

Ref. : ITC CR 2/17/1610/00

6 February 2001

The Hon. Kenneth Ting Woo-shou, JP
Chairman
Bills Committee on Hong Kong Science and
Technology Parks Corporation Bill
Legislative Council
8 Jackson Road
Central
Hong Kong

Dear Chairman,

Hong Kong Science and Technology Parks Corporation Bill

Thank you very much for allowing me and Agnes Wong to attend the Bills Committee on 2 February to discuss the major aspects of the above Bill with Members. I am now writing to provide further information and clarification on the issues raised at the meeting.

Balance Sheets

As agreed at the meeting on 2 February, I now attach at Annex A the latest balance sheets (as at 31 December 2000) of the three existing organizations concerned, namely the Hong Kong Industrial Estates Corporation (HKIEC), Hong Kong Industrial Technology Centre Corporation (HKITCC) and Provisional Hong Kong Science Park Co. Ltd. (PHKSPCL). Please note that these balance sheets have not been audited. Also, I have undertaken to provide consolidated information on the accounts of the Hong Kong Science and Technology Parks Corporation (hereinafter referred to as the new Corporation) when it commences operation.

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Clause 6: Purposes of the Corporation

In relation to paragraph 3 of the Legislative Council Brief, the Hon. Chan Yuen-han has asked how the specific services of the new Corporation would be promulgated for public information.

As I explained at the meeting on 2 February, clause 6 of the Bill already provides for the statutory framework governing the broad mission of the new Corporation. Clause 8 further defines the powers of the new Corporation in discharging this mission. This structure is generally in line with the existing provisions under the Hong Kong Industrial Estates Corporation Ordinance (Chapter 209), Hong Kong Industrial Technology Centre Corporation Ordinance (Chapter 431) and the Memorandum and Articles of Association of the PHKSPCL. These three organizations have, in accordance with the respective broad missions and powers given to them, planned and provided the existing services as detailed in paragraph 3 of the Legislative Council Brief. Given the rapidly changing technology landscape and market situation, both locally and internationally, it will not be appropriate to include specific details of existing and future services as part of the legislation. To do so will certainly undermine the ability of the new Corporation to respond effectively and in a timely manner to changing circumstances, which, as experiences show, can be very rapid and unpredictable as far as technology development and businesses are concerned.

I share fully the Hon. Chan Yuen-han's concern that the services of the new Corporation should be made known to their potential clientele widely and effectively. The three existing organizations have been marketing their services vigilantly. I would wish to assure Members that both the Government and the Board of Directors of the new Corporation will attach importance to this aspect of the operation of the new Corporation. Indeed it would be in the new Corporation's interest to do so. With the consolidation of the three existing organizations into a single body, and the resulting benefits of eliminating the existing fragmentation, I would expect that both the services development aspects and the dissemination of information on current services would be much more effective.

Clause 7: Commercial Principles

Members' concern is that the notion that the new Corporation should conduct its business according to prudent commercial principles may either limit its ability to provide affordable services or be non-viable altogether, given the very specialized services that the new Corporation has to provide. If the operating experience of the HKIEC and the HKITCC is any guide, the application of

commercially prudent principles is not an unattainable goal. In this connection, the consolidation of the three existing organizations into a new Corporation will provide further and better scope for planning and organizing services and resources. These three existing organizations were started with very considerable resources input from the Government - I would wish to assure Members that there will be no question of any derogation from the Government's commitment to the public mission of the new Corporation as set out in clause 6 of the Bill.

Clause 8(2)(i): Fees

Members' concern is that the new Corporation may fix fees for services at levels which are higher than their costs in order to generate financial returns.

I would wish to clarify that the intention of clause 8(2)(i) is to provide the new Corporation with flexibility in determining the level of fees, taking into account the nature of the services to be provided, the needs of different users and the overall financial management of the new Corporation. A case in point is the renting of its conference facilities: the new Corporation may offer concessionary rates for its clients, who are start-up companies of its incubation programme, but would otherwise charge full market rate for any ordinary companies.

