

Replies to Questions Raised by Finance Committee Members in Examining the Estimates of Expenditure 2015-16

Director of Bureau : Secretary for Commerce and Economic Development
[Session No. : 7]

Head 181 - Trade and Industry Department

Initial Questions

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)279	2006	Hon. CHAN Han-pan	<p>In the past, the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA) has been criticised by the public as “the big doors are open, but the small ones are not yet open”. In this regard, could the Government please advise:</p> <p>(a) The numbers of consultations held annually by the Government with official, semi-official and non-official agencies of the Mainland respectively in the past three years; and</p> <p>(b) The number of cases received annually by the Government in the past three years regarding parties from Hong Kong investing in the Mainland and seeking assistance; and the annual manpower and expenditure involved respectively.</p>	(1) Commercial Relations
CEDB(CIT)280	0170	Hon. CHAN Wai-yip, Albert	<p>The Government states in this Programme that in 2015-16 it will discuss, in consultation with relevant bureaux and departments and the trade, with 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 enhance the effective implementation of CEPA and its supplemental agreements. It is learnt that the Mainland Division under the Trade and Industry Department undertakes the aforesaid tasks. Would the Government please advise the Committee what the main duties, respective operational expenses, establishment and estimated annual emolument expenses of the Mainland Division under the Trade and Industry Department in 2015-16 are?</p>	(1) Commercial Relations
CEDB(CIT)281	0692	Hon. CHAN Yuen-han	<p>The Budget Speech mentioned that thousands of Hong Kong residents have set up individually-owned stores in the Mainland in accordance with the preferential treatment under CEPA. Please list out respectively the number of approved applications for Hong Kong residents to set up individually-owned stores in the Mainland in the past 3 years according to the scope of services, the provinces/municipalities of the operations and the year(s) of operation.</p>	(2) Trade Support and Facilitation

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)282	0694	Hon. CHAN Yuen-han	Please provide the number of applications for Certificate of Hong Kong Service Supplier received and approved respectively in the past three years according to 'sole-proprietorship, partnership or other unincorporated body of persons', 'designated professionals', 'companies incorporated or registered under the Companies Ordinance', applied service sectors, years of operation and number of renewals.	(2) Trade Support and Facilitation
CEDB(CIT)283	6270	Hon. CHEUNG Chiu-hung, Fernando	Would the Government please provide the statistics on the rice imported into Hong Kong from various regions for the past 5 years?	(2) Trade Support and Facilitation
CEDB(CIT)284	0283	Hon. CHUNG Kwok-pan	Under Programme (3) Support for Small and Medium Enterprises and Industries, there will be an increase of two posts in 2015-16. Please advise this Committee the reasons for the increase, details of these posts, main duties covered by these posts and the expenditure involved.	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)285	0290	Hon. CHUNG Kwok-pan	In 2015-16, the Trade and Industry Department will facilitate the trade in adjusting to changes in the Mainland's trade and economic policies of significant impact on business operations and in the global economic environment. Will the Government please advise the details of the work done in this area in 2014-15? What was the expenditure involved? What was the effectiveness? What are the specific measures in the coming year? Will there be additional expenditure to facilitate the trade in adjusting to markets in response to changes in external economic environment?	(1) Commercial Relations
CEDB(CIT)286	0291	Hon. CHUNG Kwok-pan	Regarding the work of trade support and facilitation, the matters which the Trade and Industry Department will pay special attention to in 2015-16 include liaising closely with the Mainland authorities and local traders on the Mainland issues of significant impact on business operations, and helping to reflect the trade's concerns to the relevant Mainland authorities. Please advise on the effectiveness of such work done in 2014-15, particularly those affecting small and medium enterprises. Which provincial and municipal authorities in the Mainland were liaised with? What specific work has been carried out? What was the expenditure involved? How will such work be implemented in the new financial year and what are the specific measures and targets?	(2) Trade Support and Facilitation

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)287	0447	Hon. CHUNG Kwok-pan	One of the tasks of the Trade and Industry Department (TID) in support of the small and medium enterprises (SMEs) and industries is to assist Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets. The Government has indicated in recent years that it would assist in the promotion of "Hong Kong Brands". What efforts has TID made in this area in 2014-15? What was the expenditure involved? How will the relevant work be implemented in 2015-16 and what are the details? What are the specific measures? What is the estimated expenditure?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)288	2553	Hon. CHUNG Kwok-pan	The aim of the work of the Trade and Industry Department (TID) under this programme is to support and facilitate the development of Hong Kong's small and medium enterprises (SMEs) and industries. Would the Government please advise this Committee of its specific work and resources or expenses on facilitating the development of Hong Kong's industries in the past year? What are the new work plans for facilitating the development of Hong Kong's industries in 2015-16? What is the expenditure involved? For example, in recent years, a number of manufacturers who have set up factories in the Mainland intend to relocate back to Hong Kong for development. Will the Government provide support to them? If yes, what are the specific measures? What are the resources to be allocated? If not, what are the reasons?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)289	2768	Hon. LAM Tai-fai	In 2015-16, the Trade and Industry Department will discuss, in consultation with relevant bureaux and departments and the trade, with Mainland authorities on further liberalisation under Mainland and Hong Kong Closer Economic Partnership Arrangement (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 enhance the effective implementation of CEPA and its supplemental agreements. Would the Government please advise on the details of the relevant work, the expenditure involved, the manpower arrangement, the effectiveness of CEPA so far since its implementation, and the areas that need review or rationalisation.	(1) Commercial Relations

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)290	2773	Hon. Hon LAM Tai-fai	The Trade and Industry Department (TID) helps Hong Kong enterprises develop and promote brands to enhance the competitiveness of such enterprises in the Mainland and overseas markets. Such work includes administering the Organisation Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), which was launched in 2012 to help Hong Kong enterprises to develop brands, upgrade and restructure operations and promote domestic sales in the Mainland. Would the Government please advise on the expenditure and manpower spent over the past five years to help the industrial sector upgrade and restructure operations, and enhance the long-term competitiveness of Small and Medium Enterprises (SMEs); and the details of the increase in estimated expenditure, expenditure involved and manpower arrangement for the coming financial year.	-
CEDB(CIT)291	2787	Hon. LAM Tai-fai	The Trade and Industry Department's major work includes 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. Would the Government please advise respectively on the details of the relevant work, the expenditure involved, the manpower arrangement and the effectiveness of those work? Will the Inland Revenue Ordinance section 39E be relaxed to assist the trade? If yes, what are the details of the relevant work, the expenditure involved and the manpower arrangement? If not, what are the reasons?	(1) Commercial Relations
CEDB(CIT)292	2792	Hon. LAM Tai-fai	In 2015-16, the Trade and Industry Department will 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. Would the Government please advise on the details of the relevant work in the coming year, the expenditure involved, manpower deployment, the effectiveness so far since its implementation, whether the original goal has been achieved in combatting the acute shortage problem caused by parallel traders diverting large quantities of powdered formula out of Hong Kong and areas that need review and rationalisation?	(2) Trade Support and Facilitation
CEDB(CIT)293	2155	Hon. LEUNG Kwan-yuen, Andrew	The provision for Programme (1) Commercial Relations in 2015-16 is \$113.9 million. In this year, how will the Government: (1) maintain and strengthen Hong Kong's commercial relations with its trading partners; and (2) facilitate the trade in adjusting to changes in the Mainland and the global economic environment?	(1) Commercial Relations

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)294	2202	Hon. LEUNG Kwok-hung	Please list out respectively the estimated establishment, annual emolument, housing allowance and allowances on duty visits and entertainment etc. of the posts of the Trade and Industry Department posts in 2015-16.	(1) Commercial Relations
CEDB(CIT)295	3132	Hon. LIAO Cheung-kong, Martin	Regarding the SME Export Marketing Fund (EMF): a) What are the respective number of applications received, number of applications approved and the average amount of grant for each approved project for the past five years? b) For the past five years, how much did the Trade and Industry Department (TID) spend on the promotion and effectiveness review of the EMF? In 2015-16, what are the promotion plan and estimated expenditure breakdowns for the EMF?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)296	3133	Hon. LIAO Cheung-kong, Martin	It is mentioned in the Budget that the Government will continue to assist Hong Kong enterprises in upgrading and restructuring their operations, developing brands and promoting sales in the Mainland domestic market through the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) so as to enhance their competitiveness in the Mainland market. Would the Government please advise on the number of applications that the Fund has received and the number of successful applications so far? What are the amounts of grant approved? Has the Government followed up those approved applications and assessed their effectiveness so as to continuously enhance the usage of the Fund. If yes, what are the details and the expenditures spent on such assessment in the past 3 years? If not, what are the reasons?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)297	3755	Hon. TIEN Pei-chun, James	In 2015-16, the Trade and Industry Department plans to 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. In this regard, would the Government please advise this Committee: (1) the number of applications for powdered formula export licences and the product quantity involved in the past year; (2) the comparison between the above and the past figures; (3) whether there are additional resources (including manpower) allocated to handle the relevant work? If yes, what are the details and estimated expenditure?	(2) Trade Support and Facilitation

