

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/.

(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.