Committee Stage Amendments (CSAs)

We have earlier proposed two CSAs to improve the drafting aspects of Clause 33 and Schedule 3 to the Bill. They will be discussed under agenda item I(d) of the meeting on 8 February. For clarity of legislative drafting, we would like to propose two additional CSAs. Details are as follows :

(a) Chinese version of Clause 6(1)(b)

To replace “工業” with “製造及服務業”. The meaning of “工業” is manufacturing industry biased, whereas the English word "industry" has a more generic meaning to cover both manufacturing and service industries. The proposed amendment is to ensure that the Chinese provision reflects the legislative intent without ambiguity.

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(b) Chinese version of Clause 10(1)

To amend the Chinese version of Clause 10(1) as follows :

"董事或委員會成員獲委任後，須在切實可行範圍內盡快以及在情況有需要時，以董事局當其時藉會議常規或其他方式決定的方式，向董事局申報其屬於董事局如此決定的類別或種類的利害關係。"

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The draft CSAs are consolidated at Annex B.

I look forward to discussing the Bill further with Members at the coming meeting on 8 February.

Yours sincerely,

(Francis Ho)
Commissioner for Innovation and Technology

c.c. Mr. Andy Lau
Clerk to Bills Committee

HONG KONG SCIENCE AND TECHNOLOGY PARKS CORPORATION BILL

COMMITTEE STAGE

Amendments to be moved by the Secretary for
Commerce and Industry

<u>Clause</u>	<u>Amendment Proposed</u>
6(1)(b)	By deleting "industry" and substituting "manufacturing and service industries".
10(1)	By adding "董事局" before "如此決定".
33	By adding - "(1A) A bylaw under subsection (1) is subsidiary legislation."
Schedule 3	By adding - "10. Delivery of books, etc. All books, papers, minutes, receipts, accounts or other documents relating to HKIEC, HKITCC or PHKSPCL that were under the care and custody of HKIEC, HKITCC or PHKSPCL immediately before the appointed day shall be delivered to the Corporation on that day by the person who has the care and custody of those documents on the commencement of that day."

《香港科技園公司條例草案》

委員會審議階段

由工商局局長動議的修正案

<u>條次</u>	<u>建議修正案</u>
6(1)(b)	刪去“工業”而代以“製造及服務業”。
10(1)	在“如此決定”之前加入“董事局”。
33	加入 — “ (1A) 第(1)款所指的附例是附屬法例。”。
附表3	加入 — “10. 簿冊等的交付 與工業邨公司、工業科技中心公司或臨時科學園公司有關並於緊接指定日期前由任何上述公司看管及保管的所有簿冊、文據、會議紀錄、收據、帳目或其他文件，均須由在該日開始之時看管及保管該等文件的人在該日交付科技園公司。”。