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)298	3756	Hon. TIEN Pei-chun, James	In 2015-16, the Trade and Industry Department (TID) will administer various SME Funding Schemes. In this regard, would the Government please advise this Committee on the utilisation rate, default rate, amount of default claims and resources available in respect of these funding schemes in the past year?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)299	2571	HON. TONG Ka-wah, Ronny	The Trade and Industry Department (TID) issued over 400 000 strategic commodities licences each year in the past 3 years. Please list out the types of goods, quantity, amount and countries of destination covered by the licences issued. How many goods were transhipped through Hong Kong? What are the types of goods, quantity and amount involved, and from/to which countries were the goods transported to and transported out of Hong Kong respectively?	(2) Trade Support and Facilitation
CEDB(CIT)300	2595	HON. TONG Ka-wah, Ronny	The Trade and Industry Department implements a powdered formula export licensing arrangement to ensure sufficient supply of powdered formula for infants and young children in Hong Kong. Please advise on: 1. the number of applications for export licence, the number of licences approved and the number of applications rejected each year respectively since the implementation of such arrangement. 2. the reasons for rejecting the applications. Please list the reasons and number.	(2) Trade Support and Facilitation
CEDB(CIT)301	1251	Hon. WONG Ting-kwong	Since the Government is to support small and medium enterprises (SMEs), financial resources and manpower must have been allocated to understand the situation of SMEs in Hong Kong. In this regard, please list out, over the past 3 years, the number of SMEs established in Hong Kong; the number of SMEs that have ceased operation; the average operation period of SMEs that have ceased operation; the number of SMEs listed on the stock exchange and the financial resources allocated by the Government to understand such situations.	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)302	1255	Hon. WONG Ting-kwong	At present, some Hong Kong manufacturers who have moved to the Mainland to carry on business in early years intend to relocate back to Hong Kong for business. What is the number of enquiries, requests for assistance and complaints received by the Government from such manufacturers in the past 3 years? What are the financial resources and manpower spent by the Government on these cases?	(3) Support for Small and Medium Enterprises and Industries
CEDB(CIT)303	1351	Hon. YIU Si-wing	Please advise on the application figures, including the number of applications and the funding amount involved, in respect of the tourism-related enterprises under the SME Financing Guarantee Scheme, SME Development Fund and SME Export Marketing Fund for the past three financial years (i.e. 2012/2013, 2013/2014 and 2014/2015).	(3) Support for Small and Medium Enterprises and Industries

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
CEDB(CIT)304	1352	Hon. YIU Si-wing	<p>The International Travel Expo Hong Kong (ITE Hong Kong) has been the only exhibition of its kind in Hong Kong for 28 years, drawing an increasing number of overseas buyers/ patrons every year. It is an ideal platform for local travel agencies to expand their businesses overseas and establish cooperative partnerships with one another.</p> <p>In the past, small and medium travel agencies participating in the ITE Hong Kong were eligible for SME Export Marketing Fund (EMF). However, the Government revised the funding scope of EMF in 2013 to exclude events which allow public admission exceeding one-third of their duration. Since ITE Hong Kong is a 4-day event with 2 days to traders and 2 days to the public, travel agencies participating in such event are no longer eligible to apply for EMF under the new requirement.</p> <p>Please advise on the justifications for the above revision, the estimated number of applications and the amount of grant involved. Will the Government consider relaxing the requirement to help SMEs in need?</p>	(3) Support for Small and Medium Enterprises and Industries

Supplementary Question

Reply Serial No.	Question Serial No.	Name of Member	Question	Programme
S-CEDB(CIT)06	SV009	Hon LIAO Cheung-kong, Martin	<p>Pursuant to reply no. CEDB(CIT)295, the Government is requested to provide information on:</p> <p>(a) the reasons for the declining number and the success rates of the applications for the Small and Medium Enterprise Export Marketing Fund in the past five years; and</p> <p>(b) the expected number of applications, success rates and the average amount of fund to be granted to each application in the coming three years.</p>	-

CONTROLLING OFFICER'S REPLY

CEDB(CIT)279

(Question Serial No. 2006)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In the past, the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA) has been criticised by the public as “the big doors are open, but the small ones are not yet open”. In this regard, could the Government please advise:

- (a) The numbers of consultations held annually by the Government with official, semi-official and non-official agencies of the Mainland respectively in the past three years; and
- (b) The number of cases received annually by the Government in the past three years regarding parties from Hong Kong investing in the Mainland and seeking assistance; and the annual manpower and expenditure involved respectively.

Asked by: Hon CHAN Han-pan (Member Question No. 7)

Reply:

The HKSAR Government attaches great importance to the effective implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). We have been working closely with the Mainland authorities at central, provincial and municipal levels to address and follow up on problems encountered by Hong Kong enterprises in using CEPA liberalisation measures in the Mainland. Over the past 3 years, the Trade and Industry Department (TID), together with other bureaux and departments, has convened a total of 7 meetings with Mainland authorities, including the CEPA Implementation Senior Officials' Meetings, the CEPA Joint Working Group Meetings and the Guangdong/Hong Kong CEPA Services Expert Group Meetings, to relay concerns of the trade on the implementation of CEPA and achieved positive outcome. On the other hand, the HKSAR Government has co-organised 5 CEPA seminars with provincial and municipal governments in the Mainland to deepen the understanding of Mainland officials on the CEPA preferential measures and encourage them to put in place necessary arrangements for assisting the trade in using CEPA more effectively to access the Mainland market. Moreover, relevant bureaux and departments of the HKSAR Government and its offices in the Mainland have various

exchanges with their Mainland counterparts on the implementation of CEPA from time to time.

The TID provides free information and advisory services on CEPA. Over the past 3 years, the TID has received an annual average of 11 000 enquiries on CEPA. There is no detailed breakdown on requests for assistance relating to investment in the Mainland.

The relevant manpower and expenditure have been subsumed under the establishment and provision of the TID. It is difficult to quantify them separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)280

(Question Serial No. 0170)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Government states in this Programme that in 2015-16 it will discuss, in consultation with relevant bureaux and departments and the trade, with 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 enhance the effective implementation of CEPA and its supplemental agreements. It is learnt that the Mainland Division under the Trade and Industry Department undertakes the aforesaid tasks. Would the Government please advise the Committee what the main duties, respective operational expenses, establishment and estimated annual emolument expenses of the Mainland Division under the Trade and Industry Department in 2015-16 are?

Asked by: Hon CHAN Wai-yip, Albert (Member Question No. 47)

Reply:

The Mainland Division of the Trade and Industry Department (TID) is mainly responsible for the bilateral commercial relations with the Mainland, including further liberalisation, implementation, publicity and promotion of the Mainland and Hong Kong Closer Economic Partnership Arrangement as well as facilitating the trade in adjusting to changes in the Mainland's policies of significant impact on business operations. In addition, the Mainland Division is responsible for handling part of TID's licensing services, including Rough Diamond Certification Scheme, issue of Import and Export Licence covering Ozone Depleting Substances, Transshipment Cargo Exemption Scheme and manifest checking service.

In 2015-16, there are 67 posts in the establishment of the Mainland Division, with a notional annual mid-point salary value of \$34.32 million. Other operational expenses have been subsumed under the overall estimated expenditure of TID. It is difficult to quantify such expenses separately.

CONTROLLING OFFICER'S REPLY

CEDB(CIT)281

(Question Serial No. 0692)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Budget Speech mentioned that thousands of Hong Kong residents have set up individually-owned stores in the Mainland in accordance with the preferential treatment under CEPA. Please list out respectively the number of approved applications for Hong Kong residents to set up individually-owned stores in the Mainland in the past 3 years according to the scope of services, the provinces/municipalities of the operations and the year(s) of operation.

Asked by: Hon CHAN Yuen-han (Member Question No. 6)

Reply:

In accordance with the relevant provisions under CEPA, Hong Kong residents can apply directly to the Mainland authorities for setting up individually-owned stores in the Mainland without first applying for the Certificate of Hong Kong Service Supplier from the Trade and Industry Department. The total figures of Hong Kong residents setting up individually-owned stores in the Mainland are from data provided by the Mainland authorities in which no specific information on the scope of business, the locating provinces/municipalities, the year(s) of operation and the number of approved applications are mentioned. According to the information provided by the Mainland authorities, as at end of June 2014, there were over 6 000 Hong Kong individually-owned stores registered in the Mainland, engaging 18 000 persons with capital amounting to RMB580 million.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)282

(Question Serial No. 0694)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Please provide the number of applications for Certificate of Hong Kong Service Supplier received and approved respectively in the past three years according to 'sole-proprietorship, partnership or other unincorporated body of persons', 'designated professionals', 'companies incorporated or registered under the Companies Ordinance', applied service sectors, years of operation and number of renewals.

