



Hong Kong Science and Technology Parks Corporation  
2018-2019 Annual Report



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## LETTER FROM THE CHAIRMAN

Dear Readers,

The last two years have seen the Hong Kong Government gearing up our city into an international innovation and technology (I&T) hub with great determination, commitment and financial support. Gratifyingly, I have observed many developments that point to the progress we are making. I am heartened to see the huge shift of momentum among our stakeholders in supporting our mission. I can feel their sense of belief. I have seen many more of them stepping forward and witnessed more collaboration than ever before.

Hong Kong Science and Technology Parks Corporation (HKSTP) has been striving to add more vigour to our ecosystem, boosting and upgrading the value-added services and initiatives we provide to our I&T community. We are truly at the tipping point of great things, with accelerated growth for our I&T sector and sustained determination to speed up the momentum, and make it happen for us all. An innovation culture is gradually taking shape in Hong Kong.

### TIGHTENED COLLABORATION AMONG STAKEHOLDERS

The Board and I have always championed collaboration. HKSTP's continuous work in connecting our stakeholders — the Government, industry, academia and research sectors — and providing an environment for them to be inspired, share knowledge and co-create, has been bearing fruit more than ever before.

Collaboration is tightening and very much focused on fast tracking our startups to achieve commercialisation faster than ever. Corporations are seeing our startups as a rich resource for their innovation and digital transformation strategy. Our corporate partnership programmes have brought many of Hong Kong's leading business entities to meet with our Park companies.

I have also seen increased interest and engagement from our investor community. Our corporate co-investment fund, Corporate Venture Fund (CVF), has received good support from venture capitalists and angel investors. For every dollar we put into the fund, it is matched with HK\$13 from private sector investors. And the investor mood has been further boosted by HKEX's move to allow dual-class shares that will be extremely attractive for new economy companies.

These are all positive signs demonstrating Hong Kong's unique advantages as an I&T hub in the region, and certainly, a boost of confidence for all parties involved.

### TURNING INTO AN INTERNATIONAL I&T HUB

As these developments continue, it is clear that Hong Kong is well poised to evolve into a dynamic international I&T hub. The Greater Bay Area (GBA) development plans are starting to formulate, with Hong Kong earmarked as one of the engines to drive I&T. Land development for the Lok Ma Chau Loop is also about to start, which will add extended space for our research and development (R&D) expertise to grow — one that will capitalise on strategic locational advantage and exploit the strengths of Hong Kong and Shenzhen.

Health@InnoHK and AIR@InnoHK, two upcoming research clusters to be established at Hong Kong Science Park, will gather top-notch local, Mainland and overseas universities, scientific research institutions and enterprises to undertake R&D activities together. With dedicated focuses on healthcare technologies and artificial intelligence and robotics technologies, the research clusters will not only drive more global research collaboration, but also bring even more thinkers — the researchers, scientists, academics — to come to our shores. The clustering of talent, universities and research institutions can only speed up the development of innovative solutions within our ecosystem.

### BOOSTING OUR VALUE-ADDED SERVICES

The funding support from the Government is currently being rolled out to boost HKSTP's value-added services to the I&T community — be they increased financial aid, mentoring, infrastructure and support services or matchmaking opportunities. Many aspects of our incubation and acceleration programmes have been enhanced, making them more comprehensive to support startups at every level of their development — from ideation to commercialisation.

Talent nurturing and development is a key element of our value-added services. The competition for talent is a global one and for our hub to achieve an international status, we have to attract the best and those with the most potential to come to our shores. Among various initiatives, we have introduced an accommodation support scheme for Park companies that require R&D talent from overseas and the Mainland. The 17-storey InnoCell, to be completed by the end of 2020, will be a showcase for modern smart living and co-creation culture for the R&D communities.

## RE-INDUSTRIALISATION DRIVEN BY I&T AS NEXT STEP

The Government's re-industrialisation initiative is another development that we must tap into. The focus on advanced manufacturing will play into Hong Kong's strengths and appeal to high-end manufacturers requiring critical processes such as intellectual property (IP) protection, intensive R&D, proprietary fabrication and testing techniques.

More than just introducing state-of-the-art advanced manufacturing facilities in our three industrial estates of Tai Po, Tseung Kwan O and Yuen Long, HKSTP is also in the midst of realigning these industrial estates with the development of focus areas such as biotech, GMP manufacturing and digital services. This will give companies and startups the opportunity to learn new skills and create new jobs in emerging tech areas.

As these locations mature with their own ecosystems, they will create positive ripple effects that drive further demand for other high value-added services. Stakeholders in the value chain such as research institutions, startups, local and overseas enterprises, and universities will be connected to add new impetus to further the development of advanced manufacturing in Hong Kong.

## FOCUSING ON OUR TARGET

As our city continues to scale and excel on multiple fronts, we must stay focused on the mission of building our I&T sector for Hong Kong to new levels. Macro I&T developments in Hong Kong and the GBA are pushing us in the right direction. A robust, vibrant, international I&T sector, supported by a population steeped in the culture of innovation, will only attract even more talent and investment to our shores, thus creating a new future for our next generation.

We will stand to gain from this when we are fully committed to the cause. Let's make I&T happen, for us and for Hong Kong.



**Dr Sunny Choi, BBS**

Chairman

## CEO'S REPORT

Science Park is privileged to be charged with unprecedented responsibilities. Technology and Innovation accounts for a significant part of the Hong Kong Government policy and budget. Society in general agrees that technology will be a huge part of our future, and the overall atmosphere is positive. The support and opportunity are truly exceptional. The team is motivated, nervous yet excited and fully committed to delivering what is expected of us.

Substantial resources have been approved by the Legislative Council to build the future of Hong Kong through Technology and Innovation, with Science Park playing a major role in implementing such initiatives. The team has immediately taken on the challenge and started rolling out programmes. All of our Park companies are feeling the positive impact.

### SUPPORT AND SERVICES FOR STARTUPS AND TENANTS

Our Incubation Programmes have been given a major uplift. Incu-App and Incu-Tech have been given additional resources, with redefined processes. Incu-Bio has become a separate programme with potential financial aid increased to a historic high level. Applications for the new Incubation Programmes are on the rise. More resources are being dedicated to helping startups. As the most recognised technology incubator in Hong Kong, Science Park will strive to nurture technopreneurship to make a difference for the future of Hong Kong.

To support the technology companies in Science Park, we have designed and launched several key initiatives. On top of the rental support, which provides immediate financial relief, we created an accommodation support scheme for R&D workers from overseas and the Mainland in our partner companies. The purpose of the scheme is to encourage talent exchange and co-creation, by helping to ease the cost of residence in Hong Kong.

Our latest incentive programme, ELITE, is designed to help R&D expansion of companies with great technologies. It aims to match part of their R&D Capex (capital expenditures) and Opex (operating expenses), and create a winning R&D culture to drive world-class innovation.

### STRONGER, MORE COMPREHENSIVE R&D INFRASTRUCTURE

Important new facilities are being planned, some of which have been approved by the Board, in support of the development of AIR (artificial intelligence and robotics) and healthcare technologies. Robotics Catalysing Centre 2.0 and AI Plug@HKSTP are the two AIR communal facilities that have been approved and are currently under construction. Both will be launched in 2019. Bio Bank and Health Informatics are also on their way.

Other supporting facilities are on the drawing board, including the Drug Safety Centre and Pilot Batch Labs. Some of them require major studies and planning. Smart Campus is our test bed for new ideas, encouraging new technologies to be trialled. Successful and ongoing cases include the unmanned shop, the robotic ice-cream kiosk Robi<sup>3</sup>, RobEx Centre, 5G testing equipment and applications, Sensor Hub, smart lampposts, open data and autonomous driving vehicles.

### INVESTMENT SUPPORT — OUR CONTINUED FOCUS

Investment support has been the highlight of the past two years. Lalamove, our incubation graduate and InnoCentre client, is our latest unicorn. Our first unicorn SenseTime raised further funding to be worth over US\$4.5 billion. It is the pride of Science Park. From April 2018 to March 2019, our Park companies raised over HK\$18.9 billion of investment funding.

We strongly believe that investment is an important tool to drive Technology and Innovation for Hong Kong. As an unprecedented initiative, a new Investment Committee was created under the Board in February 2019. Given the additional financial resources being placed in our balance sheet as an Investment Fund, this Committee will be critical in ensuring strategic alignment and governance. We will continue to resource the growth of our investor ecosystem.

## HKSTP — OUR BRAND GAINING RECOGNITION

The brand of HKSTP and Science Park is increasing in value. We gained 12 percentage points year-on-year in terms of stakeholders' favourable impression on our brand and 20 percentage points in their impression on our value-added services.

We are viewed as a professional, high-calibre facilitator in the ecosystem that helps build meaningful connections and has a strong commitment to supporting startups and the I&T community. About 40% of our partner companies participated in the survey said HKSTP is making a significant improvement in delivering marketing impact. They identified "Good Brand Reputation" as the most important value offered by HKSTP.

## GROWING OUR PARTNER COMPANIES

Our project development continues to be busy. Science Park Expansion Stage 1 (SPX 1) was completed on-budget, ahead of time. The main works contract for the Advanced Manufacturing Centre (AMC) has been awarded and our pre-leasing attracted positive responses. The main works contract has also been awarded for the InnoCell which is being built using Modular Integrated Construction (MiC) technology. The team is working hard to ensure the projects will be completed on schedule. Even with so many diverse new projects, our safety record remains perfect.

HKSTP @Wheelock Gallery, our collaboration project with Wheelock, is a 6,000 square feet premise at Queensway and a convenient location right above Admiralty MTR station. It is the ace-up-the-sleeve for our startup community in Hong Kong. The Gallery is a perfect meeting place for investors, companies and individuals, an ideal venue for hosting small to medium sized exchange events and a place for a convenient stop-over.

Occupancy rate at Science Park remains at around 88% as of 31 March 2019. The demand is strong. We have the luxury of picking the best suited partners to reside in the Park. We continue to strictly enforce the 50% R&D requirement. Our ecosystem continues to develop with 8,300-plus R&D workers in our total 12,000 population.

As we move forward, we will continue to reinvent ourselves. As always, we are open to new ideas and ready to challenge the status quo. We will continue to strive for improvement and better performance, and aim to reduce tedious procedures and red tape to improve efficiency.

The success of our partner companies is our success.



**Albert Wong**  
Chief Executive Officer

## **THE HKSTP INNOVATION AND TECHNOLOGY ECOSYSTEM**

## **INJECTING WORK. LIVE. PLAY. CULTURE INTO OUR ECOSYSTEM**

In the past year, Hong Kong's innovation and technology (I&T) development has taken a big leap forward with the concerted efforts of all stakeholders, backed by the Government's support with resources and initiatives to expand infrastructure, promote research and development (R&D), attract international expertise, and nurture technology companies.