THE HONG KONG INDUSTRIAL ESTATES CORPORATION

BALANCE SHEET

AS AT 31 December 2000

	Balance as at 31 March 2000	Movement April - November 2000	Current Month December 2000	Balance as at December, 2000
ASSETS				
NON-CURRENT ASSETS				
<u>Industrial estate under construction</u>				
Tai Po Industrial Estate	25,537,894.25	(11,698,066.81)	-	13,839,827.44
Yuen Long Industrial Estate	34,308,148.67	10,996,950.00	26,925.00	45,332,023.67
Tseung Kwan O Industrial Estate	447,687,978.72	5,004,748.59	(5,635,256.33)	447,057,470.98
Fourth Industrial Estate	3,930,000.00	-	-	3,930,000.00
	<u>511,464,021.64</u>	<u>4,303,631.78</u>	<u>(5,608,331.33)</u>	<u>510,159,322.09</u>
<u>Property, Plant & Equipment</u>				
Standard Factories	23,620,638.02	-	-	23,620,638.02
Less : Depreciation	(8,719,920.00)	(528,480.00)	(66,060.00)	(9,314,460.00)
	<u>14,900,718.02</u>	<u>(528,480.00)</u>	<u>(66,060.00)</u>	<u>14,306,178.02</u>
Estate Centre Building	15,029,102.73	-	-	15,029,102.73
Less : Depreciation	(5,300,725.00)	(200,392.00)	(25,049.00)	(5,526,166.00)
	<u>9,728,377.73</u>	<u>(200,392.00)</u>	<u>(25,049.00)</u>	<u>9,502,936.73</u>
Factories under Rental	83,518,970.00	0.00	34,777,420.18	118,296,390.18
Less : Depreciation	(5,766,537.00)	(2,621,176.00)	(327,647.00)	(8,715,360.00)
	<u>77,752,433.00</u>	<u>(2,621,176.00)</u>	<u>34,449,773.18</u>	<u>109,581,030.18</u>
Other non-current assets	700,211.20	(59,918.00)	(21,650.00)	618,643.20
Lease Instalment Receivable	159,240,898.00	(75,297.54)	(71,210.36)	159,094,390.10
TOTAL NON-CURRENT ASSETS	<u>773,786,659.59</u>	<u>818,368.24</u>	<u>28,657,472.49</u>	<u>803,262,500.32</u>
CURRENT ASSETS				
Premises holding for re-grant	81,336,444.56	14,684,004.03	(34,777,743.18)	61,242,705.41
Trade Receivable	30,524.70	1,599,109.35	1,606,543.31	3,236,177.36
Deposits	227,000.00	362,900.00	10,000.00	599,900.00
Prepayment & Accruals	16,331,691.00	(233,325.30)	(989,878.00)	15,108,487.70
Bank Balances & Cash	712,055,369.06	81,043,149.02	(38,097,018.40)	755,001,499.68
TOTAL CURRENT ASSETS	<u>809,981,029.32</u>	<u>97,455,837.10</u>	<u>(72,248,096.27)</u>	<u>835,188,770.15</u>
TOTAL ASSETS	<u>1,583,767,688.91</u>	<u>98,274,205.34</u>	<u>(43,590,623.78)</u>	<u>1,638,451,270.47</u>

THE HONG KONG INDUSTRIAL ESTATES CORPORATION

BALANCE SHEET

AS AT 31 December 2000

	Balance as at 31 March 2000	Movement April - November 2000	Current Month December 2000	Balance as at December, 2000
SURPLUS FUND AND LIABILITIES				
SURPLUS FUND	<u>1,352,347,422.86</u>	<u>66,488,897.19</u>	<u>9,347,122.09</u>	<u>1,428,183,442.14</u>
NON-CURRENT LIABILITIES				
<u>Loans from the Loan Fund</u>				
Tseung Kwan O Industrial Estate Principal & Capitalised Interest as at 16 December, 1997	295,662,840.05	-	-	295,662,840.05
Less: Repayment	(84,475,097.16)	-	(42,237,548.58)	(126,712,645.74)
Outstanding Principal & Capitalised Interest	<u>211,187,742.89</u>	<u>-</u>	<u>(42,237,548.58)</u>	<u>168,950,194.31</u>
Accrued Interest	30,492,038.48	6,640,000.00	830,000.00	37,962,038.48
Less: Repayment	(27,454,406.57)	-	(10,559,387.14)	(38,013,793.71)
Outstanding Accrual Interest	<u>3,037,631.91</u>	<u>6,640,000.00</u>	<u>(9,729,387.14)</u>	<u>(51,755.25)</u>
TOTAL NON-CURRENT LIABILITIES	<u>214,225,374.80</u>	<u>6,640,000.00</u>	<u>(51,966,935.72)</u>	<u>168,898,439.08</u>
CURRENT LIABILITIES				
Lease Deposit Received	1,407,608.00	4,323,952.00	(1,031,560.00)	4,700,000.00
Accounts Payable	-	46,592.10	6,739.70	53,331.80
Accrued Charges & Provisions	10,087,965.17	19,877,534.33	373,579.05	30,339,078.55
Estate Management Account	5,699,318.08	897,229.72	(319,568.90)	6,276,978.90
TOTAL CURRENT LIABILITIES	<u>17,194,891.25</u>	<u>25,145,308.15</u>	<u>(970,810.15)</u>	<u>41,369,389.25</u>
TOTAL SURPLUS FUND AND LIABILITIES	<u><u>1,583,767,688.91</u></u>	<u><u>98,274,205.34</u></u>	<u><u>(43,590,623.78)</u></u>	<u><u>1,638,451,270.47</u></u>

