

For Information
on 13 November 2000

**PANEL ON TRADE AND INDUSTRY
OF THE LEGISLATIVE COUNCIL**

The Hong Kong Science and Technology Parks Corporation Bill

PURPOSE

This paper informs Members of the progress to merge the Hong Kong Industrial Estates Corporation (HKIEC), the Hong Kong Industrial Technology Centre Corporation (HKITCC) and the Provisional Hong Kong Science Park Company Ltd. (PHKSPCL).

BACKGROUND

2. In its final report of June 1999, the Chief Executive's Commission on Innovation and Technology, chaired by Prof Tien Chang-lin, recommends, among other things, that the HKIEC, the HKITCC and the PHKSPCL should be merged. The Government accepted this recommendation in August 1999.

3. The HKIEC, the HKITCC and the PHKSPCL play important roles in providing infrastructural support to Hong Kong's industrial and technological development. The HKIEC 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 additional facilities which are not otherwise available in the market and facilitates the broadening of Hong Kong's economic base and upgrading its technology levels. The HKITCC, through its incubation programmes, focuses on nurturing technology start-ups by providing them with support on marketing, finance, technology 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 and to attract new technology-based investments.

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 could 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 research and development activities, to offering land and premises in the industrial estates for production facilities.

PROGRESS

Merger legislation

5. The HKIEC and HKITCC are statutory bodies governed by the Hong Kong Industrial Estates Corporation Ordinance (Cap.209) and the Hong Kong Industrial Technology Centre Corporation Ordinance (Cap.431), respectively. It is intended that the merged body should be similarly governed by statute to ensure that it is publicly accountable.

6. We are now in the process of drafting the Hong Kong Science and Technology Parks Corporation Bill to give effect to the merger of the three organisations concerned. Essentially it is a piece of consolidation legislation, which draws heavily on the existing legislation in respect of the HKIEC and the HKITCC, but also with improvements considered necessary in the light of operating experience and the changing conditions in a knowledge-based economy. Major provisions of the bill, which have been agreed to by the Boards of Directors of the three organisations concerned, are now listed at **Annex**. We plan to introduce the bill into the Legislative Council in December 2000.

Interim staffing arrangements

7. The Boards of Directors of the three organisations concerned have agreed on a number of interim staffing arrangements. They have jointly appointed the Chief Executive of the HKIEC as the interim common Chief Executive Officer (CEO) of the three organisations with effect from June 2000. The main duties of the interim common CEO are to oversee the day to day operations of the three organisations, plan and implement details of the merger, and manage the transition.

Once the merged body is established by statute, the Board of the merged body will recruit its permanent CEO through an open recruitment process.

8. The Boards of Directors of the three organisations have also agreed to pool together staffing resources of the three organisations to form a common executive team. This arrangement will allow the three organisations to use their resources more flexibly and effectively in relation to the objectives set out in paragraph 4 above. The staff sharing arrangements will take effect on 1 December 2000.

Proposed financial arrangements for the merged body

9. All the assets and liabilities of the HKIEC, the HKITCC and the PHKSPCL will be vested in the merged body when the latter is established by statute. The net assets of the three organisations will become the authorised capital of the merged body and it will be required to divide the authorised capital into shares for issue to the Government. As such, the Government will become the sole shareholder of the merged body, and the authorised capital will represent the Government's investment in the merged body.

10. As for the capital commitment of \$268 million approved by the Finance Committee 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 merged body as Government's investment in it. We will seek the approval of the Finance Committee in due course.

ADVICE SOUGHT

11. Members are invited to note the content of this paper.

**Major Provisions of the
Hong Kong Science and Technology Parks Corporation Bill**

Name of the Corporation

The merged body is proposed to be known as the “Hong Kong Science and Technology Parks Corporation” in English and “香港科技基建公司” in Chinese. The name is intended to provide sufficiently wide ambit to cover different kinds of premises under the purview of the Corporation. Individual premises such as the Science Park and the Tech Centre can still retain their own brand names for marketing purpose since they have already built up their respective images over the years and premium have been attached to these brand names.