With increased Government funding, HKSTP has been rolling out a package of new measures to help the ecosystem grow, as we strive to develop a "Work. Live. Play." culture at Science Park. By establishing a vibrant community and co-creating ambience, innovators are encouraged to disrupt, pivot and unleash creative thinking together. HKSTP provides Park companies with communal labs and facilities to support their R&D work while launching a smart living initiative to offer local and overseas I&T talent a co-creation environment. Through a series of community events and activities, innovators gather here and form a cohesive community to collaborate and exchange ideas with relish.

Riding on the growing momentum to develop different I&T initiatives, our commitment to serving and cultivating Hong Kong's I&T ecosystem is unwavering, to transform the I&T industry into another major pillar of the city's diversified economy. With its advantages of strong R&D capabilities, world-class universities, and robust intellectual property protection, Hong Kong is well poised to become a regional I&T hub. Over the years, HKSTP has been striving to empower Hong Kong's I&T ecosystem, with a substantial expansion in our community to almost 750 versatile technology companies that focus on four key technology areas — Artificial Intelligence and Robotics, Biomedical Technology, Smart City and Fintech. Further enhancing our value-added support to the ecosystem, we extend comprehensive support services alongside the transformation journey of Park companies.

Throughout Park companies' journey from conceptualisation to commercialisation, the dynamic "Work. Live. Play." culture will continue to inspire the entire I&T community and make the journey of innovation productive and engaging, so that the same spirit can keep flourishing and permeate every section of society in Hong Kong.

## ACHIEVEMENTS AT A GLANCE

- 747 technology companies at Science Park
- Over 12,000 working population
- Over 8,300 R&D practitioners
- 24 countries/regions of origin for Park companies
- Two unicorns — SenseTime & Lalamove
- Over 3.5 million square feet of lab & office space
- Around 190,000 utilised lab hours
- 622 incubatees graduated since inception of Incubation Programmes
- Nearly 80% of graduated incubatees still in business
- 391 startups supported
- HK\$18.9 billion raised by Park companies
- 161 awards received by Park companies
- 65 enterprises partnered with Park companies under “Technologies from Science Park” since its inception in 2015
- About 8,200 Science Park SPARK members

Achievements during 2018-19 unless otherwise stated.

## STRATEGIC FOOTPRINT

From strategic R&D and design bases to advanced manufacturing plants, HKSTP maintains an expanding range of dedicated facilities where state-of-the-art equipment and support services are provided to grow the ecosystem.

### HONG KONG SCIENCE PARK

Within the 22-hectare waterfront Science Park, we support the R&D work of Park companies based in 21 buildings over 3.5 million square feet of floor area. We provide advanced equipment, software platforms and professional engineers in our communal laboratories. With the objective of building a community that lives and breathes innovation, we also serve as a test bed and stimulate professional exchange, investor matching, business development and commercialisation.

### INDUSTRIAL ESTATES

HKSTP's three industrial estates in Tai Po, Tseung Kwan O and Yuen Long are bases of large-scale and technology-driven industrial production.

- Tai Po Industrial Estate — primarily occupied by manufacturers in the areas of food processing and other industrial products. The refurbishment of the multi-storey Precision Manufacturing Centre (PMC) was completed in 2017 and is now fully occupied by tenants from various fields of advanced manufacturing.
- Tseung Kwan O Industrial Estate — primarily occupied by operators in the information and communications technology (ICT) and multimedia industry including data centres. The multi-storey Data Technology Hub (DT Hub) and Advanced Manufacturing Centre (AMC) which will be leased out to ICT operators and manufacturers engaging in advanced manufacturing are under construction.
- Yuen Long Industrial Estate — catered for a wide range of industries, from pharmaceutical and biomedical production to logistics services and petrochemical plants.

### INNOCENTRE

Since 2006, InnoCentre has been a magnet for the city's aspiring and talented design companies. The six-storey structure in a prime location is now also home to Lion Rock 72, a downtown hub where budding innovative talent from universities can gather to enjoy our pre-incubation and soft-landing support. It also serves as another development hub for the startups under our Incubation Programmes.

### HKSTP @WHEELLOCK GALLERY

The HKSTP @Wheelock Gallery, a joint initiative by HKSTP and Wheelock Properties Limited, provides a conducive environment for nurturing technology startups in Hong Kong. Located at the heart of the financial district in Admiralty, the HKSTP @Wheelock Gallery is a 6,000 square feet space designed to stimulate stakeholder interaction through investment pitching and business matching, industry and technology knowledge transfer and exchange, and mentoring and networking for incubatees and early-stage startups.

### HONG KONG-SHENZHEN INNOVATION AND TECHNOLOGY PARK

The Hong Kong-Shenzhen Innovation and Technology Park (HSITP) at the Lok Ma Chau Loop is set to provide four times as much land area as Hong Kong Science Park to grow our ecosystem exponentially. It is strategically located to help the ecosystem access the Greater Bay Area's manufacturing and talent resources. HKSTP has set up the Hong Kong-Shenzhen Innovation and Technology Park Limited, a wholly owned subsidiary, to build the superstructure, manage, maintain and operate the Park.

## **HOW WE SERVE**

## STRATEGIC FOCUS

To accelerate the growth of Hong Kong's thriving innovation and technology (I&T) ecosystem, HKSTP concentrates on areas where Hong Kong boasts a distinct advantage, namely artificial intelligence and robotics, biomedical technology, data and smart city and fintech. HKSTP also supports Park companies on their journey from an innovative idea to industry adoption, by gathering investment, business partners and talent, and fostering a culture of innovation within and beyond Hong Kong Science Park.

## ARTIFICIAL INTELLIGENCE AND ROBOTICS

- **RobEx Centre became a successful model of automation for the warehousing, express and logistics industries**
- **First-of-its-kind AI+U: Explore and Experience Exhibition engaged nearly 1,000 attendees**
- **AI Plug@HKSTP and Robotics Catalysing Centre 2.0 were announced**

The growth momentum of the artificial intelligence and robotics (AIR) community at Science Park continued in 2018–19, with more than 100 Park companies involved in the R&D of AIR-related innovation. HKSTP launched a series of AIR-focused initiatives during the year to drive talent nurturing, infrastructure enhancement and synergistic collaboration.

### Accelerating market deployment and leading industry change

HKSTP supported the launch of Hong Kong's first fully-automated and unmanned smart express centre, RobEx Centre, at Science Park in August 2018. The centre is powered by robotics, big data analysis, connectivity and facial recognition technologies from four partner companies. The solution has been proven successful and is expected to be replicated in the market, driving the transformation of the warehousing, express and logistics industries.

HKSTP's first-ever AI-themed showcase event, AI+U: Explore and Experience Exhibition, was held at the Park in March 2019, aiming to accelerate the application of AI technologies in different industries. About 70 local, Mainland and overseas companies demonstrated their ready-for-deployment AI innovation and they were connected with almost 1,000 industry players at the exhibition as well as the onsite business matching sessions.

### Enhancing AIR infrastructure and support services

To further boost the development of AIR in Hong Kong, HKSTP announced in March 2019 the expansion of the Robotics Catalysing

Centre (RCC) and the establishment of AI Plug@HKSTP. The RCC, introduced in December 2017 to facilitate the development and deployment of robotics solutions, achieved 100% utilisation as of 31 March 2019. It will be expanded as RCC 2.0 with a space of 25,000 square feet, merging with the existing Robotics Garage and equipped with enhanced laboratory facilities and services. Meanwhile, AI Plug@HKSTP will be introduced to provide technical support, training, infrastructure and business matching services for AI-focused companies.

### Empowering startups and budding innovators

Jointly established by Alibaba, SenseTime and HKSTP, the HKAI Lab has been operating since October 2018 to help startups push forward the frontiers of AI and nurture local AI and data talent via a co-acceleration programme. The programme provides various kinds of support to prospective AI startups such as funding, AI technologies, business connections and working space. The first batch of seven startups in the programme focused on innovative solutions in urban planning, influencer marketing, B2B engagement, fintech, property inspection and social networking.

To nurture the next generation of talent in the AIR arena, the SciTech Challenge was held for a second consecutive year from March to September 2018 by HKSTP's Robotics Garage in partnership with Arrow Electronics. Themed as Home Care, the Challenge rallied about 40 teams to develop solutions and products for patients with special needs. Our incubatee BNET-TECH was crowned the champion with its multi-functional smart stick for the elderly.

## BIOMEDICAL TECHNOLOGY

- **Number of biomedical technology companies and incubatees increased rapidly to a record-high of 124**
- **Continuous influx of innovative biomedical technology companies to Science Park**
- **Expanding shared laboratory facilities accelerated the development of biomedical technology cluster**

The Biomedical Technology (BMT) Cluster grew rapidly again at Science Park in 2018–19 and remained the fastest growing cluster of HKSTP. Leased space increased by 13% and the total number of BMT companies and incubatees increased by 24% to 124, compared to 100 in 2017–18. BMT companies at the Park enjoyed remarkable international achievements in the year with the support of our dedicated infrastructure and services.

### Converging leading biomedical technology companies at Science Park

As the flagship I&T ecosystem in Hong Kong, Science Park attracted a number of promising BMT companies to establish a presence here

in 2018–19, including ACT Genomics, a top molecular diagnostics company from Taiwan; OrbusNeich, a world's leading stent and balloon medical device company headquartered in Hong Kong; Rohto, a significant pharmaceutical enterprise from Japan; and Shanghai Pharma, one of the largest advanced therapeutics firms from the Mainland. These companies bring to the ecosystem pioneering work on precision medicine, minimally invasive vascular intervention technologies, cell processing automation and immunotherapy.

### **Homegrown Park companies achieving international success**

Park companies in the BMT cluster made outstanding progress during the year. Sanomics, which specialises in liquid biopsy and tissue-based genomic diagnostics for cancer patients, began its expansion into Southeast Asia with the opening of a Bangkok office in January 2019. In February 2019, Bio-Cancer Treatment International (BCT) announced its discovery of wider applications for its drug BCT-100, which was the first in Hong Kong to be approved for clinical trials by the US Food and Drug Administration (FDA).

### **Strategic infrastructure offering state-of-the-art facilities**

The Biomedical Technology Support Centre (BSC) provides targeted R&D tools and technical support services vital for biomedical companies. In 2018–19, Park companies logged more than 112,000 lab utilisation hours at the BSC, an increase of over 13,000 hours compared to the previous year.