Asked by: Hon CHAN Yuen-han (Member Question No. 5)

Reply:

Pursuant to Annex 5 to the Mainland and Hong Kong Closer Economic Partnership Agreement (CEPA), Hong Kong service supplier in the form of 'juridical person' must submit a Hong Kong Service Supplier Certificate (HKSS Certificate) issued by the HKSAR Government when applying to the Mainland's examining authorities for the preferential treatment under CEPA. 'Juridical person' means sole proprietorship, joint venture, partnership or other unincorporated entity, corporation or company which is duly incorporated or established under the laws of Hong Kong and has obtained a Business Registration Certificate. Hong Kong service supplier in the form of 'natural person' (i.e. Hong Kong permanent resident) is not required to submit the HKSS Certificate.

The number of applications for HKSS Certificate received and approved according to the service sectors in the past three years are provided below (Note: Since applicants of the HKSS Certificate are only required to submit documents to substantiate that they have engaged in substantive business operations in Hong Kong for three (or five) consecutive years before lodging the applications and are not required to declare their years of operation, the Trade and Industry Department does not have such information):

In 2012:

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
1	Legal services	4	3	4	3
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(2)	(1)	(2)	(1)
2	Medical and dental services	12	5	12	5
3	Real estate services	2	1	2	1
4	Construction professional services and construction and related engineering services	15	13	14	12
5	Placement and supply services of personnel	57	31	54	29
6	Computer and related services and information technology services	4	1	2	1
7	Value-added telecommunications services	12	8	11	8
8	Telecommunication services	1	0	1	0
9	Audiovisual services	29	8	28	8
10	Cultural services	7	2	6	2
11	Distribution services	15	11	14	11
12	Insurance and insurance-related services	6	3	6	3
13	Banking and other financial services	6	6	6	6
14	Securities and futures services	1	1	1	1
15	Travel related services	14	6	16	7
16	Environmental services	1	1	1	1
17	Transport and logistics services	182	140	181	134
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(2)	(0)	(2)	(0)
18	Air transport services	110	32	108	32
19	Advertising services	26	10	25	9
20	Printing services	43	0	42	0
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(12)	(0)	(12)	(0)

¹ Since some applications were submitted in the preceding year and were approved in the following year, the number of applications approved for certain service sector(s) were larger than that received in the same year.

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
21	Photographic services	1	0	1	0
22	Convention and exhibition services	2	1	2	1
23	Management consulting and related services	9	3	9	3
Grand total:		559	286	546	277

In 2013:

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
1	Legal services	3	1	3	1
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(1)	(1)	(1)	(1)
2	Accounting, auditing and bookkeeping services	2	1	1	0
3	Education services	1	0	1	0
4	Medical and dental services	6	3	6	3
5	Other human health services	2	0	2	0
6	Real estate services	4	2	4	2
7	Construction professional services and construction and related engineering services	7	6	7	7
8	Research and experimental development services on natural sciences and engineering	1	0	1	0
9	Placement and supply services of personnel	42	13	42	14
10	Computer and related services and information technology services	2	2	2	2
11	Value-added telecommunications services	9	6	9	6
12	Telecommunication services	1	1	1	1
13	Audiovisual services	21	9	22	9
14	Cultural services	10	3	11	3
15	Distribution services	8	8	9	8
16	Insurance and insurance-related services	4	2	4	2
17	Banking and other financial	1	1	1	1

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
	services				
18	Securities and futures services	3	2	3	2
19	Travel related services	11	5	10	4
20	Transport and logistics services	177	104	176	105
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(1)	(0)	(1)	(0)
21	Air transport services	146	52	143	49
22	Advertising services	18	5	19	6
23	Trade mark agency services	2	1	2	1
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(2)	(1)	(2)	(1)
24	Printing services	24	3	24	3
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(7)	(0)	(7)	(0)
25	Convention and exhibition services	1	1	1	1
26	Management consulting and related services	4	0	4	0
27	Administrative and support services	2	0	2	0
28	Other business services	3	0	3	0
29	Services incidental to manufacturing	4	0	4	0
Grand total:		519	231	517	230

In 2014:

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
1	Legal services	3	1	3	1
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(2)	(0)	(2)	(0)
2	Education services	1	0	1	0
3	Medical and dental services	14	8	12	8
4	Other human health services	2	0	2	0
5	Real estate services	3	3	3	3
6	Construction professional services and construction and related engineering services	14	12	14	12
7	Placement and supply services	39	22	38	20

	Service Sector	Number of Applications Received		Number of Applications Approved ¹	
		Total	Applications for Renewal	Total	Applications for Renewal
	of personnel				
8	Computer and related services and information technology services	2	2	2	2
9	Value-added telecommunications services	10	7	10	7
10	Telecommunication services	2	0	1	0
11	Audiovisual services	26	16	26	16
12	Cultural services	8	3	8	3
13	Distribution services	21	10	21	10
14	Insurance and insurance-related services	6	4	5	4
15	Banking and other financial services	6	5	6	5
16	Securities and futures services	5	1	5	1
17	Travel related services	16	8	16	8
18	Transport and logistics services	184	132	181	128
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(2)	(2)	(2)	(2)
19	Air transport services	153	52	156	53
20	Advertising services	28	13	27	12
21	Trade mark agency services	1	0	1	0
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(1)	(0)	(1)	(0)
22	Printing services	7	2	8	2
	(Applications submitted by sole-proprietorship, partnership or other unincorporated body of persons):	(1)	(0)	(1)	(0)
23	Photographic services	2	1	2	1
24	Convention and exhibition services	4	1	4	1
25	Management consulting and related services	9	3	8	3
26	Administrative and support services	2	0	2	0
27	Factoring services	2	0	2	0
28	Rental/Leasing services	1	0	1	0
29	Other business services	2	0	2	0
30	Services incidental to manufacturing	1	0	1	0
Grand total:		574	306	568	300

CONTROLLING OFFICER'S REPLY

CEDB(CIT)283

(Question Serial No. 6270)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Would the Government please provide the statistics on the rice imported into Hong Kong from various regions for the past 5 years?

Year	Country of Origin				
	Thailand	Vietnam	Japan	Taiwan	Other regions
2010					
2011					
2012					
2013					
2014					

Asked by: Hon CHEUNG Chiu-hung, Fernando (Member Question No. 619)

Reply:

The table below shows the statistics on rice imported into Hong Kong from various regions in the past five years. Hong Kong's major suppliers of rice are Thailand, Vietnam and Mainland China.

Year	Country of Origin								
	Thailand	Vietnam	Mainland China	Australia	USA	Japan	Cambodia	Taiwan	Other regions
2010	218.4 (67.5%)	58.7 (18.1%)	41.5 (12.8%)	2.0 (0.6%)	0.8 (0.3%)	0.7 (0.2%)	0.07 (small quantity)	0.3 (0.1%)	1.2 (0.4%)
2011	203.9 (60.7%)	94.7 (28.2%)	31.3 (9.3%)	3.1 (0.9%)	0.6 (0.2%)	0.9 (0.3%)	0.8 (0.2%)	0.4 (0.1%)	0.4 (0.1%)
2012	156.9 (51.0%)	109.3 (35.5%)	24.3 (7.9%)	6.9 (2.2%)	5.2 (1.7%)	1.0 (0.3%)	0.5 (0.2%)	0.6 (0.2%)	3.2 (1.0%)
2013	146.8 (44.7%)	137.2 (41.8%)	25.6 (7.8%)	6.2 (1.9%)	6.7 (2.0%)	1.3 (0.4%)	0.8 (0.2%)	0.6 (0.2%)	3.3 (1.0%)
2014	154.3 (48.2%)	126.4 (39.5%)	23.8 (7.5%)	6.1 (1.9%)	4.1 (1.3%)	1.7 (0.5%)	1.2 (0.4%)	0.8 (0.3%)	1.4 (0.4%)

(Unit: 000 tonnes; percentage share in brackets)

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)284

(Question Serial No. 0283)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Under Programme (3) Support for Small and Medium Enterprises and Industries, there will be an increase of two posts in 2015-16. Please advise this Committee the reasons for the increase, details of these posts, main duties covered by these posts and the expenditure involved.

