

## LCQ13: A listed company allegedly releasing misleading information

Following is a question by the Hon Chan Chi-chuen and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (May 16):

Question:

In March 2017, ZTE Corporation (ZTE), a listed company in Hong Kong, entered into a plea agreement with the authorities in the United States (US) in respect of ZTE's violation of the US export control laws. Under the agreement, not only was ZTE required to pay a substantial amount of penalty, but the US authorities would also impose a denial order for seven years that would restrict and prohibit, among other things, ZTE from applying for or using any licenses, or buying or selling any item exported from US that was subject to US export control regulations. However, the aforesaid denial order was suspended subject to ZTE's compliance with the requirements under the agreement, and would be waived after a seven-year suspension period. On April 15 (US time) this year, the US authorities announced the activation of the denial order with immediate effect until March 13, 2025 as ZTE had failed to fully comply with the agreement. The Chairman of ZTE later admitted that the sanction had a great impact on the company and would plunge the company into a state of shock immediately. On the other hand, ZTE stated in the Notes to Financial Statements in its Annual Report 2017 that, for a comprehensive execution of the agreement, the company would take a series of measures to ensure its compliance with the obligations under the agreement, and thus ZTE believed that it was unlikely that the company would violate the agreement. Some investors opined that ZTE's statement in that annual report had misled them, and hoped that the Securities and Futures Commission (SFC) would immediately conduct a proactive investigation into the matter. In this connection, will the Government inform this Council if it knows:

(1) whether SFC has received, since April this year, any complaint about ZTE having allegedly misled its investors; if so, of the number of such complaints;

(2) whether SFC will take the initiative to investigate whether ZTE has made false or misleading statements; if not, of the reasons for that; and

(3) whether, in the light of this case, SFC will examine the introduction of a mechanism for class actions so that minor shareholders who have been misled and thus suffered losses may claim compensations from the companies and persons concerned through such mechanism; if so, of the details; if not, the reasons for that?

Reply:

President,

Our reply to the three parts of the question is as follows:

(1) and (2) The Securities and Futures Commission (SFC) follows its established procedures in handling complaints involving matters under its statutory powers and responsibilities and in carefully assessing the allegations made therein. The SFC will take appropriate actions if irregularities, including those in respect of non-disclosure of inside information by listed companies, are detected. The SFC will not comment on any specific case.

(3) The Law Reform Commission (LRC) published a report in 2012, recommending an incremental approach to implementing a class action regime in Hong Kong. The class action regime proposed by the LRC is to start with consumer cases, covering tortious and contractual claims made by consumers in relation to goods, services and immovable property. The Department of Justice has established a cross-sector working group to study and consider the proposals of the LRC's report on class action. The working group will take into consideration views from different sectors and strike a balance for the overall benefits of our society. It will make recommendations to the Government upon completion of the study. Our understanding is that according to the LRC's recommendation regarding the introduction of a class action regime, disputes among company shareholders or issues of shareholders' rights would not be covered at the initial stage.

At present, the Government has no plan to introduce a class action regime for disputes among company shareholders or issues of shareholders' rights. However, under the existing rules, the Court already has unfettered discretion to handle proceedings involving the same interest of numerous persons through "representative proceedings" should the plaintiffs satisfy the threefold test of establishing "a common interest, a common grievance and a remedy which is beneficial to all the plaintiffs".

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## [LCQ2: Illegal carriage of passengers for reward](#)

Following is a question by the Hon Frankie Yick and a reply by the Acting Secretary for Transport and Housing, Dr Raymond So Wai-man, in the Legislative Council today (May 16):

Question:

On the 19th of last month, a serious traffic accident occurred in Kowloon City killing one person and injuring four others, and all of the four vehicles involved in the accident were damaged. It has been reported that a private car, which was involved in the accident, was being used for illegal carriage of passengers for reward (commonly known as "white licence cars")

service") at the time of the accident and had a passenger on board. Some members of the insurance industry have pointed out that the third party risks insurance for vehicles being used as white licence cars may be rendered invalid as a result of such use. While the e-hailing platform concerned claimed that a third party risks insurance policy had been taken out for the white licence car concerned, the details of the relevant policy have never been made public. Regarding white licence cars' service, will the Government inform this Council:

(1) whether it has assessed the insurance protection currently provided for the drivers and passengers of white licence cars, the drivers and passengers of other vehicles, the passers-by, etc, involved in traffic accidents involving white licence cars; and

(2) whether it will step up, from the public education, legislation and law enforcement fronts, its efforts in clamping down on white licence cars' service, such as reminding members of the public that they may not be protected by a third party risks insurance if they travel on white licence cars, amending the legislation to raise the penalties on drivers of white licence cars, as well as setting up a reporting hotline; if so, of the details; if not, what other measures are in place to eradicate white licence cars' service?