The Healthcare Devices Innovation Hub (HDIH), another dedicated platform for accelerating the development of medical devices, achieved an occupancy rate of 90%, which exemplified the strong demand for shared facilities and business development guidance.

HKSTP continued to lead various key infrastructure projects including the Drug Safety Centre, GMP production facilities, and Bio Bank and Health Informatics to serve the BMT companies in the Park, research institutions and the broader Hong Kong biotech community.

### **Advancing tech applications and outreach**

To bridge the innovation communities and their potential business partners, HKSTP actively maintained the exposure of Park companies' R&D results through a wide variety of platforms. In November 2018, HKSTP led 28 Park companies to showcase their latest innovative solutions for healthy ageing at the Gerontech and Innovation Expo cum Summit 2018, which attracted over 40,000

visits. HKSTP also arranged more than 85 opportunities in 2018–19 for Park companies to explore business collaboration with stakeholders such as Haven of Hope Hospital, The Mental Health Association and Yan Chai Hospital Social Service Department, in order to advance the application of elderly-care innovations. HKSTP teamed up with Hong Kong Exchanges and Clearing Limited, the UK BioIndustry Association and KPMG on a UK roadshow to promote Hong Kong and HKSTP while connecting with academia, industries, investors and various key stakeholders in the ecosystem.

## **DATA AND SMART CITY**

- **Living lab environment provided for Park companies to trial their innovations**
- **The Data Studio, Sensor Lab and Sensor Hub empowered the smart city ecosystem**
- **Partnership with Hitachi East Asia to develop Smart City Data Platform**

HKSTP continued to be a driving force for the development of smart city in Hong Kong, with Science Park designated as a Smart Region Living Lab by the city's Smart City Blueprint. Four major pillars of the Blueprint, namely Smart Mobility, Smart Environment, Smart Living and Smart People, were supported by data, sensors, AI, IoT and many other evolutionary technologies at the Park.

### **Living out the vision of Smart Campus**

Science Park played an essential role as a test bed for trailblazing innovation, to help drive the adoption of new smart technologies and enhance collaboration and knowledge sharing in the I&T ecosystem. During the year, key projects trialed in this Smart Campus included the T-SHOP & LAB, the first unmanned shop at Science Park testing technologies such as facial recognition, cashless payment and an automated self-checkout system; autonomous self-driving (ASD) test hub, the first permanent ASD test track in Hong Kong; and the two trial 5G antennae (26GHz range) in partnership with China Mobile Hong Kong, as well as the field trial led by the Task Force under the Office of the Communications Authority (OFCA) to accelerate future 5G technology deployment.

Other innovation trialed at Science Park included the robotic ice-cream kiosk Robi<sup>3</sup>, the IoT EnvoAir Greenwall for better indoor air quality, and various solutions ranging from smart lockers, smart lampposts to smart banking services. Many initiatives proved successful and are moving to the next stage of development or replication in the market.

## **Fostering open data and strategic partnerships for data-driven innovation**

Recognising the power of big data, HKSTP has been taking the lead in enabling data sharing and solution co-creation. The Data Studio has become the flagship platform for the data community, providing data insights through data exchanges between industries and developers, as well as different hackathon events. As of 31 March 2019, it attracted over 6,000 visitors and more than 1,100 registered developers, and housed 339 data sets.

Following Hitachi Vantara's opening of the Hitachi Innovation Centre at Science Park in October 2018, HKSTP and Hitachi East Asia signed a Memorandum of Understanding (MOU) in Tokyo in November 2018 to jointly develop a Smart City Data Platform. It serves to fuel data-driven innovation by providing capabilities of data engineering, data governance for exchange and sharing, as well as AI and big data sandbox, to leapfrog smart city development on Hong Kong's I&T roadmap.

## **Expert forum and dedicated facilities enrich the world of sensors**

While sophisticated sensor technologies emerged over time, HKSTP brought together the world's leading researchers and engineers in December 2018 for the first International Symposium on Micro/Nano Sensors for Healthcare and Smart City jointly organised with the IEEE Nanotechnology Council. The event, which attracted about 300 attendees, featured 10 showcases of R&D findings from Park companies and partner organisations, and covered the latest developments in the sensor industry. A technology review paper capturing sensor technology trends was published after the Symposium.

HKSTP also continued to enhance infrastructure and service support to facilitate the R&D of sensors. The number of sensor companies at Science Park increased to more than 40 in 2018–19. The Sensor Lab, officially opened in 2019 with cleanroom facilities, allowed startups and SMEs to pilot the integration and packaging of sensor devices. The first partner of the Lab, Meridian Innovation, leveraged the wafer level vacuum packaging equipment in the Lab to develop its advanced Complementary Metal-Oxide-Semiconductor (CMOS) thermal imaging sensor chips, while other partners including Hong Kong Applied Science and Technology Research Institute (ASTRI) and Genvida joined the Lab to set up proprietary micro and nano processing technologies to develop various sensor chips.

Another facility Sensor Hub, which was launched in 2017, provides an open platform for testing latest sensor technologies and applications. As of March 2019, 10 sensor projects have been

undertaken at Science Park, including a two-year live trial of a sensor technology named SmartAP in collaboration with the Hong Kong University of Science and Technology to study and manage human traffic flows at Science Park. The data collected in the project was published in Data Studio for more developers to leverage.

## **Flexible space for startups to take off**

The 5,600-square-foot ICT Co-working Centre provides workstations and shared facilities to support ICT-focused graduates and startups with their R&D activities. Its occupancy rate was close to 80% within six months of launch.

## **FINTECH**

- **Over 50 fintech companies at Science Park**
- **MOUs signed with Tencent and Hang Seng Bank to boost fintech and smart city development**
- **Data Studio recognised by HKMA to list 180 Open Application Programming Interfaces (API) from 15 banks**

As an international financial centre, Hong Kong is well positioned to become a global fintech hub. In 2018–19, more than 50 fintech companies at the Park engaged in R&D of blockchain, AI and cybersecurity to develop solutions in areas such as payment, trading and asset management. HKSTP made an important breakthrough with the opening up of banking data, and several notable industry partnerships were formed.

## **Fintech companies making breakthroughs**

Bank of China (Hong Kong), with a lot of initiatives in driving fintech development and adoption, set up a fintech R&D centre in Science Park, with focuses on AI, blockchain, cloud computing and big data. The Bank's newly-opened smart branch in Science Park provides an application platform for demonstrating innovative technologies such as property valuation for mortgage using blockchain, and finger vein authentication.

Two fintech incubatees have announced their innovation breakthroughs using blockchain. CryptoBLK, in collaboration with The Hong Kong Federation of Insurers, launched Motor Insurance DLT-based Authentication System (MIDAS), the first motor insurance platform in Asia using blockchain to verify the authenticity of motor cover notes and policies. AssetOnChain introduced EverCarat, the world's first global diamonds trading platform powered by blockchain and exchange technology. It provides a digital ledger which enables the traceability and record keeping of the origin, ownership and transaction of diamonds.

### **Strategic alliance to drive fintech innovation**

HKSTP signed an MOU with Tencent in January 2019 to accelerate the R&D development and deployment of fintech and smart city technologies in Hong Kong by combining Tencent's advanced technology capabilities with HKSTP's vibrant ecosystem. Through the MOU, Tencent will bring its resources and expertise in areas such as payment systems, data security, IoT, blockchain, AI and cloud computing to help Park companies foster innovation while HKSTP will serve as a test bed for Tencent's technologies.

In the same month, HKSTP and Hang Seng Bank announced a strategic alliance to help catalyse the development and adoption of fintech solutions for the banking sector in Hong Kong. Park companies will benefit from Hang Seng's financial services expertise as they work to develop, refine and deploy fintech innovations.

### **Banking Open API at Data Studio**

During the year, HKSTP was recognised by the Hong Kong Monetary Authority to support its Open API initiative. This enabled HKSTP to launch a Banking Open API portal with 180 API from 15 banks via the Data Studio. It contains vital bank data such as products of current account, mortgage, insurance and investment.

## **INCUBATION**

- **622 graduated incubatees with nearly 80% still in business since inception of Incubation Programmes**
- **Enhanced funding support for Incubation Programmes**
- **Science and Technology Entrepreneur Programme and iDM<sup>2</sup> hardware accelerator newly introduced**
- **Acceleration programmes Leading Enterprises Acceleration Programme and Global Acceleration Academy strengthened**

Recognising that startups require different types of support throughout their R&D and business lifecycles, HKSTP announced in October 2018 a wide array of initiatives, programmes and services to strengthen and accelerate the growth of the I&T sector and especially startups. Substantial efforts were made to offer funding and value-added services in line with their needs.

### **New pre-incubation programme with seed funding**

HKSTP announced the Science and Technology Entrepreneur Programme (STEP) to help young tech-focused entrepreneurs, individuals and budding startups crystallise their ideas into real ventures. Participants in the year-long programme have access to seed funds of HK\$100,000, co-working space, expert advice and structured training. Apart from business model design and investment training, they also receive guidance on fine-tuning ideas and technical development.

### **Upgraded incubation programmes**

Enhanced services and financial packages for the Incubation Programmes were launched during the year. An Incu-Bio company will receive a maximum of HK\$6 million funding support throughout the four-year incubation. The Incu-Tech programme offers a maximum of HK\$1.29 million funding to each successful applicant for three years. A maximum of HK\$860,000 funding will be offered to each incubatee of the extended Incu-App programme, from 1.5 to two years.

The funding support for Incu-Bio companies includes a targeted fund to subsidise their regulatory activities and accelerate their device validation or clinical trial stage. A targeted fund for Incu-Tech and Incu-App companies covers costs incurred for technology and business development, such as accounting services, legal services, student placement and overseas events. Following the launch of the upgraded programmes, there was a surge in applications, and the target is to incubate more than 500 I&T startups over the next few years.

Meanwhile, a record 80 startups graduated from the Incubation Programmes in 2018–2019, boosting the total number of graduated companies since the inception of the programmes to 622 as of 31 March 2019, and nearly 80% of them are still in business.

### **Enhanced value-added services for incubatees**

The Mentorship Programme has been revamped from a one-on-one pairing to a networked multiple-party mentoring model, with incubatees having access to domain or industry-specific mentors. There are over 100 individuals in the mentor pool and the mentor-mix includes senior corporate executives, entrepreneurs, industrialists, investors, technology experts, domain experts and academics. A total of 27 new mentor-mentee pairings were arranged in 2018–19.

In order to promote homegrown startup solutions overseas, HKSTP led a delegation of startups to TechCrunch Disrupt SF 2018 in San Francisco in September and also a group of startups to TechCrunch Shenzhen in November.