Asked by: Hon CHUNG Kwok-pan (Member Question No. 2)

Reply:

Under Programme (3), the Department will create 2 Assistant Trade Officer II posts in 2015-16 to replace 3 existing non-civil service contract (NCSC) staff positions for processing applications under the SME Export Marketing Fund. The expenditure for the creation of the posts will be offset by the savings from the deletion of the NCSC positions. Hence, no additional expenditure will be involved.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0290)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In 2015-16, the Trade and Industry Department will facilitate the trade in adjusting to changes in the Mainland's trade and economic policies of significant impact on business operations and in the global economic environment. Will the Government please advise the details of the work done in this area in 2014-15? What was the expenditure involved? What was the effectiveness? What are the specific measures in the coming year? Will there be additional expenditure to facilitate the trade in adjusting to markets in response to changes in external economic environment?

Asked by: Hon CHUNG Kwok-pan (Member Question No. 11)

Reply:

The Trade and Industry Department (TID) has been endeavouring to facilitate the trade in adjusting to changes in the Mainland's trade and economic policies of significant impact on business operations and in the global economic environment.

In 2014-15, TID maintained close dialogue with the trade through various channels, in order to understand concerns and views of the trade. At the same time, we have maintained close liaison with the Mainland authorities at various levels (including the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade) to relay to them the trade's views and to discuss with them support measures for the trade. In addition, TID from time to time disseminates information to Hong Kong enterprises by means of circulars to enhance the trade's understanding of the Mainland's new policies, legislation and business environment. A total of about 700 circulars were issued in 2014-15. TID's website also includes a dedicated page on economic and trade information of the Mainland, with hyperlinks to the economic and trade websites of about 200 Mainland authorities. This platform facilitates Hong Kong enterprises in getting access to economic and trade information of the Mainland.

In face of changes in the global economic environment, relevant work carried out by TID and its outcome in 2014-15 are as follows:

- (i) Monitoring closely changes in the trade regulations of our trading partners and the trade remedy measures against Hong Kong-origin products, disseminate relevant information through commercial trade circulars and giving prompt advice to local traders and manufacturers, and lodging timely defence against any unfair or unfounded allegations and measures;
- (ii) Promoting trade and investment cooperation with other economies (including emerging markets); and
- (iii) Participating in regional economic cooperation fora, in particular the work of the Asia-Pacific Economic Cooperation and Pacific Economic Cooperation Council, discussing with other members the challenges brought about by the changes in the regional and global economic environment and the ways to address them, promoting regional economic growth and integration and enhancing the business environment in the region.

In 2015-16, TID will continue to monitor changes in the Mainland's trade and economic policies of significant impact on business operations and in the global economic environment to provide the trade with appropriate assistance and enhance the cooperation in trade and investment with other economies. Given the persistent uncertainties in the traditional European and U.S. markets, we will continue to strengthen the liaison work with the emerging markets, encourage and support the trade to tap into these markets.

Assisting the trade in adjusting to changes in the Mainland's trade and economic policies of significant impact on business operations and in the global economic environment is part of the overall work on commercial relations. The relevant expenditure has been subsumed under the overall estimated expenditure for all commercial relations work. It is difficult to account for the relevant manpower and financial resources separately.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 0291)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Regarding the work of trade support and facilitation, the matters which the Trade and Industry Department will pay special attention to in 2015-16 include liaising closely with the Mainland authorities and local traders on the Mainland issues of significant impact on business operations, and helping to reflect the trade's concerns to the relevant Mainland authorities. Please advise on the effectiveness of such work done in 2014-15, particularly those affecting small and medium enterprises. Which provincial and municipal authorities in the Mainland were liaised with? What specific work has been carried out? What was the expenditure involved? How will such work be implemented in the new financial year and what are the specific measures and targets?

Asked by: Hon CHUNG Kwok-pan (Member Question No. 12)

Reply:

In 2014-15, the Trade and Industry Department (TID) has maintained close dialogue with the trade through various channels, so as to understand the trade's concerns and views. At the same time, we have maintained close liaison with the Mainland authorities at various levels (including through the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade) to relay to them the trade's views and to discuss with them support measures for the trade. In addition, TID from time to time disseminates information to Hong Kong enterprises by means of circulars to enhance the trade's understanding of the Mainland's new policies, legislation and business environment, and a total of about 700 circulars were issued in 2014-15. TID's website also includes a dedicated page on economic and trade information of the Mainland, with hyperlinks to the economic and trade websites of about 200 Mainland authorities. This platform facilitates Hong Kong enterprises in getting access to economic and trade information of the Mainland.

The manpower and expenditure of the above-mentioned work have been subsumed within the establishment and provision for this Department. It is difficult to quantify them separately.

In 2015-16, TID will continue to implement the above measures to assist Hong Kong enterprises in operating in the Mainland.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)287

(Question Serial No. 0447)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

One of the tasks of the Trade and Industry Department (TID) in support of the small and medium enterprises (SMEs) and industries is to assist Hong Kong enterprises in the development and promotion of brands to enhance their competitiveness in the Mainland and overseas markets. The Government has indicated in recent years that it would assist in the promotion of "Hong Kong Brands". What efforts has TID made in this area in 2014-15? What was the expenditure involved? How will the relevant work be implemented in 2015-16 and what are the details? What are the specific measures? What is the estimated expenditure?

Asked by: Hon CHUNG Kwok-pan (Member Question No. 13)

Reply:

TID endeavours to assist Hong Kong enterprises in developing brands and exploring the Mainland and overseas markets. Its SME Export Marketing Fund (EMF) provides financial support to small and medium enterprises (SMEs) for participating in export promotion activities; while the SME Development Fund (SDF) provides financial support to non-profit-distributing organisations to carry out projects which enhance the competitiveness of SMEs in general or in specific sectors in Hong Kong. The revised estimated expenditure of the above funds for 2014-15 is around \$238 million and the estimated expenditure for 2015-16 is \$262 million.

The 2015-16 Budget proposed to inject \$1.5 billion into the above-mentioned Funds and implement improvement measures to enhance their support to SMEs. On SDF, we propose to increase the maximum amount of funding support for each project from \$2 million to \$5 million. On EMF, we propose to expand the scope of funding to cover more types of export promotion activities. We will consult the Small and Medium Enterprises Committee and the Legislative Council Panel on Commerce and Industry on the proposals, before seeking funding approval from the Finance Committee.

In addition, we launched the \$1 billion Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) in June 2012 to provide funding support to individual enterprises and non-profit-distributing organisations, so as to assist enterprises in enhancing their competitiveness and furthering their business development in the Mainland. Up to the end of December 2014, 267 and 44 applications were approved under the Enterprise Support Programme and Organisation Support Programme of the BUD Fund respectively, and the total amount of funding approved is about \$262.8 million. Another 19 applications from enterprises were granted conditional approval, the final approval of which and the amount of grants will be subject to further information submitted by the applicants.

Moreover, in 2014-15, TID also co-operated with the Hong Kong Trade Development Council, local business associations and other relevant organisations to organise seminars for which renowned local, Mainland and overseas entrepreneurs and experts were invited to share their experience in establishing brands and market development strategies. In addition, TID also disseminated practical reference information relating to brand development to Hong Kong enterprises through various channels (such as brand promotion website). We will continue work in this aspect in 2015-16 and the expenses involved will be covered by the recurrent expenditure of TID.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)288

(Question Serial No. 2553)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The aim of the work of the Trade and Industry Department (TID) under this programme is to support and facilitate the development of Hong Kong's small and medium enterprises (SMEs) and industries. Would the Government please advise this Committee of its specific work and resources or expenses on facilitating the development of Hong Kong's industries in the past year? What are the new work plans for facilitating the development of Hong Kong's industries in 2015-16? What is the expenditure involved? For example, in recent years, a number of manufacturers who have set up factories in the Mainland intend to relocate back to Hong Kong for development. Will the Government provide support to them? If yes, what are the specific measures? What are the resources to be allocated? If not, what are the reasons?

Asked by: Hon CHUNG Kwok-pan (Member Question No. 50)

Reply:

In 2014-15, the Trade and Industry Department (TID) liaised closely with the trade and business associations, and provided timely and adequate support in response to issues of concern to the trade. TID also discussed with the trade issues affecting their development and support measures for them through various advisory boards, such as the Trade and Industry Advisory Board, Textiles Advisory Board and Small and Medium Enterprises Committee, etc. TID further provided enterprises including manufacturers with the latest market information and advisory services through different channels, and administered various funding schemes (including the SME Loan Guarantee Scheme, the SME Export Marketing Fund (EMF), the SME Development Fund (SDF) as well as the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund)) to enhance the competitiveness of enterprises of different industries.