Hong Kong Industrial Technology Centre Corporation
Balance Sheet
As At December 31, 2000

	<u>Balance as at 31 Mar 2000</u>	<u>Movement Apr - Nov 2000</u>	<u>Movement Dec 2000</u>	<u>Balance as at Dec 2000</u>
Fixed assets, at cost less deprec.				
Automobile	398,000.00	0.00	0.00	398,000.00
Less accumulated depreciation	<u>298,500.00</u>	<u>66,333.36</u>	<u>8,291.67</u>	<u>373,125.03</u>
Automobile at NBV	99,500.00	(66,333.36)	(8,291.67)	24,874.97
Equipment	11,000,875.41	80,300.00	84,360.00	11,165,535.41
Less accumulated depreciation	<u>8,181,989.02</u>	<u>1,295,010.00</u>	<u>105,889.07</u>	<u>9,582,888.09</u>
Equipment at NBV	2,818,886.39	(1,214,710.00)	(21,529.07)	1,582,647.32
Furniture & fixture	6,664,957.95	0.00	0.00	6,664,957.95
Less accumulated depreciation	<u>4,698,048.15</u>	<u>566,307.16</u>	<u>69,670.00</u>	<u>5,334,025.31</u>
F & F at NBV	1,966,909.80	(566,307.16)	(69,670.00)	1,330,932.64
Technology Centre I cost	233,212,167.81	0.00	0.00	233,212,167.81
Less accumulated depreciation	<u>23,113,885.00</u>	<u>3,109,496.00</u>	<u>388,687.00</u>	<u>26,612,068.00</u>
Tech Centre at NBV	210,098,282.81	(3,109,496.00)	(388,687.00)	206,600,099.81
Leasehold improvement	3,756,302.00	0.00	0.00	3,756,302.00
Less accumulated depreciation	<u>2,602,836.33</u>	<u>579,297.80</u>	<u>40,383.50</u>	<u>3,222,517.63</u>
Leasehold improvement at NBV	1,153,465.67	(579,297.80)	(40,383.50)	533,784.37
Total fixed assets	<u>216,137,044.67</u>	<u>(5,536,144.32)</u>	<u>(528,561.24)</u>	<u>210,072,339.11</u>
Fixed deposits	140,493,563.83	9,333,506.16	667,338.71	150,494,408.70
Long-Term investments				
Shares - CyberIncubator Centre	183,000.00	124,327.00	2,000.00	309,327.00
Shares - Others	12,001.00	0.00	0.00	12,001.00
Innovation loans	1,933,897.16	(473,392.99)	(240,000.00)	1,220,504.17
Less: Provision for bad debts	(625,690.00)	0.00	0.00	(625,690.00)
Early Tech Business Capital Loan	2,000,000.00	(19,018.00)	0.00	1,980,982.00
Less: Provision for bad debts	<u>(100,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(100,000.00)</u>
Total long-term investments	3,403,208.16	(368,083.99)	(238,000.00)	2,797,124.17
Current assets				
Account receivables	1,147,793.68	211,361.98	332,216.50	1,691,372.16
Less provision for bad debts	<u>(100,000.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(100,000.00)</u>
Total account receivable	1,047,793.68	211,361.98	332,216.50	1,591,372.16
F.D. interest receivable	1,128,891.25	408,214.99	101,287.65	1,638,393.89
Prepayments & deposits	2,174,681.85	(803,961.76)	132,949.64	1,503,669.73
Cash at bank	1,910,997.27	1,553,641.17	310,954.90	3,775,593.34
Cash in hand	<u>288,464.50</u>	<u>(270,346.22)</u>	<u>0.00</u>	<u>18,118.28</u>
Total current assets	6,550,828.55	1,098,910.17	877,408.69	8,527,147.41
Total assets	<u>366,584,645.21</u>	<u>4,528,188.02</u>	<u>778,186.16</u>	<u>371,891,019.39</u>