Reply:

President,

The Government has all along been concerned about the situation on illegal carriage of passengers for reward by private cars. Section 52(3) of the Road Traffic Ordinance (Cap. 374) (RTO) stipulates that no person shall drive or use a private car, or suffer or permit a private car to be driven or used, for the carriage of passengers for hire or reward unless a hire car permit is in force in respect of the vehicle. Otherwise, it is an offence. Under section 14 of the Road Traffic (Public Service Vehicles) Regulations (Cap. 374D), an application for a hire car permit shall be made, together with supporting documents, to the Commissioner for Transport (the Commissioner) by the registered owner of the private car concerned to the satisfaction of the Commissioner that the application has met the specified requirements. One such requirement is that there is in force in relation to the private car a third party risks insurance policy which complies with the Motor Vehicles Insurance (Third Party Risks) Ordinance (Cap. 272).

My reply to the various parts of the Hon Frankie Yick's question is as follows:

(1) As advised by the Financial Services and the Treasury Bureau (FSTB), when taking out a third party risks insurance policy for a private car, the policyholder is generally required to provide information on the uses of the vehicle, which will form the basis of underwriting. If the policyholder fails to truthfully disclose that the vehicle will be used for hire or reward, the policy may be invalidated. Based on the established practice of the insurance industry in handling traffic accident cases, the insurance company will first

compensate the third party whose injury or death has been caused by the traffic accident, and then recover the loss from the vehicle owner. If the vehicle owner or driver has died in the accident, the insurance company is still entitled to recover the loss from the estate of the deceased. The coverage of statutory third party risks insurance does not include the personal injury or death of the vehicle owner or driver.

As for the traffic accident referred to in the Hon Frankie Yick's question, the Insurance Authority (IA) understands from the relevant insurance company that the insurance policy taken out by online car hailing company Uber aims to insure passengers and third parties against injury or death caused by ride-sharing trips. In order not to affect the investigation and subsequent legal proceedings, the FSTB and IA will not comment on the accident.

(2) The Government has been combating illegal carriage of passengers for reward through publicity and education campaigns as well as law enforcement efforts.

In respect of publicity and education campaigns, the Transport Department (TD) has been making use of various channels, including broadcasting announcements of public interest on radio, displaying samples of Hire Car Permits (HCPs) on the TD's website, and putting up posters in public places. These efforts serve to promote to the public that when they use hire car service, they should ensure the private car concerned is issued with a valid HCP; and educate the public on how to identify licensed hire cars. In the related publicity and education campaigns, the TD has also reminded the public that the third party risks insurance for an illegal hire car may be invalidated. The TD will further strengthen public education work, including increasing the number of channels for broadcasting announcements of public interest and the frequency of such broadcast on radio, increasing the number of government venues for displaying posters, etc. The TD will keep up with its efforts to promote the online enquiry system for HCP on the GovHK website through the TD's mobile applications, and continue to communicate with the transport trades so as to remind drivers of the need to abide by the law. In addition, the Police will continue to arrange stand-up briefings with the media after taking enforcement actions on illegal carriage of passengers for reward. In the briefings, the Police will publicise the risks involved in using illegal hire car service and remind citizens that the third party risks insurance for the hire car concerned may be invalidated.

On the other hand, the Government has been taking stern enforcement actions against illegal carriage of passengers for reward and will not condone such activities. Section 52 and Schedule 4 of the RTO stipulate that an offender who uses a private car or light goods vehicle (LGV) for the illegal carriage of passengers for reward, or who solicits or attempts to solicit any person to travel in such vehicles, is liable to a fine of \$5,000 and three months' imprisonment on the first conviction. The licence of the subject vehicle may also be suspended for three months. On the second or subsequent conviction, the offender is liable to a fine of \$10,000 and six months' imprisonment. For a subsequent offence in respect of the same motor vehicle, the licence of that vehicle may be suspended for six months. Under

section 69 of the RT0, a court may order a person convicted of any offence under the RT0 in connection with the driving of a motor vehicle to be disqualified to drive for such period as the court thinks fit. The aforesaid provisions are also applicable to companies or persons who provide booking services for illegal hire car service through smartphone applications or online platforms. The TD is currently reviewing the need to raise the penalties for the relevant offences so as to enhance the deterrent effects.

