



## DAILY INFORMATION BULLETIN

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HONG KONG. TEL.: 2842 8777

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## Government's support for small and medium businesses outlined

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The Financial Secretary, Mr Donald Tsang, said the Government would continue to offer meaningful support services which were particularly beneficial to small and medium enterprises (SMEs).

Speaking at a luncheon of the Harvard Club of Hong Kong today (Wednesday), Mr Tsang said SMEs accounted for 98 per cent of all businesses in Hong Kong and they were the major beneficiaries of the government support programme.

SMEs are defined in Hong Kong as manufacturing enterprises employing less than 100 people or service enterprises employing less than 50 people. In 1995, nearly 300,000 establishments in Hong Kong belonged to the SME category.

"This shows quite clearly that the dynamism and agility of SMEs has been the foundation of Hong Kong's economic success," Mr Tsang said.

He said while the Government did not accord special treatment based on the size of businesses, it did offer support to industry and business in Hong Kong.

Mr Tsang said there were three myths regarding the perceived lack of support by Government for SMEs.

The first myth was that Government did nothing to help lower the cost of doing business for SMEs, he said.

"The fact is that it is against our fundamental economic philosophy to single out specific sectors of businesses for special treatment.

"However, we make sure that, within the framework of a free market economy and of high integrity in our local markets, we are sustaining the best possible business-friendly environment in the world."

He said corporate tax rate in Hong Kong was among the lowest in the region and no tax was payable on dividend income, interest, value-added or capital gains.

The Government had also done its bit to dampen property price inflation and keep down rentals to contain the costs of accommodation.

"While costs of doing business in the East Asia region are rising and matching Hong Kong's levels, the crucial element for a foreign firm to decide where in Asia it should establish its base is not costs. It is profit," he said.

The second myth was that the Government did not provide appropriate training for employees, Mr Tsang said.

"Apart from our traditional higher education institutes that provide a wide range of general academic and professional subjects to 15,000 students annually, there are a number of specialised institutions that teach knowledge required in trade, industry and commerce.

"In my last Budget, I gave a special tax incentive for any employee who wants to improve through further education," he said.

The third myth was that the Government had not assisted the manufacturing and service industries in facing increasing competition, said Mr Tsang.

"The fact is that while it is against our market driven philosophy to directly subsidise favoured industries and help protect them with selective tariff barriers, we indirectly assist SMEs by providing them with the best possible environment in which to grow, upgrade and fight off competition," he said.

The Government was providing the hard and soft infrastructure to help businesses to improve productivity, technology management and business practices to add more value to their products and services, he added.

This included government's funding support for research and development such as the Industrial Support Fund and the newly set up Services Support Fund for projects to enhance the competitiveness of the service sector.

Mr Tsang said within the framework of "minimum interference", there was always room for improvement and fine-tuning.

"That is why we set up a Small and Medium Enterprises Committee last month to help us identify more clearly the issues that affect the development of SMEs," he said.

In concluding his speech, the Financial Secretary said Hong Kong had become a "commercial nerve centre" in the Asia Pacific Region and excelled as an active packager and integrator of commerce for the local, regional and global economy.

"With appropriate support, SMEs can ride the wave of globalisation trend and prosper," said Mr Tsang.

End

### Formal inquiry into ferry collision ordered

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The Director of Marine, Mr Ian Dale, today (Wednesday) ordered a preliminary inquiry into the collision between a passenger catamaran and a Chinese vessel off Fan Lau Kok, Lantau, last Sunday (August 18).

The order was made under section 51(1) of the Merchant Shipping Ordinance after Mr Dale studied the investigation report submitted to him by a Marine Department surveyor, a department spokesman said.

Surveyor of Ships (Nautical), Mr Kenneth Yeomans, was appointed to inquire into the circumstances attending the collision between Hong Kong registered passenger catamaran "HKF II" and Chinese vessel "455" at around 5.13 pm about one and a half nautical miles off Fan Lau Kok, Lantau, the spokesman said.

End

### Record high ozone pollution level

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Ozone pollution recorded by the Environmental Protection Department yesterday (Tuesday) reached record high level of 320 microgrammes per cubic metre.

"The high level, which was caused by chemical reaction of air pollutants in the atmosphere and under sunlight, only lasted for a short period of time.