HKSTP has built strong strategic partnerships to tap into the expertise of different partners. In 2018–19, two new partnerships were established with Joint Electronic Teller Services Limited (JETCO) and CTgoodjobs. The partnership with JETCO gave incubatees free access to the JETCO APIX exchange platform, which provided APIs from 13 banks and a sandbox for users to test their products. The partnership with CTgoodjobs offered incubatees a free account to post jobs on its recruitment platform.

HKSTP also worked closely with technology facilitators from the Government under the Public Sector Trial Scheme to promote funding support for producing prototypes or samples and conducting trial schemes in the public sector. The funding applied by our incubatees and graduated incubatees totalled HK\$13.5 million in 2018–19.

### **Strengthening our acceleration programmes**

HKSTP has enriched the Leading Enterprises Acceleration Programme (LEAP), which is designed to nurture high potential startups looking for expansion in regional and global markets by assisting business development and fund raising. Eligible LEAP members can access maximum funding of HK\$4.7 million in exchange for a defined percentage of equity. As of 31 March 2019, LEAP has supported 39 companies since its inception and a total of 17 LEAP members have graduated.

The Global Acceleration Academy (GAA) is HKSTP's thematic accelerator that connects promising startups with enterprises that are sourcing innovation to solve industry-specific pain points. In 2018–19, GAA attracted 20 leading partners, including DHL, NVIDIA, Airport Authority Hong Kong, SIASUN, Alibaba Cloud, Sino Group, Shui On Land, Kerry Properties, Cathay Pacific, Deloitte, China Life (Overseas), Human Health, The Hongkong and Shanghai Hotels and Moët Hennessy, to provide mentorship, proof-of-concept opportunities as well as entrepreneurship training for 91 local and overseas startups in nine cohorts. The GAA will be further enhanced in 2019 to focus more on industry-based programmes and offer comprehensive solutions for corporate partners.

To foster overseas collaboration, HKSTP signed an MOU with Mizuho Financial Group in Tokyo in November 2018, to jointly nurture high potential technology startups from both Hong Kong and Japan. HKSTP and Mizuho will provide value-added support to startups including the exchange of talent and knowledge, support of incubation and acceleration programmes, investment matching and market access. In March 2019, five Japanese and local startups were supported under the Greater Bay Area Exploration accelerator programme.

### **Transforming hardware concepts into business solutions**

In September 2018, HKSTP launched a new hardware acceleration programme, iDM<sup>2</sup> (short for idea, design, manufacture and market), to help Park companies convert their innovative ideas into successful businesses with commercially-viable products. The programme offered support ranging from proof-of-concept to product design, prototyping, product testing, product accreditation, commercially-viable production and go-to-market strategies. The first cohort supported 14 incubatees which won nine international awards during the six-month acceleration period. A total of 50 training hours were also provided.

## **INVESTMENT**

- **Lalamove became the second Science Park unicorn after SenseTime**
- **HK\$18.9 billion investment funds raised by Park companies**
- **Corporate Venture Fund reserved HK\$200 million to support startups**

Gearing up fundraising support for Park companies, HKSTP has built a network of 1,000-plus investors and connected them with potential startups through a variety of investment matching platforms and opportunities. In 2018–19, more than 370 local, Mainland and overseas one-on-one and cohort investment matching sessions were organised. HKSTP provided fundraising consultation to more than 615 companies and helped the Science Park community raise record-high funding of HK\$18.9 billion.

Hong Kong Science Park is now home to two homegrown unicorns. Lalamove, a leading logistics operator in Asia, closed a HK\$2.34 billion Series D round in February 2019, which propelled it into the ranks of unicorns. SenseTime, known as the world's most valuable AI startup, was the first unicorn in Science Park. In 2018, its valuation was over US\$4.5 billion.

### **Co-investment fund expanded to groom high potential technology companies**

HKSTP expanded the Corporate Venture Fund (CVF), which assists high potential startups to raise seed to Series A funding through encouraging more private funding from angel and venture capital investors. The initial CVF funding pool of HK\$50 million was fully invested at the end of 2018. On average, every HK\$1 of CVF investment successfully attracted HK\$13 from the private market and approximately 22 private sector investors were engaged, as of 31 March 2019. Since inception, CVF has engaged more than 250 startups at Science Park across the five technology clusters. CVF was expanded by another HK\$200 million in 2018–19.

### **Matching startups with investors to capture business opportunities**

HKSTP hosted over 1,400 entrepreneurs, investors, industrialists and accelerators at the Elevator Pitch Competition (EPiC), designed to connect the startup community with investors. A record 591 applicants from 36 economies joined the competition, with 100 finalists pitching their business ideas in a 60-second elevator ride at the International Commerce Centre in October 2018 to vie for the US\$190K investment fund and cash prizes.

Jointly hosted with the Hong Kong Business Angel Network in November 2018, Angel x Angel Conference 2018 themed "Road to IPO in the Greater Bay Area" enabled investors and startups in the Greater Bay Area to connect and explore opportunities for cross-boundary investment and business. Nearly 300 participants attended the event and more than 100 of them were investors. There was also an investor matching session, offering one-on-one

meetings involving 37 startups and 19 well-known investors from Hong Kong and the Mainland.

### **New support services liven up the investment ecosystem**

More initiatives were announced in 2018–19 to accelerate the development of incubatees and partner companies. The Legal Library helps explain complex fundraising and legal documents, commonly used by Park companies, in a reader-friendly way. The Investor Calendar, expected to be rolled out in 2019-20, is an online platform where technology companies can share their projects and make themselves known to the HKSTP investor community, including angel and institutional investors.

### **Converge I&T forces to grow the business angel community**

HKSTP works closely with different stakeholders and taps into their strengths and capabilities to benefit more technology companies. SPRINTER, a joint initiative between HKSTP and HSBC, was launched in 2017 as a two-track programme — the Entrepreneur Track that offers structured training and investor networking for entrepreneurs, and the Business Angel Track to grow the investment community in Hong Kong.

As of 31 March 2019, 176 technology companies completed the training modules of the Entrepreneur Track and 20 of them were selected to join fundraising roadshows and exhibitions in Shanghai, Beijing, Shenzhen, Hangzhou and Singapore. Another batch of 51 participants completed the Angel Track training.

## **COLLABORATION AND INDUSTRY ADOPTION**

- **161 awards garnered by 97 Park companies worldwide**
- **UniversityConnect@HKSTP launched to facilitate knowledge transfer**

The long-term viability of technology companies hinges on successful commercialisation of their innovation. HKSTP has built various channels and platforms, creating a plethora of opportunities for Park companies to present their inventions to industry sectors and accelerate the go-to-market process.

To showcase Hong Kong's homegrown achievements, HKSTP encouraged Park companies to participate in local and worldwide industry awards. In 2018–19, 97 companies won 161 global, regional and local awards.

### **Boosting international and mainland collaboration**

Throughout 2018–19, HKSTP hosted 136 international delegations which comprised more than 1,700 delegates from over 30 countries, including the Royal Technology Mission of the Nordic countries and groups led by the Federal Councillor of Switzerland and the Governor of Victoria, Australia. By engaging in high-level dialogue with international government and industry representatives, HKSTP established strong global connections to help generate private and public sector collaboration for Park companies.

HKSTP participated in a range of major international conferences and exhibitions, to offer a platform for Park companies to reach out to global audience. We participated in Think Global Think Hong Kong (TGTHK), an initiative from the Government to promote Hong Kong's status as a leading international city, to demonstrate Hong Kong's I&T edge in Tokyo to over 3,000 visitors in November 2018. We hosted two symposiums themed Smart City and Healthy Ageing that attracted 350 participants. Eight entrepreneurs from the Park also showcased their technologies and explored potential collaboration with the visitors at TGTHK.

In December 2018, HKSTP led a delegation of four fintech incubatees to London FinTech Connect 2018 to exhibit their innovations at the Hong Kong pavilion. We co-organised a cocktail reception with InvestHK and the Hong Kong Economic and Trade Office to introduce Hong Kong's strategic role as an international I&T gateway to more than 100 C-level executives of UK-based technology companies.

HKSTP continued to foster cross-border exchange with the Mainland authorities and industry organisations. During the year, HKSTP hosted 130 Mainland delegation visits, comprising more than 1,600 delegates. We led a delegation of seven Park companies to join the Annual Meeting of the New Champions (AMNC), known as the Summer Davos, organised by the World Economic Forum in Tianjin in September 2018. The Park companies were part of the AMNC's startup delegation to meet worldwide startups.

### **Connecting with universities**

To facilitate knowledge transfer and technology entrepreneurship, we provide multi-dimensional communication channels and support services to universities and institutions under a new programme entitled UniversityConnect@HKSTP. We organised roundtable meetings with the Vice-Chancellors of Hong Kong's six leading universities to better understand their R&D needs and opportunities for collaboration.

### **Promoting homegrown technologies to industries**

The Technologies from Science Park programme targets to facilitate business matching between leading enterprises and Park companies. In 2018–19, 63 Park companies presented their solutions in more than 90 business matching sessions and showcases to 20 corporations including MTR, Wong's Kong King, Hong Kong International Theme Parks Limited (Hong Kong Disneyland), AEON Credit Service, Hongkong Land, New World Development, CHANEL and Jebsen. A total of 22 technologies were adopted.

Throughout the year, 101 Park companies connected with 435 industry players to explore opportunities for collaboration under IndustryConnect@Science Park. They came together at 13 sessions based on different industry themes such as AI, Big Data and Robotics Solutions, Innovative Solutions for Catering Industry and Smart Hotel Applications. The programme was supported by 27 trade and industry associations. A total of 146 potential collaboration opportunities were identified and 11 technology solutions were adopted.

### **Test bed for new solutions**

Science Park companies join First@Science Park to test and evaluate new technologies and applications and obtain real-life data and user feedback to fine-tune their solutions. During the year, the 23 completed cases included electrical vehicle chargers, a 4K video surveillance network, satellite signal receivers and wildfire detection robots.

## **TALENT**

- **Hong Kong Science Park Career Expo drew over 13,000 visitors for 1,600-plus job opportunities**
- **Accommodation Support Scheme launched to strengthen incentives for international talent acquisition**
- **Partnership to drive training and contests for students in the areas of robotics, healthcare and smart city technologies**

Talent is crucial to a vibrant I&T ecosystem. HKSTP strengthened initiatives to support local and overseas talent acquisition and provided various engagement programmes to nurture and inspire I&T talent.

