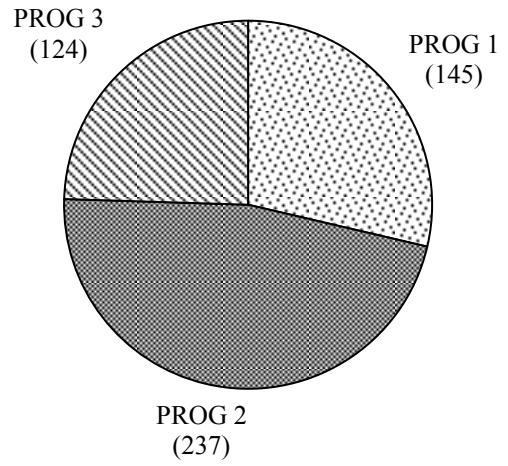
##### Programme (3)

Provision for 2016–17 is \$14.6 million (2.9%) higher than the revised estimate for 2015–16. This is mainly due to increased cash flow requirements for funding schemes.

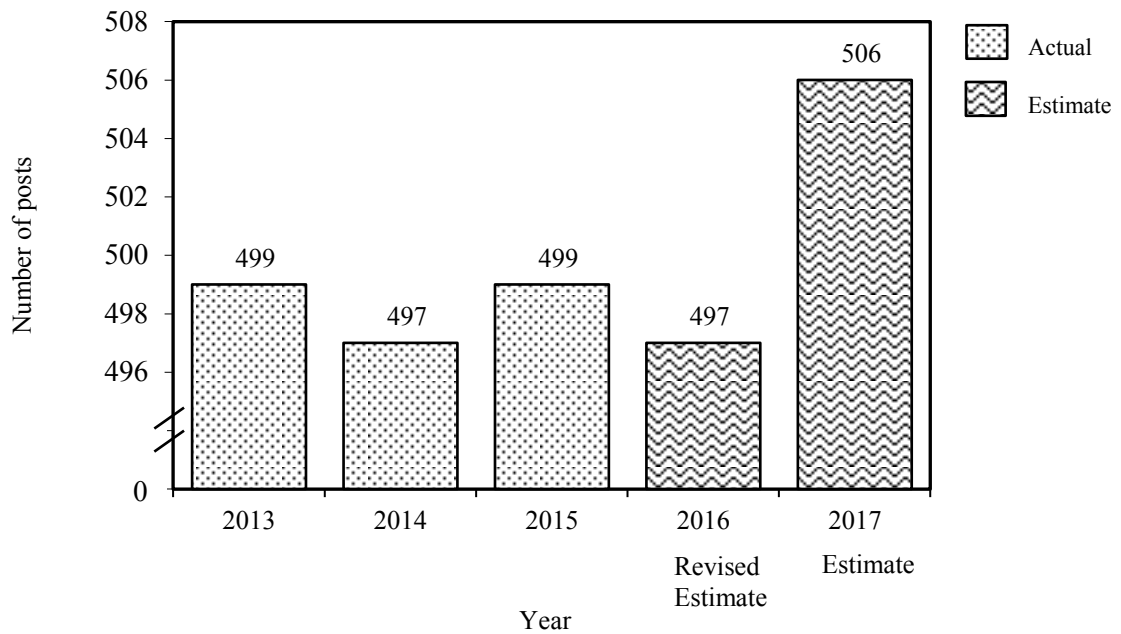
*Allocation of provision to programmes (2016-17)*



*Staff by programme (as at 31 March 2017)*



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



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Sub-head (Code)	Actual expenditure 2014–15	Approved estimate 2015–16	Revised estimate 2015–16	<b>Estimate 2016–17</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	325,872	321,574	340,193	<b>350,878</b>
	Total, Recurrent.....	325,872	321,574	340,193	<b>350,878</b>
Non-Recurrent					
700	General non-recurrent .....	486,108	509,515	406,136	<b>422,773</b>
	Total, Non-Recurrent.....	486,108	509,515	406,136	<b>422,773</b>
	Total, Operating Account .....	811,980	831,089	746,329	<b>773,651</b>
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	Total Expenditure .....	811,980	831,089	746,329	<b>773,651</b>
		<u>811,980</u>	<u>831,089</u>	<u>746,329</u>	<u><b>773,651</b></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Trade and Industry Department is \$773,651,000. This represents an increase of \$27,322,000 over the revised estimate for 2015–16 and a decrease of \$38,329,000 against the actual expenditure in 2014–15.

#### *Operating Account*

#### Recurrent

**2** Provision of \$350,878,000 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 2016 will be 497 posts. It is expected that there will be an increase of nine posts in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$240,493,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	<b>2016–17 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	242,100	246,979	255,063	<b>266,141</b>
- Allowances.....	4,249	4,915	5,619	<b>5,660</b>
- Job-related allowances.....	—	2	2	<b>2</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	595	460	638	<b>528</b>
- Civil Service Provident Fund contribution.....	5,062	6,588	6,773	<b>8,020</b>
Departmental Expenses				
- General departmental expenses .....	67,940	57,141	64,352	<b>60,687</b>
Other Charges				
- Contribution to and participation in the Asia-Pacific Economic Cooperation .....	1,264	1,361	1,218	<b>1,212</b>
- Trade negotiations and associated activities.....	2,935	2,000	4,400	<b>6,500</b>
- Contribution to the organisation of the Hong Kong Awards for Industries.....	1,600	2,000	2,000	<b>2,000</b>
- Subscription to the Pacific Economic Cooperation Council.....	127	128	128	<b>128</b>
	<u>325,872</u>	<u>321,574</u>	<u>340,193</u>	<b><u>350,878</u></b>

## Head 181 — TRADE AND INDUSTRY DEPARTMENT

### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2015	Revised estimated expenditure for 2015–16	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700	<i>General non-recurrent</i>					
	520	SME Loan Guarantee Scheme# .....	30,000,000	236,224	17,500	29,746,276
	524	SME Export Marketing and Development Funds .....	5,250,000	3,329,628	221,275	1,699,097
	802	Special Loan Guarantee Scheme@ .....	100,000,000	428,103	108,000	99,463,897
	836	Dedicated Fund on Branding, Upgrading and Domestic Sales.....	1,000,000	218,928	59,361	721,711
		Total .....	<u>136,250,000</u>	<u>4,212,883</u>	<u>406,136</u>	<u>131,630,981</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).

@ 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).