	<u>Balance</u> <u>as at 31 Mar 2000</u>	<u>Movement</u> <u>Apr - Nov 2000</u>	<u>Movement</u> <u>December 2000</u>	<u>Balance</u> <u>as at Dec 2000</u>
Current liabilities				
Account payables	7,236,027.99	(3,306,131.69)	(24,123.97)	3,905,772.33
Construction retention payable	0.00	0.00	0.00	0.00
Incubator deposit account	1,063,836.27	(74,314.86)	30,618.00	1,020,139.41
Tenants deposit account	14,145,504.70	(1,787,492.40)	(55,037.10)	12,302,975.20
Accruals	2,342,321.06	64,697.06	127,699.75	2,534,717.87
Total current liabilities	<u>24,787,690.03</u>	<u>(5,103,241.89)</u>	<u>79,156.68</u>	<u>19,763,604.82</u>
Total net assets	<u>341,796,955.18</u>	<u>9,631,429.91</u>	<u>699,029.48</u>	<u>352,127,414.57</u>
Shareholders' equity:				
Share capital	250,000,000.00	0.00	0.00	250,000,000.00
Retained earnings	83,692,462.65	0.00	0.00	83,692,462.65
Profit (loss) for the period	0.00	7,457,383.42	647,208.00	8,104,591.42
Total capital and reserves	<u>333,692,462.65</u>	<u>7,457,383.42</u>	<u>647,208.00</u>	<u>341,797,054.07</u>
Asset replacement fund	8,104,492.53	2,174,046.49	51,821.48	10,330,360.50
	<u>341,796,955.18</u>	<u>9,631,429.91</u>	<u>699,029.48</u>	<u>352,127,414.57</u>

PROVISIONAL HONG KONG SCIENCE PARK COMPANY LTD.
Balance Sheet as at 31 December, 2000

	<u>Balance as at 31 Mar 2000</u>	<u>Movement Apr - Nov 2000</u>	<u>Movement Dec</u>	<u>Balance as at Dec 2000</u>
<i>(in HK\$)</i>				
ASSETS AND LIABILITIES				
Non-current Assets				
Property, plant and equipment	3,520,197	211,869	-	3,732,066
Less : Accumulated depreciation	(814,930)	(690,196)	(88,415)	(1,593,541)
Net property, plant and equipment	<u>2,705,267</u>	<u>(478,327)</u>	<u>(88,415)</u>	<u>2,138,525</u>
Current Assets				
Grants receivable	3,922,616	(1,869,072)	46,249	2,099,793
Other receivable, prepayment & deposits	431,710	265,489	(87,429)	609,770
Bank balance & cash	6,895,981	5,554,125	64,862	12,514,968
	<u>11,250,307</u>	<u>3,950,542</u>	<u>23,682</u>	<u>15,224,531</u>
Current Liabilities				
Deposits from tenants - office rental	208,161	3,735,392	-	3,943,553
Other Payable	1,821,302	(1,601,302)	-	220,000
Accrued Liabilities	2,017,332	(1,951,969)	(1,300)	64,063
	<u>4,046,796</u>	<u>182,121</u>	<u>(1,300)</u>	<u>4,227,617</u>
Net Assets less current liabilities	<u>9,908,778</u>	<u>3,290,094</u>	<u>(63,433)</u>	<u>13,135,437</u>
Non-current liabilities				
Advance from the Government	10,664,000	-	-	10,664,000
Net (Liabilities) Assets	<u>(755,222)</u>	<u>3,290,094</u>	<u>(63,433)</u>	<u>2,471,441</u>
CAPITAL AND RESERVES				
Share capital	2	-	-	(755,222)
Accumulated (deficit) surplus - beginning balance	1,854,712	(2,609,936)	-	3,226,608
Current year (deficit) surplus	(2,609,936)	5,900,030	(63,433)	2,471,441
(Deficiency) surplus of shareholders' funds	<u>(755,222)</u>	<u>3,290,094</u>	<u>(63,433)</u>	<u>2,471,441</u>