

For information
on 6 July 2004

Legislative Council Panel on Commerce and Industry

Television Broadcasts Limited's Acquisition of a Site in Tseung Kwan O Industrial Estate

Introduction

This paper provides information relating to Television Broadcasts Limited's (TVB) acquisition of a site in Tseung Kwan O Industrial Estate (TKOIE).

Background

2. The former Hong Kong Industrial Estates Corporation (HKIEC) offered developed land to both manufacturing and service industries with new or improved technology and processes which could not operate in multi-storey factory or commercial buildings. In this way, HKIEC facilitated the overall development of Hong Kong's economy by broadening its industrial base and upgrading technology levels. Since May 2001, the Hong Kong Science and Technology Parks Corporation (HKSTPC)¹ manages the 3 industrial estates in Tai Po, Yuen Long and Tseung Kwan O, providing a total of 239 hectares of land.

3. In response to recent media reports about TVB's land grant in TKOIE, the Chief Executive's Office issued two statements on 9 June ([Annex A](#)), pointing out that the Chief Executive (CE) did not intervene in the matter. Mr Francis Ho, Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) held a press conference on 10 June with Mr Victor Lo, Chairman of HKSTPC and Mr S. H. Pau, Acting Chief Executive Officer of HKSTPC, reiterating that the CE did not intervene in the land grant. The whole negotiation on land premium was handled by the former HKIEC on a commercial basis according to the established procedures. The land grant was also approved by the HKIEC Board. Please see [Annex B](#) for details.

¹ HKSTPC was established on 7 May 2001 under the Hong Kong Science and Technology Parks Corporation Ordinance. It was formed by merging the Hong Kong Industrial Estates Corporation, the Hong Kong Industrial Technology Centre Corporation and the Provisional Hong Kong Science Park Company Ltd.

Questions Raised by Hon SIN Chung-kai

4. In the letter dated 16 June 2004 from the Clerk to Panel on Commerce and Industry, we note that Hon SIN Chung-kai had written to the Panel Chairman on 10 June proposing a special meeting and requesting the Secretary for Commerce, Industry and Technology (SCIT) to address five questions. Our summary response is as follows:

- (a) both the grantees of the Industrial Estates (IEs) and the former HKIEC (or the present HKSTPC) have obligations to execute the signed contracts. The former HKIEC would not, under normal circumstances, consider changing the terms of a contract after it had been signed. If HKIEC received a request for changing any of the terms and the management considered the case special, the application would be submitted to the HKIEC Board (or the present Board of Directors of HKSTPC) for consideration. The Board would make a decision based on the request and its justifications.
- (b) in November 1998, the then HKIEC received TVB's proposal to negotiate the land premium for a 9-hectare site. HKIEC then started to negotiate land premium with TVB on a commercial basis in accordance with HKIEC's established procedures.

During the negotiations between HKIEC and TVB on the terms of land grant, TVB agreed to accept the prevailing standard land premium, but at the same time requested that TVB could adopt a revised land premium if HKIEC's strategic review which was then in progress led to a reduction in the standard land premium.

When considering TVB's application, the HKIEC Board considered the impact of the Asian financial turmoil on Hong Kong's economy, the very low demand for the IEs' industrial land, and that TVB's application was the largest in terms of land requirement and investment received by HKIEC so far. Therefore, the Board approved TVB's application, and agreed that TVB could adopt a revised land premium if HKIEC's strategic review which was then in progress led to a reduction in standard land premium. The decision was made primarily on commercial basis.

The whole commercial negotiation between the then HKIEC and TVB was handled in accordance with HKIEC's established procedures. HKIEC did not re-negotiate and approve land premium reduction after the contract had been signed.

- (c) TVB did send two letters to the CE. CE's Office forwarded the letters to relevant policy bureau and government departments for follow up actions according to normal procedures. The CE and relevant government departments did not intervene in the matter of land premium. The land premium was negotiated entirely between the HKIEC and the user concerned.
- (d) according to the information provided by HKSTPC, during the time when HKIEC was processing TVB's application for land grant², HKIEC approved and completed the execution of land grants to 5 companies including TVB. HKSTPC indicated that according to their company records, no other company raised a similar request apart from TVB.
- (e) we wish to reiterate that the Government and the former HKIEC handled the whole process in accordance with the prevailing established procedures. No biased treatment was involved. The Government and the HKIEC have issued statements and held press conference to explain to the public, through the media, the facts of the matter.