"As the wind picked up, air pollution returned to moderate level," the acting Assistant Director of Environmental Protection, Mr Raymond Leung, said today (Wednesday).

"Because of the dramatic change in today's weather, which brings down the ozone level and improves the overall air quality, air pollution indices (API) for the territory today have been reduced to 64 for the urban area, 61 for the industrial area and 63 for new development area.

"The calculation of API usually includes air quality measurements made after 4 pm the day before. But today's API has not taken the high ozone level into account because of the significant improvement in air quality."

Air quality is expected to further improve and API forecast for the territory tomorrow (Thursday) is from 30 to 40.

Members of the public can check the API readings on 2827 8541.

End

#### Guesthouses for locals come under licensing control

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All guesthouses for local people are required to operate with a valid licence starting September 1, a spokesman for the Home Affairs Department said today (Wednesday).

The Hotel and Guesthouse Accommodation Ordinance was enacted in May 1991 to provide for a licensing scheme to ensure that all hotels and guesthouses comply with requirements for fire and building safety, health and hygiene.

The spokesman reminds operators of guesthouses for local residents that the exemption period will expire at the end of August and that they are then required to operate with a licence.

Any operator who fails to do so may be subject to a fine of \$200,000 and two years' imprisonment, and to a further fine of \$20,000 for each day during which the offence continues.

The spokesman also appeals to members of the public to patronise only licensed guesthouses for their own safety.

End

Kwun Tong roof-top structures to be demolished

\* \* \* \* \*

The Buildings Department today (Wednesday) announced that the roof-top structures at No 10-24 and 10A-24A Yan Oi Court, Kwun Tong, would be demolished early next year for public safety.

A notice of intention was issued to the building owners this morning informing them a closure order would be obtained from the District Court on February 19, 1997, for closing the unauthorised structures for demolition.

The department's Chief Building Surveyor (Control and Enforcement), Mr Tong Kam-man, said the roof of the building was completely covered with the unauthorised structures.

"With the absence of a proper means of escape, they are posing a great hazard to the structures' occupants as well as other residents of the building in case of fire.

"Furthermore, a structural assessment also reveals that the wide extent of the illegal structures have increased tremendous loading to the building. This has posed an imminent danger to the building structure.

"It is necessary to remove all the structures to protect the safety of the residents. The Government contractor will carry out the demolition work when the closure order is obtained," he said.

Noting that a total of 14 households will be affected by the operation, Mr Tong said arrangements had been made with Housing Department, Social Welfare Department and Home Affairs Department to offer rehousing and social assistance to the affected occupants.

"A meeting has been held with the residents to explain our enforcement action and the rehousing criteria.

"I wish to reiterate that it is government's policy that no person will be rendered homeless by its actions," Mr Tong said.

End

Re-export trade statistics in first half of 1996

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Re-exports accounted for 85% of the value of total exports and 40% of the total value of external trade of Hong Kong in the first half of 1996. In the same period of 1995, the corresponding shares were 83% and 39% respectively.

These figures, affirming the importance of re-export trade, are amongst the detailed re-export statistics released by the Census and Statistics Department today (Wednesday).

China remained the largest partner for Hong Kong's re-export trade. Of the total \$550.8 billion of re-exports going through Hong Kong in the first half of 1996, 89% or \$489.9 billion involved China in either direction.

As a source, re-exports originating in China accounted for 56% of Hong Kong's re-export value in the first half of 1996. As a destination, China's share was 36%.

It is noted that much of the re-export trade involving China is related to outward processing, as raw materials and semi-manufactured goods are exported to China for processing, with the final products subsequently returned to Hong Kong, and re-exported to overseas markets.

Other main origins of Hong Kong's re-exports in the first half of 1996 included Japan (accounting for 11%), Taiwan (7.3%), the United States (5.5%) and South Korea (3.3%).

The main destinations in the first half of 1996, besides China, included the United States (accounting for 19%), Japan (6.8%), Germany (4.1%) and the United Kingdom (2.8%).

Table 1 shows the changes in the value of re-exports from the ten main origins in the first half of 1996 compared with the same period in 1995.

Comparing the first half of 1996 with the same period in 1995, increases of various magnitudes were recorded in the value of re-exports from most main origins: the United Kingdom (+24%), Malaysia (+19%), Singapore (+18%), Germany (+17%), the United States (+17%), Italy (+13%), China (+7.6%). A slight increase of 1.0% in the value of re-exports from South Korea was also recorded. However, slight decreases of 1.9% and 1.7% were recorded in the value of re-exports from Taiwan and Japan respectively.