### **Matching talent with technology companies**

Hong Kong Science Park Career Expo 2019 proved to be an effective recruitment platform which attracted more than 13,000 participants and recorded over 3,200 CVs from potential candidates in March 2019. The event offered over 1,600 job opportunities from more than 150 companies in the HKSTP community.

Nearly 27,000 candidates have registered at HKSTP's Talent Pool, a primary portal for job opportunities offered by our partner companies and incubatees, since its launch. Around 2,600 jobs were posted on the platform in 2018–19.

Eligible Park companies received funding for recruiting postdoctoral talent and researchers to assist with R&D through the Postdoctoral Hub Programme and the Researcher Programme, with support from the Innovation and Technology Commission (ITC).

### **Strengthening incentives to attract talent**

In October 2018, HKSTP launched the Accommodation Support Scheme as an enhanced initiative to support the recruitment of talent from overseas and the Mainland. Park companies can leverage the funding from the Scheme to provide accommodation subsidies for their new employees from overseas and the Mainland to reside and work in Hong Kong.

The Technology Talent Admission Scheme, a three-year pilot scheme launched by ITC in 2018, offers fast-tracking admission to overseas and the Mainland talent who undertake R&D work for companies or institutes of HKSTP in the areas of biotechnology, AI, cybersecurity, robotics, data analytics, fintech and material science.

### **Nurturing I&T talent**

The HKSTP Student Internship Programme supports our partner companies to employ students as full-time interns with the aim to nurture more I&T talent. In 2018–19, 118 students were employed by 41 partner companies.

In June 2018, funded by J.P. Morgan and run in conjunction with the Hong Kong Institute of Human Resource Management, the second edition of Next Technologist Entrepreneurial Champion recruited 200 sub-degree and vocational school students and provided them with interdisciplinary skills training highly sought after by startups. The two-year programme also provided human resources management training for 60 startups in the Park. It encouraged more than 190 Park companies to provide 530 job positions and among which, more than 200 students were matched.

### **Inspiring the next generation**

In April 2018, HKSTP co-organised the first RoboMaster Hong Kong Training Camp with DJI and the Hong Kong University of Science and Technology to inspire the next generation of engineers and

roboticists. Over 40 students from 28 local secondary schools joined the Camp to learn and apply robotic technology. In June, 12 multi-disciplinary teams from six local tertiary institutions competed at Robocon 2018 Hong Kong Contest, showcasing their innovative robotics design to audience of 2,000. In July, HKSTP and The Hong Kong Institute of Engineers joined hands for MiniRobocon, with 37 teams from 19 secondary schools participating in the contest.

The 2018 DreamCatchers MedTech Hackathon Hong Kong, jointly organised by HKSTP and the University of Hong Kong in June, brought together 55 students from Stanford University, Shanghai Jiao Tong University and local universities to come up with prototypes of healthcare solutions and present their business plans to professionals from the business, scientific research and medical sectors.

HKSTP partnered with the Global Shapers Community to organise the Smart City Hackathon in September 2018. Over 40 teams comprising more than 200 participants competed in three tracks — Smart Mobility, Smart Living and Smart Environment. They used the data APIs hosted on the Data Studio platform and built solutions within 24 hours.

In 2018–19, Science Explorer attracted more than 22,000 visitors, including students, who participated in its tailored tours to experience the innovative applications at Science Park and STEM workshops so as to inspire their interest in I&T. Co-working partners of Science Explorer included the Education Bureau and HKedCity.

## INNOVATION CULTURE

- **Brand perception survey showed 20% growth in the positive impression on HKSTP's values and services**
- **Over 7,800 stakeholders in I&T ecosystem and 75 Park companies engaged through two-week MakeITHongKong 3–2–1 Go! Bang! event**
- **8,200 members, about two-thirds of Park community joined SPARK to build stronger cohesion**

HKSTP is committed to building a dynamic I&T community within and beyond the Park that embraces innovation and co-creation. During the year, a variety of events and activities were organised to engage stakeholders in the I&T ecosystem, foster idea sharing and demonstrate the success of Park companies. The engagement activities not only connected the members in the Park, but also encouraged the broader community to support innovation. Engaging content was created through HKSTP's strategic presence in media and digital space to deepen stakeholders' understanding of the ecosystem.

HKSTP conducted a brand perception survey with Park companies, startups, investors, professional associations and tertiary students in 2018. The overall positive impression on HKSTP or Science Park, as well as HKSTP's values and services increased 12% and 20% respectively, compared with 2017. The encouraging results were a testament to HKSTP's efforts to strengthen the ecosystem.

### Experiencing “Work. Live. Play.” culture in the Park

MakeITHongKong 3–2–1 Go! Bang! engaged the community with a lineup of meaningful activities across two weeks in March 2019, bringing together entrepreneurs, talent, investors and industry partners to experience Science Park's unique “Work. Live. Play.” culture. More than 7,800 stakeholders and 75 Park companies took part in the event, including 20-plus smart city experiences, 40 technology showcases, the InnoCell prototype roadshow, crossfit bootcamps, movie nights, live art and music.

One of the highlight events was InnoXchange, a series of theme based “mind jam” programmes designed to ignite new ideas and promote insight sharing and co-creation among Park companies from different technology disciplines and background. These sessions were hosted by technology industry luminaries in the fields of AI and IoT applications, biomedical and healthcare technology, blockchain technology, smart city solutions and other related areas. Nearly 70 participants were engaged through 10 sessions.

The Science Park membership programme SPARK attracted more sign-ups in 2018–19, with the membership expanding to about 8,200, equivalent to about two-thirds of the Park's working population. Through a range of social activities such as festive celebrations, interest classes, sports gatherings and knowledge sharing sessions, HKSTP sought to inspire stronger community spirit and encourage work-life balance. More than 6,800 participants joined 30 activities during the year.

### Promoting I&T culture beyond the Park

Our ongoing efforts to develop a vibrant I&T culture are reaching beyond Science Park. HKSTP has established a downtown foothold, HKSTP @Wheelock Gallery, for startups, enterprises and investors to gather for investment pitching, industry exchange and networking activities, and immerse in the I&T culture. This I&T hub in Admiralty, launched in partnership with Wheelock Properties in April 2018, has formed a community of more than 1,500 members. In 2018–19, HKSTP @Wheelock Gallery hosted more than 1,200 startup business meetings and 83 events, with enthusiastic participation by various stakeholders.

HKSTP's signature startup event, Elevator Pitch Competition (EPIC) continued to boost the innovation culture through engaging a wide circle of local and overseas startups in an exciting investment pitching competition. EPIC is a platform to share ideas and make right connections between startups and investors. The 1,400-plus I&T community stakeholders from around the world gathered at the International Commerce Centre and experienced the vibrancy of Hong Kong's dynamic startup culture.

任重道遠  
**THE FUTURE**

## ENVISION THE FUTURE

Hong Kong's innovation and technology (I&T) ecosystem can look to the future with confidence, bolstered by the Government support and funding, opportunities generated by the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area, collective efforts among the Government, industry, academia and research institutions, and the growing community of technology innovators residing in the city.

HKSTP is constantly expanding its portfolio of R&D facilities and value-added services, most notably a range of important infrastructure projects in the pipeline, to fuel the growth and support the diverse needs of the ecosystem.

## COLLABORATING WITH PARTNER CITIES IN GREATER BAY AREA

According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area released by the Central People's Government in February 2019, Hong Kong, Macao, Guangzhou and Shenzhen will be the core engines for regional I&T development. The four cities will collaborate closely on talent exchange, entrepreneurship and incubation, R&D, funding and financing, and commercialisation of R&D results.

While Hong Kong takes on a more proactive role in this development, HKSTP has been ramping up efforts to explore and initiate partnerships and collaboration with multiple Greater Bay Area (GBA) entities through leveraging the complementary advantages of individual cities, to accelerate I&T development in the entire region.

The Hong Kong-Shenzhen Innovation and Technology Park (HSITP) at the Lok Ma Chau Loop will be a key base for cooperation in R&D, higher education and cultural and creative activities. Coupled with the manufacturing strengths of Shenzhen, HSITP will help promote re-industrialisation and commercialisation of R&D results, capitalising on the synergies of GBA cities to form closer regional links and foster I&T collaboration. During the year, the Government set aside a funding of HK\$20 billion to support the site formation and infrastructure works for the first stage of the Loop development, as well as the superstructure and initial operation of HSITP.

## PARK EXPANSION FOR RESEARCH ON HEALTHCARE AND AIR

To support the vibrant growth of the I&T ecosystem, dedicated facilities will be built at the Science Park Expansion Stage 1 (SPX1). SPX1 comprises two buildings offering 790,000 square feet of floor area to provide R&D office space and laboratory facilities. Its completion will be advanced a year ahead to mid-2019.

InnoHK, a major initiative of the Government to develop Hong Kong as the hub for global research collaboration, involves the establishment of world-class research clusters at the Science Park. World-renowned universities and research institutions will conduct R&D activities at the two research clusters, namely Health@InnoHK and AIR@InnoHK.

## FIRST ON-SITE ACCOMMODATION FOSTERING CO-CREATION

The InnoCell, a pioneering "on-site" accommodation for the I&T sector in Hong Kong, will support efforts to attract and retain local, Mainland and overseas talent. The space will be designed to cultivate a smart living and co-creation community. The 17-storey building is being built using Modular Integrated Construction (MiC) technology incorporating the concept of "factory assembly followed by on-site installation". MiC is an innovative solution recognised for improving construction productivity, building quality, safety and sustainability. This initiative is in line with the Government's policy to promote adoption of advanced technologies across value chains in the construction sector. The InnoCell will house about 500 bed spaces in the furnished residential units with a flexible design and ancillary facilities and is expected to be completed by the end of 2020.

## SUPPORTING RE-INDUSTRIALISATION IN HONG KONG

In support of Hong Kong's re-industrialisation aspirations, HKSTP has been spearheading the development of the Advanced Manufacturing Centre (AMC) and the Data Technology Hub (DT Hub) at the Tseung Kwan O Industrial Estate.

The AMC will offer a scalable and serviced manufacturing space of 1.1 million square feet for industries of any scale to embark on technological innovation, high value-added and highly customised production with the application of advanced manufacturing or testing processes. When it is completed in 2022, the building will also provide comprehensive shared services for logistics, warehousing, prototyping, low-volume assembly and clean-room-enabled space so that partner companies can focus their valuable resources on their core propositions.

With 290,700 square feet of floor area, the DT Hub will be completed in 2020 to support data technology, information and telecommunications functions, such as low-latency finance and trading, IT-related computer design and system integration, services for supporting data centre operations and disaster recovery plans.