The Police will also continue to step up efforts to combat the offences. Between 2015 and 2017, the Police has undertaken enforcement actions on 126 cases concerning illegal carriage of passengers for reward by private cars or LGVs. The Police will continue to combat the offences through targeted operations, including collecting intelligence, investigating and following up on referral cases as well as complaint cases. Members of the public may report to the Police if they find any cases of illegal carriage of passengers for reward. The contact information of the relevant police stations and traffic report rooms can be found on the web pages of the Hong Kong Police Force.

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## **LCQ20: Protecting consumers' rights and interests of online shoppers**

Following is a question by the Hon Paul Tse Wai-chun and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (May 16):

Question:

Recently, some members of the public have complained that allegedly deceptive online shopping advertisement pages, which offer high-priced authentic commodities (e.g. famous brand headsets, electronic game players, video recording equipment, intelligent robots, sneakers and pricey jewellery) for sale at low prices, are prevalent on the social media platform Facebook. It is learnt that such pages mostly use "closure of physical shops", "presence of defects in the commodities" or "detention of goods by the customs and excise authorities" as a pretext for commodities being sold at prices as low as about 10 per cent or 20 per cent of the original prices, and are uploaded with captured images of bills to prove the authenticity of the goods concerned, which lured members of the public to rush to place purchase orders. Some of the pages even use the addresses of shops selling authentic goods as collection points in order to dull the vigilance of members of the public. However, members of the public who had made payments for the purchases found out that (i) they had been defrauded only when they went to pick up the goods at the relevant addresses, or (ii) the goods did not match the descriptions only after they had unwrapped the package of the goods

delivered by couriers. Subsequently, when those members of the public tried to take up the matter with the sellers, they found out that the pages in question had been deleted and the sellers could not be contacted. In this connection, will the Government inform this Council:

- (1) of the number of reports of online shopping fraud received by the Customs and Excise Department, the Police and other relevant government departments in the past three years, the amount of money involved and the respective numbers of relevant prosecutions and convictions;
- (2) of the policies or measures in place to assist members of the public who have been defrauded in recovering the payments made to fraudsters;
- (3) how the Consumer Council followed up the aforesaid type of complaints in the past three years;
- (4) how the authorities follow up those online shopping fraud cases which were found upon investigation to have involved overseas criminal syndicates; whether they will take the initiative to contact the relevant departments of the countries concerned to seek assistance from them;
- (5) as more and more members of the public make use of social media platforms for online shopping, whether the authorities have studied new measures and policies to combat online shopping frauds so as to protect the consumers' rights and interests; and
- (6) as it has recently been reported by the media that the credit card data of customers amassed by several online shopping platforms are available on websites associated with illegal activities (commonly known as "dark webs"), and the situation is serious, whether the authorities have received relevant reports; if so, of the details; the measures the authorities have put in place to protect the personal confidential data of members of the public from being stolen and used when they shop online?

Reply:

President,

After consulting the Security Bureau, the Constitutional and Mainland Affairs Bureau, the Office of the Government Chief Information Officer (OGCIO) and the Consumer Council, my reply to the six parts of the question is as follows:

- (1) The number of complaints against unfair trade practices related to online shopping received by the Customs and Excise Department (C&ED) and the relevant enforcement statistics in the past three years are set out at Table 1. As some complainants did not provide information on the amounts involved in the complaint cases, C&ED does not have statistics on the amounts involved. The figures of online shopping fraud cases received by the Police in the past three years are set out at Table 2. The Police do not maintain prosecution and conviction figures for online shopping fraud cases (Note 1).