Of the value of re-exports originating in China in the first half of 1996, 31% went to the United States, 10% to Japan and 6.8% to Germany.

For goods of Japan origin, 73% of the value of re-exports through Hong Kong in the first half of 1996 went to China, 3.7% to the United States and 3.5% to South Korea.

For re-exports originating in Taiwan, an overwhelming proportion (92% of the value in the first half of 1996) went to China.

As regards re-exports originating in the United States, 72% of the value in the first half of 1996 were shipped to China, 3.8% to Taiwan and 2.9% to South Korea.

Table 2 shows the changes in the value of re-exports to the ten main destinations.

Comparing the first half of 1996 with the same period in 1995, increases of various magnitudes were recorded in the value of re-exports to most main destinations: Japan (+26%), the United Kingdom (+14%), France (+12%), Singapore (+8.4%), Germany (+8.3%), China (+8.1%), the Netherlands (+7.5%), South Korea (+6.3%). However, slight decreases of 0.6% and 4.1% were recorded in the value of re-exports to the United States and Taiwan respectively.

Analysed by commodity, increases in the value of re-exports to China were recorded for electrical machinery, apparatus and appliances, and electrical parts thereof (by \$2.9 billion or 20%), iron and steel (by \$2.8 billion or 40%) and textiles (by \$1.7 billion or 5.3%).

However, decreases in the value of re-exports to China were recorded for telecommunications and sound recording and reproducing apparatus and equipment (by \$586 million or 4.0%) and road vehicles (by \$525 million or 11.2%).

As regards re-exports to the United States, increases in value were recorded for miscellaneous manufactured articles consisting mainly of baby carriages, toys, games and sporting goods (by \$863 million or 3.5%); photographic apparatus, equipment and supplies, optical goods, watches and clocks (by \$733 million or 16%) and office machines and automatic data processing machines (by \$393 million or 6.9%).

However, decreases in the value of re-exports to the United States were recorded for clothing (by \$1.2 billion or 12%); and telecommunications and sound recording and reproducing apparatus and equipment (by \$966 million or 8.9%).

Detailed statistics of Hong Kong's re-export trade are published in the June issue of the Hong Kong External Trade report which is now available for sale at \$129 per copy.

The report can be purchased at either the Government Publications Sales Centre on the ground floor, Low Block, Queensway Government Offices, 66 Queensway, Hong Kong; or the Publications Unit of the Census and Statistics Department on the 19th floor, Wanchai Tower, 12 Harbour Road, Wan Chai.

Enquiries regarding subscription to this report may be directed to the Publications (Sales) Office, 28th floor, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong, Tel 2598 8194; and enquiries on trade statistics to the Census and Statistics Department, Tel 2582 4915.

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TABLE 1 : RE-EXPORTS FROM THE TEN MAIN ORIGINS

ORIGIN	JAN-JUN	JAN-JUN	YEAR-ON-YEAR CHANGE	
	1996 (HKD Mn.)	1995 (HKD Mn.)	(HKD Mn.)	(% CHANGE)
CHINA	308,822	286,902	+ 21,920	+ 7.6
JAPAN	62,714	63,803	- 1,089	- 1.7
TAIWAN	40,154	40,930	- 776	- 1.9
UNITED STATES	30,565	26,155	+ 4,410	+ 16.9
SOUTH KOREA	18,129	17,953	+ 175	+ 1.0
SINGAPORE	11,915	10,101	+ 1,814	+ 18.0
GERMANY	8,061	6,891	+ 1,170	+ 17.0
MALAYSIA	7,721	6,486	+ 1,235	+ 19.0
UNITED KINGDOM	6,134	4,933	+ 1,202	+ 24.4
ITALY	5,667	4,997	+ 670	+ 13.4

