

LEGISLATIVE COUNCIL BRIEF

HONG KONG SCIENCE AND TECHNOLOGY PARKS CORPORATION BILL

INTRODUCTION

At the meeting of the Executive Council on 5 December 2000, the Council ADVISED and the Chief Executive ORDERED that the Hong Kong Science and Technology Parks Corporation Bill should be introduced into the Legislative Council.

BACKGROUND AND ARGUMENT

General Background

2. In August 1999, Government accepted the recommendations contained in the final report of the Chief Executive's Commission on Innovation and Technology, chaired by Professor TIEN Chang-lin. One of these recommendations is that the Hong Kong Industrial Estates Corporation (HKIEC), the Hong Kong Industrial Technology Centre Corporation (HKITCC) and the Provisional Hong Kong Science Park Company Limited (PHKSPCL) should be merged.

3. The HKIEC, the HKITCC and the PHKSPCL play important roles in providing infrastructural support to facilitate Hong Kong's industrial and technological development. The HKIEC is a statutory corporation governed by the Hong Kong Industrial Estates Corporation Ordinance (Chapter 209). It offers serviced land in its industrial estates at cost to both manufacturing and service industries with new or improved technology and processes which cannot operate in multi-storey buildings. Thus the

HKIEC provides for facilities which are not otherwise available in the market and facilitates the broadening of Hong Kong's economic base and upgrading of its technology levels. The HKITCC is also a statutory corporation, governed by the Hong Kong Industrial Technology Centre Corporation Ordinance (Chapter 431). Through its technology-based business incubation programme, the HKITCC focuses on nurturing technology start-ups by providing them with support in marketing, finance, technology transfer and management in their critical initial years of operation. It also helps stimulate the growth of Hong Kong's technology-based industry through its technology transfer and technology business partnership programmes. The Science Park is set up with the mission to stimulate the growth of local technology businesses through intensive research and development (R&D) activities and to attract new technology-based investments. The intention has always been that in the longer term the PHKSPCL should be reconstituted to become a statutory body.

The Merger

4. The objective of the merger is to streamline the existing service delivery structure and to maximise synergy among the three organisations. The merged body can effectively provide a one-stop service to industry and offer a comprehensive range of services, from nurturing of start-ups through the incubation programmes, providing premises and services in the Science Park for intensive R&D activities, to offering land and premises in the industrial estates for production facilities.

The Proposal

5. Upon completion of the merger, a new corporation should be set up to take over the duties and powers of the three organisations and to manage the merged body. Given that the merged body will remain a publicly funded organisation with an important public mission, we consider it appropriate to establish it as a statutory corporation to give it an appropriate status, to clearly define its public duties and powers, to provide for Government control to ensure proper public accountability and to allow it, within the legislative framework it operates, flexibility to respond

sensitively to the needs of a changing new economy.

THE BILL

6. In the main, the Bill seeks to consolidate the provisions of the Hong Kong Industrial Estates Corporation Ordinance and the Hong Kong Industrial Technology Centre Corporation Ordinance with improvements considered necessary in the light of operating experience. **Clause 3** of the Bill establishes the Hong Kong Science and Technology Parks Corporation (the Corporation). The Corporation will be governed by a Board of Directors, the composition and proceedings of which are set out in **Schedule 2**. The Chairman of the Board shall be appointed by the Chief Executive while other members of the Board shall be appointed by the Financial Secretary.

Purposes of the Corporation

7. The purposes of the Corporation are set out in **clause 6**. In essence, the Corporation is set up to establish or develop premises (e.g. industrial estates, incubation centres, science parks) in support of technology-based companies and activities, to facilitate research and development and application of technologies in Hong Kong, and to support the development, transfer and use of new or advanced technologies in Hong Kong. **Clause 7** specifies that the Corporation shall conduct its business according to prudent commercial principles.

Powers of the Corporation

8. The powers of the Corporation are laid down in **clause 8**. The Corporation will be provided with powers to continue to deliver the programmes and services currently offered by the HKIEC, the HKITCC and the PHKSPCL, and to do things as are expedient for or conducive to the attainment of its purposes. Specifically, its major powers include holding, selling, letting or disposing of property [**clause 8(2)(a)**]; managing buildings and other facilities in its premises [**clause 8(2)(d)**]; entering into contracts or

other agreements [**clause 8(2)(e)**]; fixing and charging fees for its services and facilities [**clause 8(2)(i)**]; establishing, with the prior approval of the Financial Secretary, funds which shall be used for the purposes of the Corporation [**clause 8(2)(n)**]; and establishing subsidiary companies in pursuit of its objectives and in carrying out its functions [**clause 8(2)(q)**].