HKSTP will continue to explore ways to support advanced manufacturing. The Government has set aside HK\$2 billion in the 2019–20 Budget for HKSTP to develop a microelectronics centre in the Industrial Estates to facilitate more companies in the advanced manufacturing sector to set up operations in Hong Kong.

## **BEING FUTURE-READY TO CAPITALISE ON GROWTH OPPORTUNITIES**

HKSTP will continue to realise the full potential of I&T. Through our R&D base camp at Hong Kong Science Park and our strategic footholds including the Industrial Estates, InnoCentre and HSITP, and the ongoing effort to enhance infrastructure and support services, we will make the most of the growth opportunities arising in the region. It promises to be an exciting journey.

## **THE CORPORATION**

## **CORPORATE INFORMATION**

### **HEAD OFFICE**

5/F, Building 5E  
5 Science Park East Avenue  
Hong Kong Science Park  
Pak Shek Kok, New Territories  
Hong Kong  
Telephone: (852) 2629 1818  
Facsimile: (852) 2629 1833  
Website: [www.hkstp.org](http://www.hkstp.org)

### **INNOCENTRE OFFICE**

Unit 129, 1/F, InnoCentre  
No. 72 Tat Chee Avenue  
Kowloon Tong  
Hong Kong  
Telephone: (852) 2629 6776  
Facsimile: (852) 2778 4183

### **INDUSTRIAL ESTATE OFFICE**

Tai Po Industrial Estate  
Tel/Fax: (852) 2665 6755

Tseung Kwan O Industrial Estate  
Tel/Fax: (852) 2623 9619

Yuen Long Industrial Estate  
Tel/Fax: (852) 2479 0224

### **PRINCIPAL BANKER**

Standard Chartered Bank (Hong Kong) Limited

### **SOLICITORS**

Deacons  
Mayer Brown JSM

### **AUDITOR**

KPMG

## THE BOARD

The list of directors during the financial year and up to the date of this Annual Report was set out in P.38 of this Annual Report under the Directors' Report.

## BOARD COMMITTEES

### BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE (BDAC)

Dr. Sunny CHAI Ngai Chiu, BBS (Chairman)  
Ms. Cordelia CHUNG (Vice-Chairman)  
Mr. Herbert CHIA Pun Kok  
Dr. Kim MAK Kin Wah, BBS, JP  
Mr. Joseph NGAI, JP  
Mr. Gavin POON Ka Ming  
Professor TANG Xiaouu  
Mr. Denis TSE Tik Yang  
Permanent Secretary for Innovation and Technology

### FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Mr. Raymond CHENG Siu Hong (Chairman)  
Mr. Dennis HO Chiu Ping (Vice-Chairman)  
Mr. Kent HO Ching Tak  
Mr. Theodore MA Heng  
Mr. Denis TSE Tik Yang  
Professor TSUI Lap Chee, GBM, GBS, JP  
Permanent Secretary for Innovation and Technology

### PROJECTS AND FACILITIES COMMITTEE (PFC)

Mr. Donald CHOI Wun Hing (Chairman)  
Dr. Kim MAK Kin Wah, BBS, JP (Vice-Chairman)  
Mr. Herbert CHIA Pun Kok  
Ms. Cordelia CHUNG  
Mr. Gavin POON Ka Ming  
Permanent Secretary for Innovation and Technology

### AUDIT COMMITTEE (AC)

The Honourable Jimmy NG Wing Ka, BBS, JP (Chairman)  
Mr. Raymond CHENG Siu Hong (Vice-Chairman)  
Mr. Dennis HO Chiu Ping  
Mr. Theodore MA Heng  
Permanent Secretary for Innovation and Technology

### SENIOR STAFF ADMINISTRATION COMMITTEE (SSAC)

Dr. Sunny CHAI Ngai Chiu, BBS (Chairman)  
Mr. Raymond CHENG Siu Hong  
Ms. Cordelia CHUNG  
Mr. Joseph NGAI, JP  
Permanent Secretary for Innovation and Technology

### INVESTMENT COMMITTEE (IC)

**(with effect from 12 December 2018)**

Mr. Dennis HO Chiu Ping (Chairman)  
Mr. Raymond CHENG Siu Hong  
Ms. Cordelia CHUNG  
Mr. Kent HO Ching Tak  
Mr. Theodore MA Heng  
Mr. Denis TSE Tik Yang  
Permanent Secretary for Innovation and Technology

#### Remarks:

Mr. Raymond CHENG Siu Hong retired from AC, FAC, IC and SSAC on 30 June 2019.

#### Updates with effect from 1 July 2019:

Mr. Dennis HO Chiu Ping was appointed as the Chairman of FAC and retired from the role of the Chairman of IC.  
Mr. Denis Tse Tik Yang was appointed as the Chairman of IC.

#### Updates with effect from 26 August 2019:

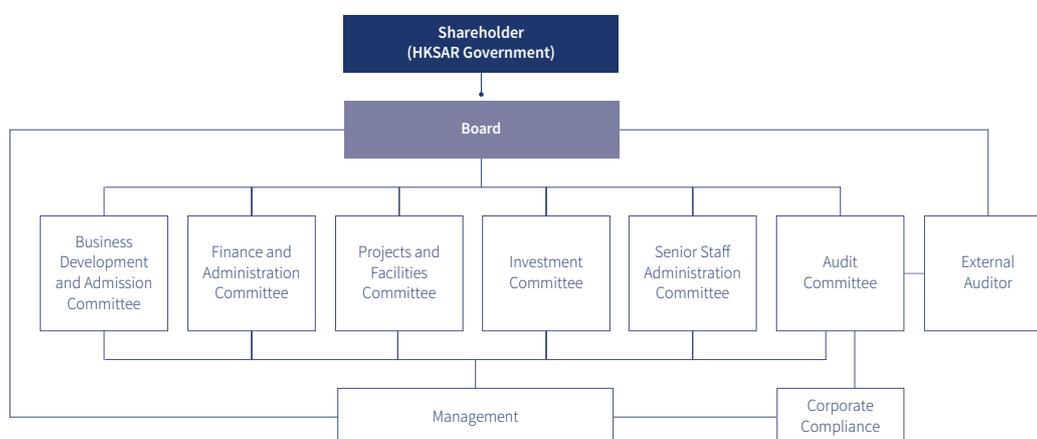
Mr. Dennis HO Chiu Ping joined SSAC.  
Ms. Angel NG Yin Yee joined SSAC.  
Professor TSUI Lap Chee joined AC.

## CORPORATE GOVERNANCE REPORT

Hong Kong Science and Technology Parks Corporation (the “Corporation”) is a statutory body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance, Chapter 565, laws of Hong Kong (the “HKSTPC Ordinance”). We strive to attain and maintain high standards of corporate governance best suited to the needs and interests of the Corporation and its subsidiaries, and conduct our business

according to prudent commercial principles. The Corporation has made reference to the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 (“CG Code”) to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited in so far as they are applicable in achieving the purposes as set out in the HKSTPC Ordinance. We believe transparency, accountability, fairness and ethics are the foundation on which we build trust and work with all our stakeholders for the benefits of Hong Kong.

## CORPORATE GOVERNANCE STRUCTURE



## THE BOARD

The Board is the governing body of the Corporation. It is responsible for formulating overall strategic directions and policies of the Corporation and overseeing management of the business.

As at 31 March 2019, the Board comprised 17 Non-Executive Directors including the Chairman and 16 Board Members. The Chairman is appointed by the Chief Executive of the HKSAR Government, and the Board Members are appointed by the Financial Secretary. All Board Members are appointed without honorarium, generally for a term of two-year and subject to re-appointment upon expiry of their terms. Each Board Member has a duty to act in good faith in the best interests of the Corporation. Members are aware of their collective and individual responsibilities to the HKSAR Government, being the sole shareholder of the Corporation, for the manner in which affairs of the Corporation are managed, controlled and operated.

## BOARD COMPOSITION

Board Members come from varied but relevant backgrounds with a wide range of skills, experiences and expertise, originating from academia, industry, biomedical technology, pharmaceuticals, artificial intelligence, finance, investment, trading, architect, property, legal and management consulting. One of our Board Members, the Permanent Secretary for Innovation and Technology, is a public officer. Biographical details of the Board Members are contained on the website of the Corporation (<http://www.hkstp.org>).

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and responsibilities of the Chairman of the Board and the Chief Executive Officer of the Corporation (“CEO”) are distinct and separate, enhancing independence and accountability.

The non-executive Chairman is responsible for leading the Board to formulate overall strategic directions and policies of the Corporation. While encouraging Board Members to make full and effective contribution to the discussions at Board meetings, he leads and facilitates the exchange of views on issues among Board Members in an effective manner.

The CEO is appointed by the Board as a remunerated full-time employee of the Corporation, and is responsible for leading the management team and staff members of the Corporation in day-to-day operations and implementing strategies as determined by the Board.

## **INDUCTION PROGRAMME**

Newly appointed Board Members are invited to attend an induction programme which consists of a meeting with the CEO and the management team followed by a visit to major facilities of the Corporation to familiarise themselves with the objectives, business plan and operations of the Corporation.

Board Members are also provided with a Director's Manual which consists of constitutional documents of the Corporation and its committees, key guidelines and major programmes documents of the Corporation. Members are made aware of their responsibilities in managing and monitoring the affairs of the Corporation, and the importance of always acting in good faith and in the best interests of the Corporation.

## **KEEPING MEMBERS UP TO DATE**

To keep Members abreast of the development of innovation and technology and to refresh knowledge and skills as to corporate governance, a talk on "Establishment of 9GAG Hong Kong-based Online Platform and Social Media Website" hosted by Mr. Ray Chan, founder of 9GAG, was arranged for sharing the success and experience in running a start-up company during the Board Strategy Day on 15 December 2018. A briefing session on "Managing Conflict of Interest and Preventing Misconduct in Public Office" hosted by the Independent Commission Against Corruption was also arranged for the Board on 12 September 2018.

## **DECLARATION OF INTERESTS**

Board Members are required to declare their proprietorships, partnerships and/or directorships of local and overseas public and/or private companies, as well as paid jobs, offices, trades, professions or vocations and interests in shareholdings in any public

or private companies on an annual basis. They are also required to inform the Company Secretary within 14 days of any changes. A register of Board Members' declarations of interest is made available for public inspection upon request.