Purpose of the Corporation

2. The purposes of the Corporation are to –
 - (a) establish or develop premises (e.g. industrial estates, incubation centres, Science Park) to provide facilities and services to technology-based companies and activities, and to manage and control the land and other facilities comprised in the premises;
 - (b) facilitate the research and development and application of technologies in industry in Hong Kong;
 - (c) support the development, transfer and use of new or advanced technologies in Hong Kong; and
 - (d) engage in activities or to perform functions as the Chief Executive may, after consultation with the Corporation, permit or assign to it by order published in the Gazette.
3. The Corporation will be required to conduct its business according to

prudent commercial principles.

Powers of the Corporation

4. The Corporation will be provided with powers to continue to deliver the programmes and services currently offered by the HKIEC, HKITC and the PHKSPCL, and to do things as are expedient for or conducive to the attainment of its purposes. Specifically, its powers will include the following –

- (a) to purchase, hire, obtain, hold, sell, let or dispose of property;
- (b) to build, rebuild, repair, maintain, alter, improve or demolish buildings, structures or other facilities;
- (c) to manage any buildings, structures and other facilities (including any land ancillary to them) in its premises;
- (d) to make bylaws on the management of its premises, facilities or services;
- (e) to enter into contracts or other agreements;
- (f) with the prior approval of the Financial Secretary, to borrow or raise money on such conditions as the Board considers appropriate;
- (g) to determine the services and facilities to be provided by the Corporation and the manner in which such services and facilities are to be provided, operated and managed;
- (h) to fix and charge fees for the services and facilities provided by the Corporation;
- (i) with the prior approval of the Financial Secretary, to establish fund(s) which shall be used for the purposes of the Corporation;
- (j) to establish subsidiary companies in pursuit of its objectives and in

carrying out its functions; and

- (k) to take equity in the incubatees; to spin off programmes/activities to the private sector, and to partner with other companies in operating its programmes/activities.

Establishment of Board of Directors and committees

5. The Corporation will be governed by a Board of Directors. The Chairman of the Board shall be appointed by the Chief Executive while other Members will be appointed by the Financial Secretary. Issues of the Corporation will be decided by a majority of votes of the Members present at the meetings.

6. The Board may establish committee(s) as it considers appropriate for the purposes of the Corporation and determine the composition, functions and procedures of a committee.

Appointment of staff of the Corporation

7. Subject to the prior approval of the Financial Secretary, the Board can appoint the Chief Executive Officer (CEO) of the Corporation and determine all matters relating to the terms and conditions of his/her service, including his/her remuneration, suspension and dismissal from office.

8. Other than the CEO whose appointment needs the prior approval of the Financial Secretary, the Board may appoint any number of persons as the employees of the Corporation and determine all matters relating to the terms and conditions of their service, including their remuneration, suspension and dismissal from office. Meanwhile, existing employees of HKIEC, HKITCC and PHKSPCL will become the employees of the Corporation and there will be no break in their terms of service.

Financial provisions and reports

9. The amount of the authorised capital of the Corporation is equal to the value of the net assets of HKIEC, HKITCC and PHKSPCL as vested in it. The

Corporation is required to divide the authorised capital into shares for issue to the Government as the Financial Secretary determines. The Financial Secretary may declare any part of the moneys of the Corporation to be surplus moneys and direct their payment into the general revenue.

10. The Corporation is required to, not later than a specified date in each financial year, submit to the Financial Secretary its estimates of income and expenditure for the subsequent financial year. It should also prepare annual reports and statements of accounts, and have the statements audited by a professional auditor. The annual reports and the audited accounts will be tabled in the Legislative Council.

Dissolution, vesting and transitional provisions

11. HKIEC, HKITCC and PHKSPCL will be dissolved upon the establishment of the Corporation. All the rights, obligations, assets and liabilities of the three organisations will be vested in the Corporation.