The 2015-16 Budget proposed to inject \$1.5 billion into the EMF and the SDF and implement improvement measures to enhance their support to SMEs. On SDF, we propose to increase the maximum amount of funding support for each project from \$2 million to \$5 million. On EMF, we propose to expand the scope of funding to cover more types of export

promotion activities. We will consult the Small and Medium Enterprises Committee and the Panel on Commerce and Industry of the Legislative Council on the proposals, before seeking funding approval from the Finance Committee.

The Government's policy is to create a business-friendly environment and provide timely and adequate support so that our trade can flourish. As regards the development of industries, given the land and manpower constraints in Hong Kong, land-intensive and low value-added while labour-intensive industries may not help create high quality job opportunities or benefit the long term development of the Hong Kong economy. We therefore consider that we should focus our resources on high value-added and high technology industries or processes that we have competitive edges or that have development potential. The various initiatives being undertaken by the Government, including the SME Funding Schemes of TID, provide support to enterprises including those interested in relocating their operations back to Hong Kong in areas such as obtaining finance and enhancing their overall competitiveness.

The expenditure of the above work has been subsumed within the provision of the bureaux/departments concerned, and is difficult to quantify separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)289

(Question Serial No. 2768)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In 2015-16, the Trade and Industry Department will discuss, in consultation with relevant bureaux and departments and the trade, with Mainland authorities on further liberalisation under Mainland and Hong Kong Closer Economic Partnership Arrangement (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 enhance the effective implementation of CEPA and its supplemental agreements. Would the Government please advise on the details of the relevant work, the expenditure involved, the manpower arrangement, the effectiveness of CEPA so far since its implementation, and the areas that need review or rationalisation.

Asked by: Hon LAM Tai-fai (Member Question No. 25)

Reply:

The HKSAR Government is committed to assisting Hong Kong businesses in accessing the Mainland market through the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), by seeking various preferential and facilitation measures for the trade, lowering the entry threshold and relaxing the scope of services, etc. In December last year, the Mainland and Hong Kong signed the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalization of Trade in Services in Guangdong under CEPA for achieving early basic liberalisation of trade in services in Guangdong Province. On this basis, the HKSAR Government will continue to strive to further open up the Mainland market to the Hong Kong services sectors by broadening and deepening the scope of liberalisation with a view to achieving the goal of basic liberalisation of trade in services between the Mainland and Hong Kong by the end of this year.

The HKSAR Government also attaches great importance to the effective implementation of CEPA. We have been working closely with the Mainland authorities at central, provincial and municipal levels to address and follow up on problems encountered by Hong Kong enterprises in using CEPA liberalisation measures in the Mainland. To further enhance the

mechanism for implementation of CEPA measures, the HKSAR Government and the Ministry of Commerce set up a Joint Working Group to discuss the problems encountered by the trade in using CEPA at provincial and municipal levels and achieved positive outcome.

Apart from providing free information and advisory services on CEPA, the Trade and Industry Department (TID) has established a notification mechanism with the Mainland authorities to disseminate information in relation to the promulgation of relevant regulations and implementation details on its CEPA website for the trade's reference.

As in the past, we will review the above mechanisms from time to time and make timely improvements. We will also continue to work closely with the Mainland to assist the trade in making better use of CEPA liberalisation measures and gaining greater access to the Mainland market.

The CEPA-related work outlined above is carried out by different government agencies. The Commerce and Economic Development Bureau (Commerce, Industry and Tourism Branch) is responsible for the overall policy on CEPA; TID oversees bilateral discussions on further liberalisation and implementation of liberalisation measures under CEPA; and individual bureaux and departments deal with liberalisation and specific implementation issues in the relevant service sectors. The manpower and financial resources involved in the work are absorbed by relevant bureaux or departments. We do not have information on the actual amount.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)290

(Question Serial No. 2773)

Head: (181) Trade and Industry Department

Subhead (No. & title): (-)

Programme: (-)

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Trade and Industry Department (TID) helps Hong Kong enterprises develop and promote brands to enhance the competitiveness of such enterprises in the Mainland and overseas markets. Such work includes administering the Organisation Support Programme of the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund), which was launched in 2012 to help Hong Kong enterprises to develop brands, upgrade and restructure operations and promote domestic sales in the Mainland. Would the Government please advise on the expenditure and manpower spent over the past five years to help the industrial sector upgrade and restructure operations, and enhance the long-term competitiveness of Small and Medium Enterprises (SMEs); and the details of the increase in estimated expenditure, expenditure involved and manpower arrangement for the coming financial year.

Asked by: Hon LAM Tai-fai (Member Question No. 30)

Reply:

The Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) was launched in June 2012. Up to the end of December 2014, the Organisation Support Programme (OSP) of the BUD Fund has processed 103 applications, 44 of which were approved involving a total grant amount of about \$143 million. In 2015-16, the estimated expenditure of the OSP is \$45.3 million.

The Trade and Industry Department (TID) also administers the SME Development Fund (SDF) to provide financial support to non-profit-distributing organisations (including trade and industrial organisations, professional bodies and research institutes, etc.) to implement projects which aim at enhancing the competitiveness of SMEs in general or in specific sectors in Hong Kong. From April 2010 to the end of February 2015, the SDF has processed a total of 178 applications, 93 of which were approved, involving a total grant amount of about \$110 million. In 2015-16, the estimated expenditure of the SDF is \$24 million.

The manpower and expenditure required for implementing the OSP and the SDF have been subsumed within the establishment and provision for TID, and are difficult to quantify separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)291

(Question Serial No. 2787)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Trade and Industry Department's major work includes 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. Would the Government please advise respectively on the details of the relevant work, the expenditure involved, the manpower arrangement and the effectiveness of those work? Will the Inland Revenue Ordinance section 39E be relaxed to assist the trade? If yes, what are the details of the relevant work, the expenditure involved and the manpower arrangement? If not, what are the reasons?

Asked by: Hon LAM Tai-fai (Member Question No. 56)

Reply:

The Trade and Industry Department (TID) endeavours to facilitate the trade in adjusting to changes in the Mainland's trade and economic policies of significant impact on business operations.

TID has maintained close dialogue with the trade through various channels, so as to understand the trade's concerns and views. At the same time, we have maintained close liaison with the Mainland authorities at various levels (including through the Hong Kong/Guangdong Expert Group on the Restructuring and Upgrading of the Processing Trade) to relay to them the trade's views and to discuss with them support measures for the trade. In addition, TID from time to time disseminates information to Hong Kong enterprises by means of circulars to enhance the trade's understanding of the Mainland's new policies, legislation and business environment, and a total of about 700 circulars were issued in 2014-15. TID's website also includes a dedicated page on economic and trade information of the Mainland, with hyperlinks to the economic and trade websites of about 200 Mainland authorities. This platform facilitates Hong Kong enterprises in getting access to economic and trade information of the Mainland. The manpower and expenditure of the above-mentioned work have been subsumed within the establishment and provision for this Department, and are difficult to quantify separately.

We note that in recent years Mainland enterprises set up by Hong Kong enterprises in the Pearl River Delta have undergone restructuring, and the trade has asked for relaxing the restriction in section 39E of the Inland Revenue Ordinance (IRO). We understand that in November 2010, the Financial Services and the Treasury Bureau completed a review on whether the restriction in section 39E of the IRO should be relaxed. In light of Hong Kong's established taxation principles of "territorial source" and "tax symmetry" as well as the issues relating to transfer pricing, the review concluded that it was not justifiable to relax the restriction in section 39E of the IRO.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)292

(Question Serial No. 2792)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In 2015-16, the Trade and Industry Department will 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. Would the Government please advise on the details of the relevant work in the coming year, the expenditure involved, manpower deployment, the effectiveness so far since its implementation, whether the original goal has been achieved in combatting the acute shortage problem caused by parallel traders diverting large quantities of powdered formula out of Hong Kong and areas that need review and rationalisation?

Asked by: Hon LAM Tai-fai (Member Question No. 57)

Reply:

All importers of powdered formula must register with the Food and Environmental Hygiene Department in accordance with the Food Safety Ordinance (Cap. 612). The Trade and Industry Department (TID) would, in general, only issue export licences to importers of powdered formula who have registered under the above ordinance or importers exempted from registration under the above ordinance. At the time of application, the applicant of the export licence is required to produce the import invoice to prove that the powdered formula intended to be exported has been imported directly from other places. The relevant expenditure has been subsumed within the provision for TID which is difficult to quantify separately.

The Food and Health Bureau (FHB) stated that, since the implementation of the Import and Export (General) Amendment Regulation 2013 (“the Amendment Regulation”), parallel trading activities in relation to powdered formula have dropped substantially. The supply of powdered formula at retail outlets is rather stable despite there is still shortage of some popular brands of powdered formula during certain periods of time.