## **CONFLICT OF INTEREST**

The HKSTPC Ordinance under which the Corporation was incorporated requires Members to declare their direct or indirect interests in any contracts or proposals considered by the Board or its Committees. Those with any conflict of interest must withdraw from the approval process. Board Members are made aware that they should avoid entering into any business contract with the Corporation in their personal capacity as a matter of principle. Also, they should not be personally involved in the bidding process or in the supply of goods or paid services. Where it is unavoidable that a Member will bid for a contract with the Corporation in his or her personal capacity, he or she should adhere to the guidelines on managing possible conflict of interest stipulated in the Guide to Handle Corporate Governance Matters of the Corporation. To further enhance governance within the Corporation, Board Members were reminded regularly as to the principle of conflict of interests. For example, a governance memo was circulated to Board Members in August 2018 to facilitate Members' understanding of their obligations in potential conflict of interest situations.

## **WHAT THE BOARD DOES**

The Board of Directors formulates strategic direction, oversees implementation of strategic plan and approves the annual budget, corporate key performance indicators, 10-year financial projection, as well as major development and redevelopment projects. It monitors the overall performance of the Corporation and ensures that effective controls are in place to manage potential risks. It also approves the appointment of external auditors and their remuneration during the period under review. It met six (5 Board meetings and the Strategy Day) times during the year with an average attendance rate of 80%.

The Chairman maintains close contact with the Secretary for Innovation and Technology, the Permanent Secretary for Innovation and Technology, the Commissioner for Innovation and Technology as representatives of the sole shareholder of the Corporation, and the Chairmen of the Board Committees, as well as meeting regularly with the CEO and the management team to review strategic issues, business plans and future development.

## COMPANY SECRETARY AND PROFESSIONAL ADVICE

All Board Members have access to the advice and services of the Company Secretary who is appointed by the Board and reports to the Chairman and the CEO. The Company Secretary is accountable to the Board for ensuring that the Board procedures are followed and Board activities are efficiently and effectively conducted. To this end, the Company Secretary facilitates the Board and Management to adhere to Board processes as updated from time to time, and the provision of sufficient information to the Board by Management. In addition, procedures are in place to enable Directors to seek independent professional advice at the Corporation's expense on matters relating to their roles and responsibilities.

## RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for ensuring that the preparation of the annual accounts of the Corporation is in accordance with statutory requirements and applicable accounting standards. The Directors are assisted by the Finance and Administration Committee and the Audit Committee in discharging their responsibilities for overseeing the Corporation's financial reporting process. The statement of the auditors of the Corporation about their reporting responsibilities is set out in page 40 of the Annual Report.

## BOARD COMMITTEES

The Board oversees six standing Committees:

- Business Development and Admission Committee
- Finance and Administration Committee
- Projects and Facilities Committee
- Investment Committee<sup>1</sup>
- Audit Committee
- Senior Staff Administration Committee

Terms of Reference of the Committees set out the functions, duties and membership of the Committees. These Committees are accountable to the Board for their recommendations and decisions. Mechanism is in place to report recommendations and decisions made by the Committees to the Board.

Attendance records of each individual member of the Board of Directors are shown on page 29 of the Annual Report.

Remarks:

<sup>1</sup> The Investment Committee was established by the Board on 12 December 2018 to monitor and oversee investments of the Corporation.

## BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE

The Business Development and Admission Committee ("BDAC"), chaired by Dr. Sunny Chai (after Mrs. Fanny Law retired from the Board on 30 June 2018), reviews applications for admission as tenants and grantees into the Corporation's premises. It approves and monitors business initiatives and marketing programmes in accordance with the strategic plans approved by the Board. The Committee also keeps under review the Corporation's admission guidelines and terms, and recommends major changes to the Board for approval.

## FINANCE AND ADMINISTRATION COMMITTEE

The Finance and Administration Committee ("FAC"), chaired by Mr. Raymond Cheng, approves accounting policies and recommends the annual budget and the 10-year financial projection to the Board for approval. It reviews the financial performance of the Corporation on a quarterly basis. It also reviews and recommends to the Board, rental guidelines, investment (other than equity or equity-linked investment) and financing initiatives, staff job grading structure, compensation and benefits policy and salary adjustment. Additionally, it advises the Board on administrative and human resources policies and approves procurement and information technology security risk policies.

## PROJECTS AND FACILITIES COMMITTEE

The Projects and Facilities Committee ("PFC"), chaired by Mr. Donald Choi (after Mr. Billy Wong retired from the Board on 30 June 2018), oversees and monitors the capital works projects, policies and initiatives in respect of sustainability, safety (including laboratory safety), health and environment and facilities management of the Corporation's premises. It also reviews or recommends to the Board as to capital works related matters, including master development plan and programme, development budget, facilities provisions, contract award and related headcount requirements, facilities management and related consultancy services.

## **INVESTMENT COMMITTEE**

The Investment Committee (“IC”), chaired by Mr. Dennis Ho, oversees and monitors the investment policies and initiatives which possess or will potentially possess equity or equity-linked investment elements, as well as results and outcome of the same. It approves the annual key performance indicators in relation to the investment initiatives, and also recommends to the Board on the annual budget of the investment initiatives. It approves the divestment and investment of the Corporation under the investment initiatives and the incorporation of investment-related subsidiary companies of the Corporation. It also approves the formation and terms of reference of sub-committees and panels that oversee specific investment initiatives.

## **AUDIT COMMITTEE**

The Audit Committee (“AC”), chaired by The Hon. Jimmy Ng (after Mr. Richard Sun retired from the Board on 30 June 2018), oversees the corporate compliance function and considers the appointment, re-appointment and removal of the external auditor, the scope of service and the audit fee. It reviews findings set out in both the internal audit reports and external auditor’s management letters and the Management’s responses to them, and monitors the implementation of agreed actions. It also reviews the annual audited accounts, significant accounting policies, corporate governance practices, financial controls, internal controls and risk management systems with a view to complying with recognised standards and achieving continuous improvement. It met the external auditors and Chief Compliance Officer without management presence and conducted a self-evaluation of its effectiveness and concluded that its performance was effective.

## **SENIOR STAFF ADMINISTRATION COMMITTEE**

The Senior Staff Administration Committee (“SSAC”), chaired by Dr. Sunny Chai (after Mrs. Fanny Law retired from the Board on 30 June 2018), comprises the Board’s Chairman, two Board members and the Government Member of the Board. This Committee is responsible for the selection of senior executives of the Corporation (first two tiers — CEO and Chief Officers) and setting performance targets and assessing performance of the senior executives on an annual basis. It recommends remuneration policies, determines appointment, remuneration package and variable remuneration awards, contract renewal and annual salary review for senior executives and consider Human Resources policy change and any other topics as defined by the Board. It recommends appointment, remuneration package and variable remuneration awards and contract renewal of CEO to the Board for approval.

## **TASK FORCE FOR SPECIFIC PROJECTS**

Various Task Forces are set up on a need basis to handle specific projects, for example the SPX1 and IE2.0 Projects. Experts in the related industries would be appointed as co-opted members to provide valuable experience and expertise to the Task Forces on a need basis.

## **SUB-COMMITTEES**

Two sub-committees including the Corporate Venture Fund Investment Committee (“CVF-IC”) and the Call Option Committee were established under the purview of FAC. Both the CVF-IC and Call Option Committee were under the purview of the IC after its establishment on 12 December 2018. Meetings of these committees are held on a need basis. The CVF-IC, chaired by the CEO, approves Corporate Venture Fund (“CVF”) investments and divestments and oversees the operations of the CVF whereas the Call Option Committee, chaired by the CEO, decides on matters relating to call option terms and exits. During the year, two CVF-IC meetings had been held with an average attendance rate of 92% and the Call Option Committee approved matters via paper circulation.

## **MEETING PROCEDURES**

The Board and Committees convene meetings on a regular basis, with special meetings held as and when necessary. The HKSTPC Ordinance provides that at a meeting of the Board, all questions shall be decided by a majority of votes of the Members present.

Management circulates agenda and papers seven days prior to meetings in general. Board or Committee papers are not issued to Members who have conflict of interest.

The Company Secretary records the major points of discussions, recommendations, decisions and action items arising from the meetings. Committee decisions, as recorded on the meeting minutes, would be shared with the Board on a regular basis. Outstanding matters are followed up by the relevant divisions and progress updates are reported at subsequent meetings.

## MEETING ATTENDANCE

The Board assumes the responsibility of ensuring each Member has spent sufficient time to engage in the affairs of the Corporation.

A summary of meeting attendance of Board Members in meetings of the Board and Committees for the financial year from 1 April 2018 to 31 March 2019 is provided in the following table.

BOARD MEMBERS	MEETINGS	Board of Directors	BDAC	FAC	PFC	IC	AC	SSAC
Dr. Sunny CHAI Ngai Chiu (Retired from AC and joined SSAC on 8 August 2018)		5/6	3/5	—	—	—	0/1	2/2
The Hon. Mrs. Fanny LAW FAN Chiu Fun (Retired with effect from 30 June 2018)		1/1	1/1	1/1	—	—	—	1/1
Permanent Secretary for Innovation and Technology <sup>2</sup> or his alternates		6/6	5/5	4/4	4/4	1/1	3/3	3/3
Mr. Raymond CHENG Siu Hong (Joined IC on 12 December 2018)		4/6	—	4/4	—	1/1	3/3	2/3
Mr. Herbert CHIA Pun Kok (Appointed on 1 July 2018) (Joined BDAC and PFC on 8 August 2018)		5/5	3/4	—	3/3	—	—	—
Mr. Donald CHOI Wun Hing (Appointed on 1 July 2018) (Joined PFC on 8 August 2018)		4/5	—	—	3/3	—	—	—
Ms. Cordelia CHUNG (Joined SSAC and IC on 8 August 2018 and 12 December 2018 respectively)		6/6	5/5	—	3/4	1/1	—	2/2
Mr. Kent HO Ching Tak (Joined IC on 12 December 2018)		4/6	—	2/4	—	1/1	—	—
Mr. Dennis HO Chiu Ping (Appointed on 1 July 2018) (Joined FAC and AC on 8 August 2018, and IC on 12 December 2018)		5/5	—	3/3	—	1/1	2/2	—
Ir Dr. Hon. LO Wai Kwok (Retired with effect from 30 June 2018)		1/1	1/1	—	1/1	—	—	—
Mr. Theodore MA Heng (Joined IC on 12 December 2018)		6/6	—	3/4	—	1/1	3/3	—
Dr. Kim MAK Kin Wah		6/6	3/5	—	2/4	—	—	—
Professor MAK Tak Wah (Appointed on 1 July 2018)		0/5	—	—	—	—	—	—
The Hon. Jimmy NG Wing Ka (Appointed on 1 July 2018) (Joined BDAC and AC on 8 August 2018) (Resigned from BDAC with effect from 21 September 2018)		3/5	1/1	—	—	—	2/2	—
Mr. Joseph NGAI (Joined SSAC on 8 August 2018)		4/6	1/5	—	—	—	—	1/2
Mr. Gavin POON Ka Ming (Appointed on 1 July 2018) (Joined PFC and AC on 8 August 2018) (Resigned from AC and joined BDAC with effect from 21 September 2018)		4/5	2/3	—	3/3	—	1/1	—
Professor SHYY Wei (Retired with effect from 30 June 2018)		1/1	1/1	—	—	—	—	—
Mr. Richard SUN Po Yuen (Retired with effect from 30 June 2018)		0/1	—	0/1	—	—	1/1	1/1
Professor TANG Xiaou (Appointed on 1 July 2018) (Joined BDAC on 8 August 2018)		4/5	2/4	—	—	—	—	—
Mr. Denis TSE Tik Yang (Appointed on 1 July 2018) (Joined BDAC and FAC on 8 August 2018, joined IC on 12 December 2018)		4/5	2/4	3/3	—	1/1	—	—
Professor TSUI Lap Chee		5/6	—	4/4	—	—	—	—
Mr. Billy WONG Wing Hoo (Retired with effect from 30 June 2018)		1/1	1/1	—	1/1	—	—	1/1
Average Attendance Rate		80%	69%	86%	87%	100%	94%	87%

Remarks:

<sup>2</sup> Three of the Board meetings and all the Committee meetings including BDAC, FAC, PFC, IC, AC and SSAC were attended by the alternates of Permanent Secretary for Innovation and Technology on his behalf.