(2) In criminal cases (including fraud cases) handled by the Police, upon handing down judgments, the court will issue orders to direct the handling of lost properties or cash involved which were seized by the Police as exhibits during the investigation. If the court is satisfied that an exhibit belongs solely to a particular victim, it may issue an order for its return. In addition, if a bank account is found to be used for handling criminal proceeds, the Police will, where appropriate, request the bank to freeze the relevant suspicious assets. During such period, the victim may consider claiming compensation for the loss suffered through civil action. If necessary, the victim may obtain their documents relating to the case from the Police to take forward such procedures.

On the other hand, under section 36 of the Trade Descriptions Ordinance (Cap. 362) (the Ordinance), aggrieved consumers may institute civil claim for damages if they have suffered loss or damages due to conduct directed to them which constitutes a fair trading offence (Note 2). Separately, under section 18A of the Ordinance, where a person is convicted of any of the fair trading offences, the court may order the convicted person to compensate any person for the financial loss resulting from the offence.

(3) Consumers who have disputes with online traders may seek assistance from the Consumer Council. The Consumer Council acts as a conciliator in handling disputes between consumers and traders. It assists traders and complainants to resolve their disputes, for example, by trying to contact the traders with a view to helping both parties develop mutually acceptable agreements. In cases that involve suspected illegal conduct, the Consumer Council will refer the cases to law enforcement authorities for follow-up.

(4) In handling cases of online fraud, if the Police needs to conduct investigation or adduce evidence in respect of incidents which took place outside Hong Kong, the Police will exchange intelligence and seek co-operation with relevant law enforcement agencies outside Hong Kong, and the Interpol. Besides, if local or websites outside Hong Kong are found to be conducting illegal activities, C&ED may demand such websites to remove the relevant contents or links. Depending on the need and circumstances, joint operations with enforcement agencies outside Hong Kong may also be conducted.

(5) The Police are committed to combating technology crimes (including online shopping frauds). Since 2012, the Police have put "combating technology crime" as one of the Commissioner of Police's Operational Priorities, and have been enhancing their technology, equipment and resources input in this regard. In July 2017, an enforcement action codenamed "Operation DRUMSKY" was launched to combat online shopping frauds, in which 30 persons were arrested and 162 cases and loss of about HK\$890,000 were involved. In addition, C&ED attaches great importance to protecting consumer rights. C&ED will monitor different types of illegal online activities by using advanced tools for evidence collection and investigation, and initiate appropriate follow-up actions and prosecutions on complaints received.

Apart from proactive law enforcement, publicity and education are equally important in protecting consumer rights. In the study report on online shopping published by the Consumer Council in 2016, the Council

reminds consumers that as online shopping becomes increasingly popular, they should be aware of some common problems associated with it. The report also gives a number of recommendations to traders, encouraging them to strictly comply with the law, adopt good business practices and enhance customer service. The "CHOICE" Magazine published by the Consumer Council has in recent years featured a good number of articles on the subject of online shopping, including giving tips to consumers on what they should pay attention to when making a purchase online by "cash on delivery" in the March 2018 issue. C&ED also reminds consumers from time to time to stay vigilant when shopping online and procure products from reputable traders. They should not trust advertisements at suspicious websites or social networking platforms easily, and should examine goods when accepting delivery to avoid incurring losses.

On the other hand, the Police's Commercial Crime Bureau established the Anti-Deception Coordination Centre in July 2017 to reinforce the combat against deception cases and raise the public's anti-deception awareness. Its major duties include monitoring and analysing the trends of deception cases, with a view to formulating and implementing combating strategies; co-ordinating anti-deception publicity work; setting up a 24-hour hotline "Anti-Scam Helpline 18222" to facilitate public enquiries and provide timely assistance; and expediting the investigation of similar deception cases and minimising the loss of victims. The Police will regularly produce short videos and anti-crime information, as well as advise the public of the latest modus operandi of fraudsters through the Police's electronic platforms, including YouTube, the Hong Kong Police Mobile Application, the Police website, the Police Facebook page and the "Fight Scams Together" scam prevention information platform. The Police also disseminate anti-crime messages to the public through Police Magazine and traditional media (i.e. television, radio and newspapers).