Financial and Reporting Arrangements

9. All the assets and liabilities of the HKIEC, the HKITCC and the PHKSPCL will be vested in the Corporation. The net assets of the three organisations will become the authorised capital of the Corporation (**clause 17**) and the Corporation shall divide the authorised capital into shares of such denomination and number for issue to Government as the Financial Secretary shall determine. The Financial Secretary can declare any moneys of the Corporation to be surplus moneys and direct the payment of such surplus moneys into the general revenue (**clause 20**).

10. In addition, the Corporation shall submit to the Financial Secretary its annual estimates of income and expenditure (**clause 22**). It shall also prepare annual statements of accounts and have them audited by a professional auditor, and prepare annual reports on its activities (**clause 23**). The audited statements of accounts and annual reports shall be tabled in the Legislative Council (**clause 24**).

Vesting Provisions

11. **Clauses 35 to 37** provide for the dissolution of the HKIEC, the HKITCC and the PHKSPCL and the vesting of their rights, obligations, assets and liabilities in the Corporation.

LEGISLATIVE TIMETABLE

12. The legislative timetable will be -

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| Publication in the Gazette | 8 December 2000 |
| First Reading and commencement of Second Reading debate | 20 December 2000 |
| Resumption of Second Reading debate, committee stage and Third Reading | to be notified |

BASIC LAW IMPLICATIONS

13. The Department of Justice advises that the Bill does not conflict with those provisions of the Basic Law carrying no human rights implications.

HUMAN RIGHTS IMPLICATIONS

14. The Department of Justice advises that the Bill is consistent with the human rights provisions of the Basic Law.

BINDING EFFECT OF THE LEGISLATION

15. The Bill does not contain any express binding effect provision. The Bill seeks to merge the HKIEC, the HKITCC and the PHKSPCL and to establish a new statutory corporation to manage the merged organisation so as to provide infrastructural support for the development of technology-based industries. As it is not intended to change the current binding effect of the Ordinances which govern the HKIEC and the HKITCC, it is therefore not appropriate to make the proposed legislation binding on the "State".

FINANCIAL AND STAFFING IMPLICATIONS

16. The establishment of the Corporation per se and the related capital restructuring arrangements as outlined in paragraph 9 above do not have financial implications for Government. Financial provision for the Corporation to implement other major capital projects such as the Phase Two development of the Science Park will be separately pursued.

17. As for the financial commitment of \$268 million approved by the Finance Committee of the Legislative Council on 27 February 1998 to meet the recurrent expenses of the PHKSPCL in its initial years of operation, our intention is to make the residual amount available to the Corporation as Government's investment in it. We will seek the approval of the Finance Committee in due course.

18. The Bill has no other financial and staffing implications for Government.

ECONOMIC IMPLICATIONS

19. The establishment of the Corporation will facilitate comprehensive and flexible provision of space, facilities and services to the industries concerned, thereby aiding technology upgrading and development of higher value-added industries and activities. This in turn will help uphold Hong Kong's position amidst the global technological development trend.

ENVIRONMENTAL IMPLICATIONS

20. Industrial estates are designated projects under the Environmental Impact Assessment Ordinance (Chapter 499) and subject to the statutory environmental impact assessment process. The proposed merger, however, would not have any environmental implications.

PUBLIC CONSULTATION

21. We have consulted the Boards of Directors of the HKIEC, the HKITCC and the PHKSPCL on both the merger and the Bill. They support the merger and are content with the provisions of the Bill. We have also briefed the Legislative Council Panel on Trade and Industry on the progress of the merger exercise and the major provisions of the Bill.

PUBLICITY

22. A press release will be issued on 6 December 2000. A spokesman will be available to handle public enquiries.

ENQUIRIES

23. Any enquiries about this brief can be directed to Ms Manda Chan, Senior Manager (Merger), Innovation and Technology Commission at telephone number 2737 2249 or fax number 2992 0763.

Commerce and Industry Bureau
6 December 2000