Chronology of the events

5. A chronology of major events and developments relating to TVB's land grant is at Annex C.

Industrial Estate admission policy and system

6. In the letter of 16 June, the Clerk to Panel on Commerce and Industry relayed to SCIT that Panel Members are concerned about the policy and safeguards, if any, of ensuring a level playing field and equitable treatment for all interested parties seeking entry into the industrial estate.

7. The Industrial Estate admission policy and procedures have always been made public. Applicants and all members of the public can find the relevant information in HKSTPC's homepage and brochures on the IEs issued by the HKSTPC. Admission criteria for IEs are listed in Annex D. The established admission criteria apply to all applications irrespective of their industrial sectors or their company background.

² Refers to the period from November 1998 to February 2000. In February 2000, after considering the outcome of the strategic review, the HKIEC Board decided and announced to reduce the land premium of IEs across-the-board.

8. Upon the receipt of an application and the required information, the HKSTPC management will process the application in accordance with the established procedures, and will negotiate the land premium with the applicant according to the published standard land premium. The management, after detailed analysis and consideration as to whether the application meets the admission criteria and of other relevant information, will submit the application together with the management's recommendations to the Business Development and Admission Committee (BDAC) of the HKSTPC Board for approval or otherwise. The HKSTPC Board of Directors and its BDAC comprise experts from various industries. Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) is also one of the Directors. The Board and BDAC consider every application in accordance with the established admission criteria and procedures, and ensure that all the applications are fairly handled. Applicants are normally notified of the result of their application within 6 weeks from the date of submission.

Advice Sought

9. Members are invited to note this paper.

Commerce, Industry and Technology Bureau
June 2004

Press Release

Statement from CE's Office

In response to media enquiries about Television Broadcasts Limited's acquisition of a Tseung Kwan O site, the Chief Executive's Office issued the following statement today (June 9):

Television Broadcasts Limited wrote to the Chief Executive in 1998 about the development of TVB City in Tseung Kwan O.

In accordance with normal procedures, the Chief Executive's Office passed the correspondence to the then Trade and Industry Bureau for processing. The Chief Executive and relevant government departments did not intervene in the matter of land premium. The land premium was negotiated entirely between the then Hong Kong Industrial Estates Corporation and the user concerned.

Ends/Wednesday, June 9, 2004

Press Release

Information on Tseung Kwan O site released

The Chief Executive's Office today (June 9) released the following information on Television Broadcasts Limited's acquisition of a site in the Tseung Kwan O Industrial Estate:

The Television Broadcasts Limited (TVB) wrote to the Chief Executive on January 13, 1998 mentioning the admission criteria of the industrial estates. In accordance with normal procedures, the Chief Executive's Office passed the correspondence to the then Trade and Industry Bureau, the Broadcasting, Culture and Sports Bureau and the Planning, Environment and Lands Bureau for processing.

At the same time, having regard to the continual economic restructuring of Hong Kong, including the drastic decrease in demand for land in the industrial estates by manufacturing industries and the increasing percentage contribution of service industries to our Gross Domestic Product, the Trade and Industry Bureau and the Hong Kong Industrial Estates Corporation had been reviewing the admission criteria of the industrial estates. The Administration consulted the Industry and Technology Development Council and also the Panel on Trade and Industry of the Provisional Legislative Council on the review result and recommendations. Subsequently, the Chief Executive in Council gave approval for service industries which could not be accommodated in ordinary multi-storey buildings and which met the admission criteria to be admitted to the industrial estates.

The expansion in scope of the industrial estates from manufacturing industries to service industries thus went through thorough consultation and was in accord with the established procedure. The expansion in scope was not catered for any particular company.

The Chief Executive gave a reply to TVB on June 10, 1998 pointing out that the Government had completed a general review of the admission criteria of the industrial estates and had decided to expand the scope of the industrial estates to cater for service industries in addition to manufacturing industries. The letter also said that TVB could approach the Hong Kong Industrial Estates Corporation direct about its application for admission.