(6) OGCI0 attaches great importance to cyber security education and protection, and has been paying close attention to information security threat intelligence, including information circulated in the "dark web". That Office has not received any report so far regarding customer data of online shopping platforms being circulated in the "dark web". It will continue to work with the Hong Kong Computer Emergency Response Team Coordination Centre to constantly remind businesses and the public to stay vigilant, adopt suitable security measures on their computers and use Internet services safely, in order to protect personal information and guard against cyber attacks. Separately, the Office of the Privacy Commissioner for Personal Data (PCPD) has not received relevant reports either. PCPD from time to time issues or revises Codes of Practice and Guidances, such as the "Guidance for Data Users on the Collection and Use of Personal Data through the Internet" and "Protecting Privacy – Using Computers and the Internet Wisely", so as to assist data users of various trades to understand the requirements they must comply with in the online collection and use of personal data, and to remind the public to protect their personal data when using the Internet.

The Police have also been monitoring different types of alleged illegal



acts on the web (including the "dark web") and will take appropriate actions in light of the circumstances. Thus far, the Police have not received relevant reports related to customer data of online shopping platforms being circulated in the "dark web". From time to time, the Police would remind the public to be vigilant when conducting online transactions, for example to patronise businesses with good reputation. Members of the public who suspect unauthorised use of their credit cards or leakage of relevant information should report to the Police as soon as practicable.

Note 1: Currently, as a general practice, prosecution and conviction statistics are only compiled in respect of offences in the law (e.g. "obtaining property by deception" or "theft") but not specific cases. Since a particular case could involve various offences in the law (e.g. online shopping fraud cases may involve "obtaining property by deception" or "dealing with property known or believed to represent proceeds of indictable offence", etc), prosecution and conviction statistics by case nature cannot be provided.

Note 2: The Ordinance prohibits specified unfair trade practices deployed by traders against consumers, including false trade descriptions, misleading omissions, aggressive commercial practices, bait advertising, bait-and-switch and wrongly accepting payment.

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## **LC: CS presents Government Minute in response to Report of Public Accounts Committee No. 69**

Following is the speech (translated from Chinese) by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, in presenting the Government Minute in response to the Report of the Public Accounts Committee No. 69 in the Legislative Council today (May 16):

President,

Laid on the table today is the Government Minute (GM) responding to Report No. 69 of the Public Accounts Committee (PAC).

I welcome the submission of Report No. 69 by the Chairman of PAC to the Legislative Council on February 7, which embodies a conclusion of and recommendations on the chapter of "Procurement and maintenance of government vessels" in the Director of Audit's Report. I am also grateful for the time and effort that the Chairman and Members of PAC devoted to investigating this subject.

There had been some inadequacies in the Marine Department's (MD) procurement of government vessels before 2013. There has also been persistent manpower shortage in two professional grades of MD. We are pleased to note that the PAC Report recognises a series of reform measures implemented by MD in the Government Fleet Division (GFD) and the improvement measures and work adopted to resolve the manpower shortage problem of MD's professional grades in recent years.

We accept PAC's various recommendations and have set out in detail the specific responses of the Transport and Housing Bureau (THB) and MD in the GM. Today, I would like to highlight the key measures that the Government has taken to improve MD's work in procurement and maintenance of government vessels, including those implemented and the progress made.

In May 2013, the Government established the Steering Committee on Systemic Reform of the Marine Department (the Steering Committee) chaired by the Secretary for Transport and Housing, who personally steered and monitored MD in conducting the review and reform. The Steering Committee published its Final Report in April 2016, which recommended MD to replicate the good practices introduced in certain divisions in other divisions of MD, notably GFD, to improve its operations and procedures. In this connection, MD's Task Force on Reform has been stepping up its efforts in reforming GFD since 2016, with a series of reform measures progressively implemented to further enhance the efficiency of GFD.

The slow progress in the procurement of government vessels during the period from 2010 to 2013 has led to the ageing of major vessels in the government fleet. MD has strengthened the management oversight of GFD since December 2015 to better monitor the implementation of various improvement measures. To expedite the procurement of government vessels, additional resources had been obtained for the Government New Construction Section to create time-limited posts for setting up two teams to clear procurement backlogs, and arrangement was made for the secondment of two Supplies Officer grade officers with rich procurement experience from the Government Logistics Department to assist professional grade staff in MD in vessel procurement.

The reform measures of GFD have started to deliver results. For instance, as compared with only two to three tenders each year before 2016, MD has expedited vessel procurement with a total of 15 tenders issued involving 63 government vessels for six departments between 2016 and 2017.