The supply chain failure in relation to powdered formula in Hong Kong has a major bearing on the serious shortage of powdered formula. FHB will continue to follow up on and

monitor the work of improving the supply chain by suppliers through the Committee on Supply Chain of Powdered Formula (“the Committee”) (Note 1). FHB will listen to the views of both the Committee and the relevant Panel of the Legislative Council and take into account the progress on the improvements of powdered formula supply chain, before deciding on the Government’s position in respect of the Amendment Regulation. The relevant work will be dealt with by existing manpower and resources of FHB, and the manpower requirement involved cannot be accounted for separately.

To follow up on and monitor the work of improving the supply chain by suppliers, FHB has commissioned a consultancy firm in 2014-15 to conduct two surveys on a regular basis, namely-

- survey on supply and prices of powdered formula at retail level; and
- survey on the experience of local consumers in purchasing powdered formula and their intention on using the pre-order services.

The latest results of the above-mentioned surveys revealed that the shortage situation of powdered formula supply has improved although there is still a certain degree of shortage of particular brands at the retail level and the incidences of out-of-stock in particular districts are also relatively higher. FHB has urged the relevant suppliers to actively follow up on the findings of the surveys to ensure stable and sufficient supply of powdered formula for local infants and young children.

Note 1: In July 2013, the Government appointed a Committee on Supply Chain of Powdered Formula to study and recommend to the Government measures to improve the supply chain of powdered formula. The Committee comprises 14 non-official members, including major powdered formula suppliers, retailers, parents, representatives from the logistics sector, relevant academia and those representing consumer interests.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)293

(Question Serial No. 2155)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The provision for Programme (1) Commercial Relations in 2015-16 is \$113.9 million. In this year, how will the Government:

- (1) maintain and strengthen Hong Kong's commercial relations with its trading partners; and
- (2) facilitate the trade in adjusting to changes in the Mainland and the global economic environment?

Asked by: Hon LEUNG Kwan-yuen, Andrew (Member Question No. 20)

Reply:

The Trade and Industry Department (TID) has been endeavouring to maintain and strengthen Hong Kong's commercial relations with its trading partners, as well as facilitate the trade in adjusting to changes in the economic environment of the Mainland and the world.

In 2015-16, the relevant work carried out by TID is as follows:

- (i) to maintain close dialogue with the trade through various channels, so as to understand their concerns and views. At the same time, we will relay the trade's views to relevant authorities and discuss with them support measures for the trade;
- (ii) to closely monitor changes in trade regulations of our trading partners and the trade remedy measures against Hong Kong-origin products; to promptly disseminate relevant information and provide advice to local traders and manufacturers through trade circulars, and to lodge timely defences against any unfair or unfounded allegations and measures;
- (iii) to promote trade and investment cooperation with other economies, including pursuing free trade agreements and investment promotion and protection agreements;

- (iv) to strengthen liaison with emerging markets, as well as encourage and support the trade to tap into these markets; and
- (v) to participate in regional economic cooperation fora, in particular the work of the Asia-Pacific Economic Cooperation and Pacific Economic Cooperation Council; to discuss with other members the challenges brought about by the changes in the regional and global economic environment and the ways to address them; and to promote regional economic growth and integration and improve the business environment in the region.

- End -

CONTROLLING OFFICER'S REPLY

(Question Serial No. 2202)

Head: (181) Trade and Industry Department

Subhead (No. & title): (000) Operational expenses

Programme: (1) Commercial Relations

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Please list out respectively the estimated establishment, annual emolument, housing allowance and allowances on duty visits and entertainment etc. of the following posts of the Trade and Industry Department posts in 2015-16:

- Director-General
- Deputy Director-General
- Assistant Director-General
- Senior Personal Secretary
- Personal Secretary I
- Personal Secretary II
- Senior Information Officer
- Information Officer
- Departmental Secretary
- Deputy Departmental Secretary
- Senior Information Technology Officer
- Principal Trade Officer
- Trade Officer
- Assistant Trade Officer
- Trade Controls Officer
- Information Technology Officer
- Senior Clerical Officer
- Manager
- Clerical Officer
- Senior Accounting Officer
- Accounting Officer
- Senior Systems Manager
- Principal Technical Officer
- Senior Technical Officer
- Assistant Accounting Manager

- Systems Manager
- Analyst I
- Project Manager
- Principal Executive Officer
- Senior Executive Officer
- Executive Officer

Asked by: Hon LEUNG Kwok-hung (Member Question No. 615)

Reply:

The estimated civil service establishment and emolument of the Trade and Industry Department (TID) in 2015-16 are as follows:

Grade	Number of posts	Estimated salary in notional annual mid-point salary value (NAMS) (\$'000)
Administrative Officer (directorate)	10	19,826
Administrative Officer (non-directorate)	1	1,223
Analyst/Programmer	12	7,751
Clerical Assistant	52	9,450
Clerical Officer	164	47,258
Computer Operator	10	3,369
Confidential Assistant	3	836
Data Processor	3	581
Executive Officer (directorate)	1	1,553
Executive Officer (non-directorate)	15	10,528
Inspector (Telecommunications) / Controller (Telecommunications)	6	3,311
Motor Driver	2	387
Office Assistant	9	1,442
Official Languages Officer	3	1,475
Personal Secretary	19	5,952
Photographer	2	363
Property Attendant	2	313
Statistical Officer	2	725
Statistician	1	819
Supervisor of Typing Services	1	412
Supplies Assistant	1	182
Supplies Attendant	1	156
Supplies Officer	1	622
Supplies Supervisor	3	839
Telecommunications Engineer	1	674
Trade Controls Officer	3	1,483
Trade Officer	152	118,578

Grade	Number of posts	Estimated salary in notional annual mid-point salary value (NAMS) (\$'000)
Treasury Accountant	3	2,936
Typist	9	1,636
Workman I	2	313
Workman II	4	578
Grand total :	498	245,571

The housing allowances of the above civil service grades are paid in accordance with the relevant terms of appointment of the officers, as well as the relevant regulations and guidelines. The expenditure is not charged to Head 181.

Officers in TID will conduct duty visits and host entertainment based on operational needs, such as attending meetings of the Asia-Pacific Economic Cooperation, discussing economic and trade arrangements with trading partners, enhancing economic and trade cooperation with different places, discussing with the Mainland on matters relating to the Mainland and Hong Kong Closer Economic Partnership Arrangement, and liaising with the local business communities etc. The estimated expenditure of duty visits and entertainment in 2015-16 is about \$8.3 million and \$0.3 million respectively. Expenditure of all duty visits and entertainment have to comply with the relevant regulations and administrative guidelines to ensure effective monitoring and prudent use of public funds.

- End -

CONTROLLING OFFICER'S REPLY**CEDB(CIT)295****(Question Serial No. 3132)**Head: (181) Trade and Industry DepartmentSubhead (No. & title): ()Programme: (3) Support for Small and Medium Enterprises and IndustriesControlling Officer: Director-General of Trade and Industry (Kenneth MAK)Director of Bureau: Secretary for Commerce and Economic DevelopmentQuestion:

Regarding the SME Export Marketing Fund (EMF):

- a) What are the respective number of applications received, number of applications approved and the average amount of grant for each approved project for the past five years?
- b) For the past five years, how much did the Trade and Industry Department (TID) spend on the promotion and effectiveness review of the EMF? In 2015-16, what are the promotion plan and estimated expenditure breakdowns for the EMF?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 47)Reply:

The number of applications received, the number of applications approved and the average amount of grant for applications approved under the SME Export Marketing Fund (EMF) in the past five years are as follows:

Financial Year	Number of Applications Received	Number of Applications Approved	Average Amount of Grant for Applications Approved
2010 - 11	26 157	23 757	\$13,458
2011 - 12	21 241	19 191	\$14,441
2012 - 13	18 192	16 461	\$15,112
2013 - 14	19 040	15 891	\$16,017
2014 - 15*	15 661	11 582	\$16,151

*As at the end of February 2015

The Trade and Industry Department (TID) closely monitors the changes in the market as well as the needs of the SMEs and reviews from time to time the operation of the EMF to ensure that appropriate and timely support is provided to the SMEs. In the past five years,

representatives of TID attended a number of seminars organised by SME organisations and trade associations to promote the EMF to SMEs. The department also promoted the EMF to SMEs through different channels, such as TV and radio Announcements of Public Interest, exhibitions, promotional leaflets, website, etc. In the coming year, we will continue to make use of the above channels to promote the EMF to more SMEs. The manpower and expenditure on promoting the EMF have been subsumed under the establishment and provision of TID, and are difficult to quantify separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)296

(Question Serial No. 3133)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

It is mentioned in the Budget that the Government will continue to assist Hong Kong enterprises in upgrading and restructuring their operations, developing brands and promoting sales in the Mainland domestic market through the Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) so as to enhance their competitiveness in the Mainland market. Would the Government please advise on the number of applications that the Fund has received and the number of successful applications so far? What are the amounts of grant approved? Has the Government followed up those approved applications and assessed their effectiveness so as to continuously enhance the usage of the Fund. If yes, what are the details and the expenditures spent on such assessment in the past 3 years? If not, what are the reasons?