TVB's Executive Chairman, Sir Run Run Shaw, wrote to the Chief Executive again on December 21, 1998 about the matter of land premium.

In accordance with normal procedures, the Chief Executive's Office passed the correspondence to the then Trade and Industry Bureau for

processing. TVB later reached an agreement with the Hong Kong Industrial Estates Corporation to acquire the site in the industrial estate.

The Chief Executive's Office, in a reply to TVB on February 6, 1999 said it understood that both parties had reached an agreement.

In the process, the Chief Executive and relevant government departments did not intervene in the matter of land premium. The land premium was negotiated entirely between the Hong Kong Industrial Estates Corporation and the user concerned.

Ends/Wednesday, June 9, 2004

Press Release

PSCT's statement

Following are the opening remarks by the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology), Mr Francis Ho, at a press conference this afternoon (June 10) on Television Broadcasts Limited's acquisition of a site in Tseung Kwan O Industrial Estate:

I just want to make three points. The first is in relation to the Chief Executive's role in the whole process of negotiation between the Hong Kong Industrial Estates Corporation at that time and Television Broadcasts Limited (TVB). I just want to stress that throughout the whole process of the commercial negotiations between TVB and the Industrial Estates, the Chief Executive did not intervene, interfere, or influence whatsoever in the whole negotiation process. He had not influenced any official or any government department in the handling of TVB's application. The whole application was handled by the executives of the Hong Kong Industrial Estates Corporation at the time. When they had concluded the negotiations with TVB, they submitted their recommendations to the Board of the Corporation for approval. This is entirely in accordance with the established procedures for processing, handling and also approving applications. So, this is nothing unusual and I stress that the Chief Executive did not have any role to play in this entire process.

The second point is in relation to some of the concerns about whether we had deliberately altered the admission criteria of the Industrial Estates back in 1998 in order to facilitate the admission of TVB into Tseung Kwan O Industrial Estate. Again I want to stress that the whole review was taken in 1997 and 1998 in response to the economic restructuring of Hong Kong at the time. Because at that time Hong Kong was facing a very major economic restructuring with the relocation of many of the manufacturing processes into the Pearl River Delta, resulting in a very very low demand on the industrial land at Tseung Kwan O Industrial Estate. At the same time the service industry was picking up a very significant proportion in the Hong Kong economy. As a matter of fact, we did receive quite a number of enquiries from the service sector, notably from sectors such as logistics, such as data centres and other service areas about the feasibility of such companies as being admitted into the Industrial Estate. Therefore, our review was mainly a response to this particular situation. We did dutifully complete the review in early 1998 and we did go through the entire procedures. First, by consulting the various boards and committees, notably the Industry and Technology Development

Council at the time. We went to the Commerce and Industry Panel of legislature at that time. We did obtain the approval of the Executive Council to change the admission criteria of the Industrial Estate. We publicised and promulgated the new admission criteria in a very transparent and also very responsible way.

The third point I want to make is that throughout the whole negotiations on the admission of TVB into the Industrial Estate, it was handled by the executives of the Industrial Estates Corporation again on a commercial basis. It was a very tough negotiation at that time but I think we must take into account the fact that actually the demand for land at the Hong Kong Industrial Estates Corporation was very low at that time. Hong Kong's economy was experiencing a really distressed period at that time. TVB was a very major investor and probably the largest investor in the Industrial Estate so far in terms of their land requirement, and also in terms of their total investment into building, into new equipment and also other new services. Therefore, the whole negotiation was conducted on a commercial basis, having regard to this special situation with regard to the applicant.

Ends/Thursday, June 10, 2004

Chronology of major events/developments relating to TVB's acquisition of a site in the Tseung Kwan O Industrial Estate