For government vessels which have reached their reference serviceable lifespan but are still in operation, MD has strengthened the inspection and maintenance work for the hull, machineries and equipment of the vessels during maintenance services to ensure that the vessels are safe and efficient to operate.

In improving the management of maintenance materials in the Government Dockyard, MD has completed the review on over 2 000 items without movement for more than 20 years and is now reviewing the items without movement for less than 20 years. The disposal of obsolete/dormant items, in accordance

with the procedures stipulated in Stores and Procurement Regulations (including commercial disposal or dumping, etc.), has been conducted in phases following the review. MD is also proceeding with the enhancement of the Government Fleet Information System with a view to strengthening its analytical capacity and management reporting functions to facilitate the stock management of the Government Dockyard.

On the issue of manpower shortage of the professional grades staff in MD, the Administration is pleased to note that the Standing Commission on Civil Service Salaries and Conditions of Service has completed a grade structure review (GSR) for the two professional grades of MD, i.e. the Marine Officer and Surveyor of Ships grades, and will seek the approval of the Finance Committee (FC) of LegCo soon. Subject to the approval of FC, we will implement the recommendations of the GSR as soon as possible to resolve the manpower shortage and succession problems of the two grades in the long run.

THB will continue to perform the duties of a policy bureau. Through regular meetings with the senior management of MD, THB will closely monitor the Department's overall work performance and progress on various issues and, as and when necessary, discuss with MD the issues requiring the Bureau's attention and provide policy steer and guidance. Moreover, THB also maintains ongoing daily communications with MD on different issues requiring policy inputs, and arranges visits to the facilities and offices of MD by the senior management of the Bureau from time to time to gain a more comprehensive understanding of the issues MD is facing at the operational level, so as to enable THB to formulate policies in a timely and effective manner. Other than these, THB will assess and monitor the performance of MD in various aspects with reference to certain indicators developed and adopted, and in case a target is not met or when the performance has deteriorated, examine the issues and reasons with MD, keep in view the ongoing development of these matters as well as consider whether further steer and guidance from the Bureau is necessary.

The Government also attaches great importance to the manpower training of the maritime sector. In April 2014, \$100 million was established to set up the Maritime and Aviation Training Fund (MATF), which aims to attract and encourage young people and in-service practitioners to receive aviation and maritime education and training, thereby enhancing the overall competitiveness and the professional standards of the industries. As at end-2017, 12 maritime-related training subsidy and incentive schemes were implemented under MATF, benefitting over 2 780 students and maritime practitioners and involving an amount of \$31 million. Furthermore, the Manpower Development Committee (MDC) has also been set up under the Hong Kong Maritime and Port Board since the Board's inception in April 2016 with a view to facilitating the formulation of manpower development strategies. In summary, in response to the manpower shortage problem faced by the industry, THB will continue to work closely with MDC, industry stakeholders and relevant education institutions to explore and devise new measures or enhancements to the existing initiatives under MATF. Besides, THB would embark on a review of the overall implementation and effectiveness of MATF, with a view to mapping out its way forward.

President, I would like to thank the Chairman and all Members of PAC again for their efforts and guidance. THB and MD will strictly follow their responses in the GM and implement improvement measures in a timely manner in order to enhance the overall service quality of the government fleet.

Thank you, President.

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## LCQ8: Supporting Hong Kong enterprises to operate in industrial estates

Following is a question by the Hon Chung Kwok-pan and a written reply by the Secretary for Innovation and Technology, Mr Nicholas W Yang, in the Legislative Council today (May 16):

Question:

The Government has been actively promoting re-industrialisation in recent years. Moreover, the Hong Kong Science and Technology Parks Corporation (HKSTPC) revised the Industrial Estate (IE) policy in 2015 so as to make better use of its three IEs respectively located in Tai Po, Yuen Long and Tseung Kwan O. It is learnt that in recent years, quite a number of Hong Kong manufacturers have intended to relocate their production lines on the Mainland back to Hong Kong. Also, quite a number of enterprises in traditional industries have planned to find sites in Hong Kong for building factories, and to make use of new production technologies to give full play of the effects of Hong Kong-researched-and-developed, Hong Kong-invested and Hong Kong-manufactured high quality brands, thereby bringing the development of Hong Kong's manufacturing industries back on a rising track. Regarding the support for Hong Kong enterprises to operate in IEs, will the Government inform this Council:

(1) whether it knows the current occupancy rates of the sites/units in the various aforesaid IEs; the (i) names and (ii) number (broken down by business type) of the enterprises currently operating in each IE;

(2) whether it knows the respective numbers of applications, received by the HKSTPC in each year since the HKSTPC revised the IE policy, for renting (i) IE sites for building standalone factories and (ii) IE units for establishing companies; among such applications, the respective numbers of those approved and not approved (set out a breakdown by name of IE), and the reasons for some of the applications not being approved;

(3) whether it knows, in each year since the HKSTPC revised the IE policy,

(i) the total amount of rents received by the HKSTPC in respect of each IE, and (ii) the rates of rental adjustment made by the HKSTPC in respect of IE sites/units; how the rental levels compare with those of private commercial and industrial buildings; the criteria currently adopted by the HKSTPC for determining the rental levels and the duration of tenancy agreements of IEs;

(4) whether it knows the fees payable by the tenants of the aforesaid IEs in addition to rental payments; if the tenants are required to pay management fees, the current management fee levels and how such fee levels compare with those of private commercial and industrial buildings; the criteria currently adopted by the HKSTPC for determining IE's management fee levels and the management modes of IEs;

(5) whether it knows if the HKSTPC has, in its management of the aforesaid IEs, provided support (e.g. rental concessions and measures facilitating business operation) for tenants, in order to dovetail with the policy objective of re-industrialisation and encourage more enterprises to operate in IEs; if the HKSTPC has, the details; if not, the reasons for that and whether the HKSTPC will consider providing such support for IE tenants; and

(6) of the measures to (i) facilitate enterprises' relocation of their production lines back to Hong Kong and their admission to the aforesaid IEs, and (ii) support and encourage the use of "Hong Kong-made" high-quality brands for the development of the relevant industries in Hong Kong?

Reply:

President,

The Government is committed to promoting re-industrialisation with a view to developing high-end manufacturing that is based on new technologies and smart production but does not occupy much land, thereby providing a new engine for growth of Hong Kong's economy and creating quality and diversified employment opportunities. The Government and the Hong Kong Science and Technology Parks Corporation (HKSTPC) revised the industrial estate (IE) policy in 2015, under which the HKSTPC would develop specialised multi-storey industrial buildings for rental to multiple users in order to attract high value-added technology industries and manufacturing processes suitable for Hong Kong.

Our reply to the various parts of the question is as follows:

(1) Currently, 95 per cent of the industrial sites in the three IEs' have been granted. As at end April 2018, there were 159 enterprises operating in the IEs. The breakdown by industries of the enterprises in the IEs is set out below.

Industry	No. of Enterprises			Total (Percentage*)
	Tai Po Industrial Estate	Yuen Long Industrial Estate	Tseung Kwan O Industrial Estate	
Food and beverages	22	5	4	31 (19.5%)
Biotech and pharmaceutical	9	14	0	23 (14.5%)
Supporting services	6	6	3	15 (9.4%)
Information and telecom	3	0	11	14 (8.8%)
Machinery and parts	6	5	1	12 (7.5%)
Printing and publishing	4	4	3	11 (6.9%)
Metal parts and products	8	0	0	8 (5.0%)
Plastic resins and plastic Products	4	3	0	7 (4.4%)
Green technology	0	3	2	5 (3.1%)
Broadcasting	2	0	2	4 (2.5%)
Others (e.g. building materials, chemicals and gases, electronics parts and paper packaging)	14	9	6	29 (18.2%)
Total#	78	49	32	159 (100%)

\* Due to rounding, the percentage may not add up to 100%.

# The above figures only include factories and industrial sites that have already been granted or rented.

As for their names, please refer to the HKSTPC's website as follows:  
[www.hkstp.org/en/directory/industrial-estates/companies-directory/](http://www.hkstp.org/en/directory/industrial-estates/companies-directory/).

(2) After revising the IE policy in 2015, only in exceptional cases would the HKSTPC grant sites on long-term lease to meritorious applicants for building standalone factories. The HKSTPC has so far received three relevant

applications which are currently under vetting.

