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(Translation)

**"Subject to the actual answer
given at the Council Meeting"****LEGCO QUESTION NO. 4**
(Oral Reply)Asked by: Hon James TODate of sitting: 30 June 2004Replied by: Secretary for Commerce,
Industry and Technology**Question**

The Chairman of the Television Broadcasts Limited ("TVB") wrote to the Chief Executive in January 1998 concerning the prevailing policy of not allowing service industries to operate in the industrial estates ("IEs"), and that policy was relaxed in May of the same year. The authority concerned signed a lease agreement with TVB in May 1999. But about a year later, it signed another agreement with TVB, under which the premium was 44 million dollars lower than the original agreement. In response to the queries raised by the public concerning the revised land premium, the authority concerned advised that the premium concession was offered in view of the magnitude of land requirement and investment of the project. In this connection, will the Government inform this Council:

- (a) of the justifications for the policy change regarding the land grant of the IEs;
- (b) apart from the investment magnitude mentioned above, of the other criteria adopted by the authority concerned to provide TVB with the premium concession and allow it to rewrite the agreement a year later; and
- (c) whether the TVB case is the only case of granting concessions to investors according to the investment magnitude; if not, of the other cases?

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Reply:

Madam President,

- (a) The then Trade and Industry Bureau and the then Hong Kong Industrial Estates Corporation (HKIEC) carried out a comprehensive review on industrial estates (IE)'s admission criteria in 1997 in response to the on-going restructuring of the local economy leading to a drop in the demand for land in IEs by the manufacturing industry and the ever-increasing contribution of the service industry to Hong Kong's Gross Domestic Product. In March 1998, the Administration consulted the Industry and Technology Development Council and the Panel on Trade and Industry of the Provisional Legislative Council on the findings of and the proposal in the review. The Chief Executive in Council subsequently approved the proposal in May 1998, such that service industries which could not be accommodated in ordinary multi-storey buildings were allowed for admission into IEs, subject to compliance with the selection criteria. Therefore, the policy of expanding the scope from the manufacturing industries to service industries was formulated after careful consideration of the local economic conditions and thorough public consultation, and in accordance with the established procedures. The change was not made for the sake of any particular company.
- (b) According to the information provided by the Hong Kong Science and Technology Parks Corporation, the former HKIEC received TVB's proposal for land premium for a 9-hectare site in November 1998.

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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, i.e. before signing any agreement, 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 in January 1999, 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. If TVB chose not to move into the industrial estate or even relocated its operation outside Hong Kong because the land premium negotiations failed and its requests were not acceded to, it would be a loss of a large investment project to the industrial estates and Hong Kong.

Based on the outcome of negotiations between HKIEC and TVB, the Board approved TVB's application along the commercial principles, 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 the standard land premium. When HKIEC approved TVB's application, HKIEC had already accepted TVB's request. There is no question that HKIEC re-negotiated and approved a land premium reduction after the land lease had been signed.

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(c) The land premium arrangement for TVB was based on the outcome of negotiations between HKIEC and TVB, and was approved by HKIEC basing on commercial principles. The HKIEC Board had considered various factors, including the facts that TVB's application was the largest in terms of their land requirement and investment received by HKIEC so far; the impact of the Asian financial turmoil on Hong Kong's economy; and the very low demand for industrial land at that time.

According to the information provided by the Hong Kong Science and Technology Parks Corporation, there is no other IE land grant arrangement that is similar to TVB's.