Date	Events
from 1997	The former Trade and Industry Bureau initiated a review of the admission criteria of the industrial estates regarding the admission of service industries into the industrial estates.
13 January 1998	TVB's Executive Chairman wrote to the Chief Executive (CE) mentioning the admission criteria of the industrial estates. In accordance with normal procedures, the CE's Office passed the correspondence to the relevant bureau for processing.
2 March 1998	The former Trade and Industry Bureau sought the views of the then Industry and Technology Development Council on a proposal to allow service industries into the industrial estates. The proposal was based on a review of the admission criteria of the industrial estates which was conducted by the then Trade and Industry Bureau and the former Hong Kong Industrial Estates Corporation (HKIEC) having regard to the continual economic restructuring of Hong Kong, including the decrease in demand for land in the industrial estates by manufacturing industries and the increasing percentage contribution of service industries to Hong Kong's Gross Domestic Product.
23 March 1998	The Panel on Trade and Industry of the Provisional Legislative Council was briefed through a paper on the Admission of Service Industries into the Industrial Estates.
19 May 1998	The CE in Council decided that service industries which met the selection criteria should be allowed for admission into the industrial estates.

Date	Events
22 May 1998	<p>The Provisional Legislative Council was briefed through a Legislative Council Brief on the Admission of Service Industries into the Industrial Estates.</p> <p>The Government announced through a press release that service industries which met HKIEC's selection criteria would be allowed for admission into the industrial estates and that HKIEC may accept and start to process applications from the service sector.</p>
10 June 1998	<p>The CE gave a reply to TVB pointing out that the Government had completed a general review of the admission criteria of the industrial estates and had decided to expand the scope of the industrial estates to cater for service industries in addition to manufacturing industries. The letter also said that TVB could approach the HKIEC direct about its application for admission.</p>
11 November 1998	<p>TVB submitted a proposal to HKIEC to negotiate a reduction in land premium for a 9-hectare site in Tseung Kwan O Industrial Estate.</p>
7 December 1998	<p>The HKIEC Board did not accept TVB's proposal of 11 November 1998.</p> <p>In view of the then adverse economic climate and the drop in the demand for land in the industrial estates, the HKIEC Board decided to reduce the land premium of the industrial estates by 15% with immediate effect for all the three industrial estates without waiting for the completion of the HKIEC strategic review. HKIEC then announced the decision.</p>
18 December 1998	<p>HKIEC signed an agreement with a consultant firm to commission it to conduct a strategic review of the operation and future role of the HKIEC. The study started in the same month.</p>

Date	Events
21 December 1998	TVB's Executive Chairman wrote to the CE about the matter of land premium. In accordance with normal procedures, the CE's Office passed the letter to the then Trade and Industry Bureau for processing.
28 January 1999	HKIEC Board approved TVB's application for a 9-hectare site in Tseung Kwan O Industrial Estate at the then prevailing standard land premium and agreed that TVB could adopt the reduced land premium resulting from the HKIEC strategic review which was then in progress.
6 February 1999	The CE's Office replied to TVB saying that it understood that TVB and HKIEC had reached an agreement.
27 May 1999	HKIEC and TVB signed Agreement for Lease.
25 February 2000	The consultants undertaking the Review of the Role and Operation of the HKIEC presented their report to the Board. The issue of land premium was examined at the same Board meeting. The Board approved to adjust the land premium of the industrial estates across-the-board. For Tseung Kwan O Industrial Estate, the land premium was reduced from \$2,350 per square metre to \$1,850 per square metre for inland sites. HKIEC announced the reduction on the same day.
14 April 2000	HKIEC and TVB signed a Deed of Variation to reduce the land premium for TVB's site at Tseung Kwan O Industrial Estate in accordance with the land premium announced on 25 February 2000.

Admission Criteria for Industrial Estates

I. Applicants should satisfy the following criteria:

- a. the project must be of a nature which effectively prohibits it from being carried out in an ordinary multi-storey industrial or commercial building available on the open market in Hong Kong;
- b. the project must not be classified as an offensive trade under Government regulations; and
- c. the primary activity must not be storage or warehousing.

Those companies employing innovative technologies or skill-intensive process are eligible for application.

Apart from manufacturing and service industries, other types of activity such as research and development, technical centres, prototype design etc, are also welcome provided that they cannot be carried out in an ordinary multi-storey industrial or commercial building.

II. Projects most welcome are those which involve:

- a. new or improved products or services;
- b. new or upgraded technology;
- c. high added value based on the use of local material and manpower;
- d. products or services for which there is strong demand from local industry;
- e. substantial contribution to Hong Kong's exports;
- f. significant investment particularly in new machinery and equipment;
- g. employment at a higher level of skill.