As for development of multi-storey specialised industrial buildings, the HKSTPC completed refurbishing a four-storey factory (with a total gross floor area (GFA) of 84 000 square feet (sq ft)) in the Tai Po IE into the Precision Manufacturing Centre (PMC) in March 2017 with a view to fostering smart production. As at end March 2018, the HKSTPC had received nine formal admission applications from applicants engaging in industries such as precision engineering and assembling, new material manufacturing, and advanced indoor hydroponic, etc., and approved seven of them after vetting. Among the seven approved applications, four enterprises have already moved in, occupying 75 per cent of the GFA, and the other three eventually did not set up operation due to various commercial considerations. The remaining two admission applications were not approved as they could not pass the vetting requirements (for instance, the company's business did not belong to the HKSTPC's target industries).

(3) Under the revised IE policy, rental charges at IEs is set at competitive level, having regard to the prevailing market conditions and other relevant factors (such as facilities and restrictions on use etc.), and after valuation on the concerned buildings by independent surveyor. Currently, the HKSTPC receives a rental income of about \$460,000 per month from the PMC. The rent of upstairs units is around \$7 to \$8.5 per sq ft, more or less similar to, or even slightly lower than, privately-run multi-storey factory buildings in the same district. The rental charges will be reviewed by the HKSTPC once every three years. Since the first lease of the PMC was concluded in the third quarter of 2017, review or adjustment of rent is not yet due. Separately, the term of the first lease is generally six years, and each renewal contract thereafter, if granted, will last for three years.

(4) Taking the PMC as an example, the HKSTPC has engaged an external facility management company for professional management. Apart from rent, tenants are obliged to pay monthly management fee and chilled water charge of \$2.77 and \$1 per sq ft respectively. Management fee is charged by the HKSTPC on a cost-recovery basis, and is set at a similar level with that of industrial buildings of the same type in neighbouring districts. Besides, tenants, as users, need to bear rates and government rent, and other charges such as water, electricity, gas, sewage, etc.

(5) The HKSTPC has been providing one-stop infrastructure and support services to technology-based companies, in order to encourage manufacturers to set up their production bases in Hong Kong. The IE policy was revised in 2015 to support re-industrialisation by developing and managing specialised multi-storey industrial buildings for high value-added technology industries (e.g. pharmaceutical, healthcare, biomedical and advanced machinery etc.), so that the manufacturers can operate efficiently therein. With regard to the PMC, the HKSTPC has specifically set up a large-scale rigid frame at the rooftop to facilitate the installation of extra air-conditioners, specialised water tank for industrial use, refrigeration unit and large-sized mechanical lifting exit etc. by tenants. Under special circumstances, the HKSTPC would offer flexible lease arrangements, including rent concession or deferral of

move-in time etc. having regard to the needs of tenants to install additional facilities and alter the factory units.

(6) To encourage enterprises to relocate their production lines back to Hong Kong and re-build the "Made in Hong Kong" brand, the Government has been working closely with the HKSTPC to provide related infrastructure and facilities. To tie in with the revised IE policy, the HKSTPC is constructing a Data Technology Hub and an Advanced Manufacturing Centre in the Tseung Kwan O IE, which are expected to be completed in 2020 and 2022 respectively.

On technological support, the Government provides funding support through the Innovation and Technology Fund (ITF) for projects that contribute to technology upgrading in manufacturing and services industries and promotion of innovation. As at January 2018, over 7 000 projects were funded by the ITF, with a funding of about \$13.6 billion. The Government has also set aside \$500 million under the ITF to launch a Technology Talent Scheme in the third quarter of 2018, which includes a Re-industrialisation and Technology Training Programme to subsidise local enterprises on a matching basis for training staff in advanced technologies, especially those related to Industry 4.0, with a view to driving re-industrialisation.

Meanwhile, the Hong Kong Productivity Council (HKPC) has been dedicating efforts to promoting re-industrialisation to facilitate enterprises in moving towards high value-added production and gradually upgrading towards Industry 4.0, including setting up the Smart Industry One Consortium as a platform to facilitate the industry to exchange information on smart industry; establishing an Invention Centre jointly with the Fraunhofer Institute for Production Technology of Germany to assist the industry in accelerating adoption of Industry 4.0-related technologies; and setting up the HKPC Institute of Innovation & Technology (Shenzhen) to provide Hong Kong entrepreneurs in the Bay Area with solutions based on intelligent manufacturing, artificial intelligence, big data, environmental technology, etc.