Asked by: Hon LIAO Cheung-kong, Martin (Member Question No. 48)

Reply:

The Dedicated Fund on Branding, Upgrading and Domestic Sales (BUD Fund) was launched on 25 June 2012. The vetting results as at the end of December 2014 are as follows -

	Enterprise Support Programme	Organisation Support Programme
Applications processed (excluding all applications withdrawn)	890	103

	Enterprise Support Programme	Organisation Support Programme
Number of applications approved	267 (Excluding 19 applications that were granted conditional approval. The final approval of such applications and the amount of grants will be subject to further information submitted by the applicants.)	44
Total approved funding	Around \$119 million	Around \$143 million
Success rate	32.1% (including applications approved and applications granted conditional approval)	42.7%
Highest amount of funding	\$500,000	\$5 million
Lowest amount of funding	\$15,000	\$720,720
Average amount of funding	Around \$450,000	Around \$3.3 million
Number of applications rejected	604	59
Number of completed projects	24	9

Most of the projects are still in progress. We will continue to closely monitor the operation of the BUD Fund and assess its effectiveness in due course. The relevant expenditure has been subsumed within the provision for this Department, which is difficult to quantify separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)297

(Question Serial No. 3755)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In 2015-16, the Trade and Industry Department plans to 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. In this regard, would the Government please advise this Committee:

- (1) the number of applications for powdered formula export licences and the product quantity involved in the past year;
- (2) the comparison between the above and the past figures;
- (3) whether there are additional resources (including manpower) allocated to handle the relevant work? If yes, what are the details and estimated expenditure?

Asked by: Hon TIEN Pei-chun, James (Member Question No. 57)

Reply:

The number of powdered formula export licences issued by the Trade and Industry Department (TID) and the quantity of powdered formula involved in the past two years are as follows:

	Number of Licences Issued	Quantity of Powdered Formula Involved
2013 (Since 1 March when the licensing requirement came into force until 31 December)	8 119	9.36 million kg
2014	13 673	13.80 million kg

In 2015-16, TID does not require additional resources to handle the relevant work.

CONTROLLING OFFICER'S REPLY

CEDB(CIT)298

(Question Serial No. 3756)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

In 2015-16, the Trade and Industry Department (TID) will administer various SME Funding Schemes. In this regard, would the Government please advise this Committee on the utilisation rate, default rate, amount of default claims and resources available in respect of these funding schemes in the past year?

Asked by: Hon TIEN Pei-chun, James (Member Question No. 58)

Reply:

In 2015-16, the Trade and Industry Department (TID) will continue to assist enterprises in obtaining finance, exploring export markets and enhancing the overall competitiveness through the three existing SME funding schemes, namely the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF) and the SME Development Fund (SDF).

From April 2014 to the end of February 2015, 951 applications involving a total guarantee amount of about \$1.1 billion were approved under SGS. The approved total loan guarantee commitment of SGS is \$30 billion. As at the end of February 2015, the cumulative loan guarantee amount approved under SGS was about \$21.8 billion, representing about 73% of the total commitment, and the remaining commitment available for use is about \$8.2 billion. The cumulative amount of net default claims of SGS is about \$426 million, and the default rate is about 1.95%.

From April 2014 to the end of February 2015, 11 582 and 14 applications were approved under EMF and SDF, involving grants of about \$190 million and \$15 million respectively. The combined approved commitment of the two Funds is \$3.75 billion. As at the end of February 2015, the cumulative total grant amount approved under EMF and SDF was about \$3.34 billion, representing about 89%¹ of the total approved commitment, and the remaining

¹ In calculating the utilisation rate of the commitment, apart from the EMF and the SDF, the amount of grants approved under the previous SME Training Fund (i.e. \$260 million), which ceased to receive applications since 1 July 2005, has

also been included.

amount available for use is about \$410 million. The 2015-16 Budget proposed to inject \$1.5 billion into the two Funds and implement improvement measures to enhance their support to SMEs. On SDF, we propose to increase the maximum amount of funding support for each project from \$2 million to \$5 million. On EMF, we propose to expand the scope of funding to cover more types of export promotion activities. We will consult the Small and Medium Enterprises Committee and the Legislative Council Panel on Commerce and Industry on the proposals, before seeking funding approval from the Finance Committee.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)299

(Question Serial No. 2571)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Trade and Industry Department (TID) issued over 400 000 strategic commodities licences each year in the past 3 years. Please list out the types of goods, quantity, amount and countries of destination covered by the licences issued. How many goods were transshipped through Hong Kong? What are the types of goods, quantity and amount involved, and from/to which countries were the goods transported to and transported out of Hong Kong respectively?

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 20)

Reply:

Under the Import and Export (Strategic Commodities) Regulations, strategic commodities which are required to obtain licences issued by the Trade and Industry Department (TID) for import into or export from Hong Kong include munitions (such as firearms, ammunition, explosives etc.) and dual-use goods (i.e. industrial goods capable of being used for military purpose) such as certain chemicals, telecommunications and information security products etc..

In the past three years (2012, 2013 and 2014), TID issued over 400 000 strategic commodities licences each year. Over 95% of the goods covered by the licences were electronics, telecommunications and information security products, which are all common dual-use goods. Most of the dual-use goods imported to or exported from Hong Kong are transshipments and the major places of import/export of such commodities include the Mainland China, the US, Singapore and Taiwan etc..

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)300

(Question Serial No. 2595)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

Programme: (2) Trade Support and Facilitation

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The Trade and Industry Department implements a powdered formula export licensing arrangement to ensure sufficient supply of powdered formula for infants and young children in Hong Kong.

Please advise on:

1. the number of applications for export licence, the number of licences approved and the number of applications rejected each year respectively since the implementation of such arrangement.
2. the reasons for rejecting the applications. Please list the reasons and number.

Asked by: Hon TONG Ka-wah, Ronny (Member Question No. 49)

Reply:

All importers of powdered formula must register with the Food and Environmental Hygiene Department in accordance with the Food Safety Ordinance (Cap. 612). The Trade and Industry Department (TID) would, in general, only issue export licences to importers of powdered formula who have registered under the above ordinance or importers exempted from registration under the above ordinance. At the time of application, the applicant of the export licence is required to produce the import invoice to prove that the powdered formula intended to be exported has been imported directly from other places.

Since the implementation of the powdered formula export licensing arrangement on 1 March 2013 until 31 December in the same year, TID issued 8 119 powdered formula export licences. In the same period, a total of 4 applications were rejected due to incomplete supporting documents. In 2014, TID issued 13 673 export licences. No application was rejected that year.

CONTROLLING OFFICER'S REPLY

CEDB(CIT)301

(Question Serial No. 1251)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Since the Government is to support small and medium enterprises (SMEs), financial resources and manpower must have been allocated to understand the situation of SMEs in Hong Kong. In this regard, please list out, over the past 3 years, the number of SMEs established in Hong Kong; the number of SMEs that have ceased operation; the average operation period of SMEs that have ceased operation; the number of SMEs listed on the stock exchange and the financial resources allocated by the Government to understand such situations.

Asked by: Hon WONG Ting-kwong (Member Question No. 36)

Reply:

According to the data from the Census and Statistics Department, the number of small and medium enterprises (SMEs) over the past three years are listed below. These include SMEs of different operation modes (such as incorporations, partnerships and sole-proprietorships) having substantive business operation and employing staff in Hong Kong. We do not have statistics on the number of SMEs established, the number of SMEs that have ceased operation and their average operation period, as well as the number of SMEs listed on the stock exchange.

Year	Number of SMEs
2014*	318 143
2013	314 282
2012	307 784

*Note: figure as at September 2014

The expenditure of the relevant work has been subsumed within the provision for the relevant bureau/department, and is difficult to quantify separately.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)302

(Question Serial No. 1255)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

At present, some Hong Kong manufacturers who have moved to the Mainland to carry on business in early years intend to relocate back to Hong Kong for business. What is the number of enquiries, requests for assistance and complaints received by the Government from such manufacturers in the past 3 years? What are the financial resources and manpower spent by the Government on these cases?

Asked by: Hon WONG Ting-kwong (Member Question No. 40)

Reply:

In the past 3 years, the Trade and Industry Department has not received any enquiry, request for assistance or complaint from Hong Kong manufacturers who have moved to the Mainland to carry on business in early years and intended to relocate back to Hong Kong for business.