TABLE 2 : RE-EXPORTS TO THE TEN MAIN DESTINATIONS

DESTINATION	JAN-JUN	JAN-JUN	YEAR-ON-YEAR CHANGE	
	1996 (HKD Mn.)	1995 (HKD Mn.)	(HKD Mn.)	(% CHANGE)
CHINA	199,436	184,527	+ 14,909	+ 8.1
UNITED STATES	104,118	104,799	- 681	- 0.6
JAPAN	37,597	29,918	+ 7,679	+ 25.7
GERMANY	22,404	20,697	+ 1,708	+ 8.3
UNITED KINGDOM	15,474	13,627	+ 1,848	+ 13.6
SINGAPORE	13,068	12,058	+ 1,010	+ 8.4
TAIWAN	12,831	13,384	- 553	- 4.1
SOUTH KOREA	9,876	9,287	+ 589	+ 6.3
FRANCE	8,827	7,880	+ 946	+ 12.0
NETHERLANDS	8,308	7,726	+ 583	+ 7.5

Three lots to let

\* \* \* \* \*

The Lands Department is inviting tenders for the short-term tenancies of three pieces of government land in Tsing Yi and Yuen Long.

Two lots are located at Tsing Yi Road, Area 20, Tsing Yi, and have an area of about 2,550 and 3,960 square metres respectively.

Both are intended for storage of non-dangerous and non-offensive goods, excluding storage, loading and unloading of empty or filled containers, and stuffing or de-stuffing of containers.

The tenancies for both lots are for three years, renewable quarterly.

The third lot, situated in Area 32, Tin Shui Wai, Yuen Long, covers an area of about 6,110 square metres.

It is earmarked for use either as a car park for the tenant's motor vehicles or as a fee-paying public car park for motor vehicles, excluding container vehicles except container tractors without container trailers.

The tenancy is for 12 months, renewable quarterly.

The closing date for submission of tenders is noon on September 6.

Tender forms, tender notices and conditions can be obtained from the Lands Department, 14th floor, Murray Building, Garden Road, and the respective District Lands Offices of Kowloon, Kwai Tsing and Yuen Long.

Tender plans can also be inspected at these offices.

End

Advanced welfare payment

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Recipients of Comprehensive Social Security Assistance (CSSA) under the bank payment system may receive their payments on Friday (August 23) if their pay-days fall on the coming public holidays (August 24 to 26).

"Special payment arrangements will also be made for recipients of Social Security Allowance whose pay-days fall within this period", a Social Welfare Department spokesman said today (Wednesday).

"Those who have bank accounts in Hongkong Bank or Hang Seng Bank will receive their payments on Friday whereas those with accounts in other banks will get their payments next Tuesday (August 27)."

In case of doubt, recipients are advised to contact their respective social security field units.

End

Firm fined for sacking pregnant employee

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The Labour Department today (Wednesday) warned employers not to dismiss any female employee who had given notice of her intention to take maternity leave.

Shiatos Limited was recently fined \$20,000 at the Western Magistracy for sacking a pregnant employee after she had submitted a notice of intention to take maternity leave.

"Under the Employment Ordinance, a female employee is protected from termination of her employment from the date on which she gives notice of her intention to take maternity leave to the date on which she is due to return to work, if she has completed 12 weeks' service with the same employer," a spokesman for the Labour Department said.

A female employee who has worked for the same employer under a continuous contract for not less than 26 weeks immediately before the expected date of her commencement of maternity leave is entitled to maternity leave.

She is also eligible for maternity leave pay if she has worked continuously for the same employer for not less than 40 weeks immediately before the expected date of her commencement of maternity leave and if she has no more than two surviving children.

The spokesman said failure to comply with these provisions could incur a maximum fine of \$100,000.

End

Hong Kong Monetary Authority money market operations

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	<u>\$ million</u>	<u>Time (hours)</u>	<u>Cumulative change (\$million)</u>
Opening balance in the account	1,918	0930	+39
Closing balance in the account	1,957	1000	+39
Change attributable to :		1100	+39
Money market activity	+39	1200	+39
LAF today	NIL	1500	+39
		1600	+39

LAF rate 4.00% bid/6.00% offer TWI 123.9 \*+0.1\* 21.8.96

Hong Kong Monetary Authority

EF bills		EF notes/MTRC				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	4.96	2 years	2808	6.00	99.94	6.12
1 month	4.99	3 years	3907	6.80	101.05	6.50
3 months	5.14	5 years	5106	7.23	101.10	7.07
6 months	5.25	7 years	7308	7.24	99.65	7.44
12 months	5.55	5 years	M503	7.35	99.95	7.50

Total turnover of EF bills and notes - \$14,168 million

Closed August 21, 1996

End