- End -

CONTROLLING OFFICER'S REPLY

CEDB(CIT)303

(Question Serial No. 1351)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Please advise on the application figures, including the number of applications and the funding amount involved, in respect of the tourism-related enterprises under the SME Financing Guarantee Scheme, SME Development Fund and SME Export Marketing Fund for the past three financial years (i.e. 2012/2013, 2013/2014 and 2014/2015).

Asked by: Hon YIU Si-wing (Member Question No. 25)

Reply:

The Trade and Industry Department administers three SME Funding Schemes, namely the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund. The application figures in respect of the tourism-related enterprises (including those from the tourism, restaurant and hotel industries) under these schemes for the past three financial years are as follows:

SME Loan Guarantee Scheme

	2012-13	2013-14	2014-15 ^{Note2}
Number of Applications Received ^{Note1}	36	25	33
Number of Applications Approved	31	22	29
Total Amount of Loans Approved (\$million)	72.0	50.0	51.3
Total Amount of Loan Guarantees Approved (\$million)	36.2	24.8	26.2

SME Development Fund ^{Note3}

	2012-13	2013-14	2014-15 ^{Note2}
Number of Applications Received ^{Note1}	5	1	2
Number of Applications Approved	2	2	1
Total Amount of Grants Approved (\$million)	3.41	1.30	1.15

SME Export Marketing Fund

	2012-13	2013-14	2014-15 ^{Note2}
Number of Applications Received ^{Note1}	32	42	27
Number of Applications Approved	32	42	26
Total Amount of Grants Approved (\$)	482,913	674,895	351,935

As for the special concessionary measures launched by the Hong Kong Mortgage Corporation Limited (HKMC) under its SME Financing Guarantee Scheme, the relevant figures in respect of the tourism-related enterprises (including those from the tourism, catering services, and hotel and hospitality services industries) for the past three financial years are as follows ^{Note4} :

	2012-13 ^{Note5}	2013-14	2014-15 ^{Note2}
Number of Applications Approved	108	36	34
Total Amount of Loans Approved (\$million)	385.05	124.13	81.46
Total Amount of Loan Guarantees Approved (\$million)	308.04	99.31	65.17

Note 1: As the submission and approval of applications may cross two financial years, the number of applications approved in one financial year may not correspond to the number of applications received in the same financial year.

Note 2: As at end of February 2015.

Note 3: Applicants of the SME Development Fund are non-profit-distributing organisations such as chambers of commerce and trade and industrial organisations.

Note 4: The HKMC has not compiled statistics on the number of applications received by trade.

Note 5: The special concessionary measures were launched on 31 May 2012.

CONTROLLING OFFICER'S REPLY

CEDB(CIT)304

(Question Serial No. 1352)

Head: (181) Trade and Industry Department

Subhead (No. & title): ()

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

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

The International Travel Expo Hong Kong (ITE Hong Kong) has been the only exhibition of its kind in Hong Kong for 28 years, drawing an increasing number of overseas buyers/patrons every year. It is an ideal platform for local travel agencies to expand their businesses overseas and establish cooperative partnerships with one another.

In the past, small and medium travel agencies participating in the ITE Hong Kong were eligible for SME Export Marketing Fund (EMF). However, the Government revised the funding scope of EMF in 2013 to exclude events which allow public admission exceeding one-third of their duration. Since ITE Hong Kong is a 4-day event with 2 days to traders and 2 days to the public, travel agencies participating in such event are no longer eligible to apply for EMF under the new requirement.

Please advise on the justifications for the above revision, the estimated number of applications and the amount of grant involved. Will the Government consider relaxing the requirement to help SMEs in need?

Asked by: Hon YIU Si-wing (Member Question No. 26)

Reply:

The SME Export Marketing Fund (EMF) administered by the Trade and Industry Department (TID) was launched in 2001, aiming at helping small and medium enterprises (SMEs) expand their export businesses through participation in export promotion activities. In accordance with the policy objective of the EMF, the established rule has been that local exhibitions are within the scope of the EMF only if they are "export-oriented". In 2011, TID conducted a review on the criteria for fulfilling the "export-oriented" requirement for local exhibitions and established a set of objective criteria, which clearly stipulate that local exhibitions should mainly target at overseas/local traders; and if public admission to an exhibition is allowed, it should be restricted to the last day of the exhibition, and the total period open to the public should not exceed one-third of the duration of the exhibition. The criteria are set out in the Guide to Application and applicable to local exhibitions held on or after 1 January 2012.

The “International Travel Expo Hong Kong” is a 4-day event. The first 2 days are open to traders whereas the remaining 2 days to the public. It therefore does not meet the above criteria.

From 2012 to 2014, over 46 000 applications were approved under the EMF. 36% of the applications supported enterprises to participate in local exhibitions, which is similar to the percentage in 2011 (prior to the implementation of the above criteria). TID has no plan to adjust the above criteria for the time being. We will continue to closely monitor changes in the market as well as the needs of SMEs and make timely improvements to the operation of the EMF.

- End -

CONTROLLING OFFICER'S REPLY

S-CEDB(CIT)06

(Question Serial No. SV009)

Head: (181) Trade and Industry Department

Subhead (No. & title): (-) -

Programme: (-) -

Controlling Officer: Director-General of Trade and Industry (Kenneth MAK)

Director of Bureau: Secretary for Commerce and Economic Development

Question:

Pursuant to reply no. CEDB(CIT)295, the Government is requested to provide information on:

- (a) the reasons for the declining number and the success rates of the applications for the Small and Medium Enterprise Export Marketing Fund in the past five years; and
- (b) the expected number of applications, success rates and the average amount of fund to be granted to each application in the coming three years.

Asked by: Hon LIAO Cheung-kong, Martin

Reply:

- (a) The number of applications received for the Small and Medium Enterprise Export Marketing Fund (EMF) in the past five years is as below:

Year	Number of Applications Received
2010	27 846
2011	21 943
2012	18 825
2013	18 682
2014	17 672

Based on our analysis, there are two main reasons for the declining number of EMF applications in recent years:

(i) Since the global economic downturn induced by the worldwide financial turmoil in end 2008, the external economic environment has remained unstable. Given the sluggish performance of the traditional export markets in Europe and the United States and hence the weak demand for consumer products in these markets, there has been keen competition in the prices of exports resulting in a decline in gross profit. SMEs are thus more prudent in carrying out export promotion activities, or reduce promotion activities.

(ii) With the rapid advancement and prevalence of internet technology, coupled with the lower expenses and risks of making use of the electronic platform to carry out export promotion activities, there has been a declining trend for SMEs to make use of traditional channels for export promotion. For example, in the past five years, the number of applications for placing advertisements on printed trade publications has decreased by nearly 70%. As regards export promotion through the electronic media, since the EMF currently only funds advertisements on eligible trade websites, the overall number of applications has decreased.

The 2015-16 Budget proposed injection of funds into the EMF and expansion of its funding scope to cover more types of export promotion activities, including those carried out through the electronic media.

In respect of the approval rate, the number of applications vetted, the number of applications approved and rejected, the approval rate and the average amount of grant for applications approved under the EMF in the past five years are listed by year as follows:

Year	Number of Applications Vetted *	Number of Applications Approved	Number of Applications Rejected	Approval Rate	Average Amount of Grant for Applications Approved
2010	29 570	26 302	3 268	88.9%	\$13,336
2011	22 904	19 608	3 296	85.6%	\$14,017
2012	19 561	17 298	2 263	88.4%	\$15,003
2013	18 645	15 924	2 721	85.4%	\$15,758
2014	16 681	13 384	3 297	80.2%	\$16,202

* The figures are not the same as the numbers of applications received in respective years as applications received during the year but still being vetted are excluded whilst applications received in the previous year but with vetting completed in the current year are included.

To ensure the prudent use of public funds, each application must meet the approval requirements of the EMF. The approval rate of the EMF in the past five years has exhibited mild ups and downs, with insignificant changes from 2010 to 2013. There was only a relatively significant change in 2014 (about 5% decrease as compared with 2013), due to more applicants' failing to provide the required information or

supporting documents for approval, not participating in the promotion activities concerned, or failing to show that it had substantive business operation in Hong Kong.

- (b) With the expansion of the scope of the EMF, it is expected that the number of applications will increase and the average amount of grant of each application will increase with inflation. However, the figures would be influenced by various factors and it is difficult to provide an accurate estimate for the time being. It is expected that the approval rate may decline when the enhancement measure is initially implemented because some SMEs may not be able to fully understand the approval requirements, but the rate is expected to increase gradually after the enhancement measure has been implemented for some time. We will closely monitor the usage of the EMF after the implementation of the enhancement measure and will promote the EMF to SMEs through different channels.

- End -