## MANAGEMENT AND STAFF

Under the leadership of the CEO, Management and staff are responsible for managing the Corporation's day-to-day operations and implementing strategies as determined by the Board. They must comply with the Corporation's Employee Code of Conduct and apply prudent commercial principles as required under the HKSTPC Ordinance.

## ETHICAL BEHAVIOUR AND CULTURE

The ethical behaviour of the Corporation is well defined in the Employee Code of Conduct, which is reviewed on a regular basis. It covers issues such as prevention of bribery, conflict of interest, acceptance of gifts and advantages, misconduct in public office, handling of confidential information and preservation of secrecy, outside engagement, financial issues, operational and administrative transactions, and intellectual property. Staff members are reminded every six months on the importance of compliance. The ICAC is invited to give briefing on the prevention of bribery and conflict of interest to employees on a regular basis. The last briefing session for new employees and existing employees was conducted in November 2018.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Corporation maintains a high standard of corporate governance, transparency and accountability. The system of internal controls has been designed to provide reasonable assurance to the Board regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with relevant laws and regulations.

Management has put in place a Whistleblowing Policy whereby employees and external parties may raise concerns, in strict confidence, about possible improprieties in financial reporting or other matters. Information on this policy can be found on the Corporation's website.

With the help of the corporate compliance function, Management performs an annual review of the Corporation's internal control system in accordance with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework as recommended by the Hong Kong Institute of Certified Public Accountants. The COSO framework comprises five main components: control environment, risk assessment, control activities, information and communication, and monitoring. The

review is designed to assess the risks associated with the key processes and the effectiveness of the controls in mitigating those identified risks. Independent verification of the effectiveness of controls is performed by the corporate compliance function.

Risk management is an integral component of the Corporation's corporate governance. The Corporation has put in place a risk management framework. Details of the risk management framework, the key risks and the key mitigations are described in the Risk Management Report on pages 34 to 35.

During 2018/19, the Board, through the Audit Committee, has conducted a review and assessment of the effectiveness of the risk management and internal control systems of the Corporation and was satisfied with the effectiveness of the Corporation in managing risks based on the risk management report and the result of internal control review.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## CORPORATE COMPLIANCE

The corporate compliance function was established as part of the on-going commitment on the part of the Board and the Management to improve the Corporation's corporate governance. The corporate compliance function reports directly to the Audit Committee. It plays an important role in monitoring the Corporation's internal governance and provides objective assurance to the Board that a sound risk management and internal control system are maintained and operated by Management.

Using risk-based methodology, corporate compliance function plans its work schedule in consultation with, but independent of management; and the audit plan is submitted to the Audit Committee for approval.

Independent reviews of financial, business and functional operations and activities are conducted with audit resources focusing on the higher risk areas. Audit findings and recommendations arising from different assignments are reported to the respective heads of divisions for action, and corporate compliance function follows up with the implementation of the agreed actions. Significant issues are brought to the attention of the Audit Committee and the Board.

## EXTERNAL AUDIT

KPMG is the Corporation's external auditor. It plays an important role in reviewing the truth and fairness of the financial statements as well as ensuring the financial statements are free from material misstatement. The external auditor meets with the Audit Committee at least twice a year to discuss the scope of the audit (prior to commencement of work) and to report findings. The Audit Committee reviews each year a statement from the auditors confirming their independence and objectivity and discusses with the auditors the scope and appropriate fees for any non-audit services requested by the Corporation. The Audit Committee and Management are responsible for ensuring that the external auditor is not engaged by the Corporation on any other assignments that may compromise the external auditor's independence.

For the year ended 31 March 2019, the auditor's remuneration in respect of audit service provided for the Corporation was HK\$721,000. Except for the tax representative service provided for the Corporation's subsidiary with fee of HK\$12,000, no other non-audit service was provided for the Corporation in the same period.

## DELEGATION OF AUTHORITY

The authority of the Board and the levels of authority delegated to the Committees and the Management are clearly defined and documented in the Schedule of Delegated Authorities ("SDA"). An annual review of SDA was conducted and some changes in the approval authorities were made to reflect the matters approved by Board/Committees to further enhance operational efficiency while maintaining appropriate control. The updated SDA was approved by the Board in March 2019.

## CORPORATE GOVERNANCE PRACTICES

Section 7 of the HKSTPC Ordinance provides that the Corporation shall conduct its business according to prudent commercial principles. Although the Corporation is not required to comply with the CG Code, we have made reference to it and voluntarily complied with the code provisions in so far as they are applicable in conducting our business and achieving the purposes as set out in HKSTPC Ordinance, except those which are set out in table below.

Code provision	Reason for deviation and corresponding measure
A.6.5	All directors of the Corporation are appointed by the Chief Executive/Financial Secretary of the HKSAR Government who are elite in their fields of profession and possess adequate and updated knowledge and skills. The Corporation also invited all directors to events and programmes which enriched their knowledge including governance in relation to public office, as well as updated innovation and technology developments to facilitate the discharge of their Director's duties. Reading materials of the events and programmes were shared with directors. Please refer to the paragraph "Keeping Members Up to Date" on page 26 of the Annual Report for details of events participated by the directors during 2018/19.
I(i)	To provide transparency, the issuers must include the following information for the accounting period covered by the annual report and significant subsequent events for the period up to the date of publication of the annual report, to the extent possible:  how each director, by name, complied with A.6.5
A.7.1	For board and committee meetings held during 2018/19, 6% of the total number of meeting papers was dispatched less than 3 days before the meetings, which mainly included papers that were strictly confidential in nature, and were informational and required no approval. Management would abide by the timeliness of paper distribution as far as applicable to provide the Board with reasonable time to review papers prior to the meetings.

## **TRANSPARENCY**

The Corporation reports annually to the Permanent Secretary for Innovation and Technology the remuneration arrangements for the top two tiers of senior management, including the CEO and Chief Officers.

For purposes of full transparency, the annual emoluments of the Corporation's five highest paid employees are disclosed under note 9 to the financial statements on page 63 of the Annual Report.

The attendance of Directors at meetings is reported on page 29 of this Annual Report.

## **COMMUNICATION**

The Corporation maintains transparent and consistent communication with various stakeholders. The Corporation realises this by means of proactive stakeholder engagement, with a view to enhancing public awareness of the innovation and technology development of Hong Kong. The Corporation engaged in more than 30 key events including corporate events, press conferences, media luncheons and Park companies' product/solution launches. The number of Park companies the Corporation supported reported a year-on-year increase of 74%. Through senior executives speaking in various industry platforms, the Corporation strives to deepen stakeholders' understanding of the Corporation and its works towards positioning Hong Kong as an international innovation and technology hub. Information, be it about the Corporation or Park companies, is disclosed in a prompt, accurate, and fair manner through corporate website.

## **SOCIAL MEDIA**

The Corporation continues to build engaging content covering the success stories of partner companies, promotion of the signature events and publicity of industry news and partnership to facilitate communication with target stakeholders via the social and digital channels, namely HKSTP's corporate website, LinkedIn, YouTube, Facebook and Instagram. The Corporation also produced video stories such as "HKSTP Today" and "People of Science Park" to feature the startup journey of the partner companies. Some of these contents are created in collaboration with media partners with an aim to further the reach to the community. With the completion of the HKSTP corporate website revamp during the year to optimise contents and visitor's experience, the Corporation witnessed a substantial boost in website visits and social media interactions across all channels.

## **CARING COMPANY**

Being a responsible corporate citizen, the Corporation is committed to embracing corporate sustainability and social responsibility initiatives. This is the eleventh consecutive year that the Corporation has been recognised as a Caring organisation under the Hong Kong Council of Social Service Caring Company scheme and is accredited to be one of the "10 Years Plus Caring Organization". The Corporation was commended for its dedication and achievement in the areas of giving, mentoring, and caring for employees as well as the environment.

## **RESOURCES DEVELOPMENT AND COLLABORATION**

The Corporation provides a wide range of training programmes to enhance the knowledge and capabilities of employees. The courses range from achieving operational excellence such as Big Data & Business Analytics, Excel Formula & Function to developing and managing people like Performance Feedback & Coaching Skills and Communication with Confidence. The "Leadership Development Programme" which tailored for next generation leaders and last for 18 months was completed in March 2019.

The Corporation offers Summer Internship Programme to arouse the career interest of university students in innovation and technology industry and enable them to explore their career in this industry.

Furthermore, the Corporation continues the promotion of work-life balance and enhances collaboration among employees through employee-led interest groups and engagement activities by its Sports & Recreation Club. In addition, the Corporation encourages employees to take part in charity events like Dress Casual Day and Skip Lunch Day and mini-Charity Sale Day as well as voluntary services led by the HKSTP Volunteer Group. They supported a variety of community services such as dinner with elderly to celebrate Chinese New Year, rice distribution/food recycle for families of low-income, cooking/drawing class for mentally and physically disabled children and home visits for the elderly.

## SUSTAINABILITY

HKSTP published its fifth Sustainability Report in December 2018, covering its aspirations and progress in the areas of environment, health and safety, employee welfare and community engagement. Produced in accordance with both the Hong Kong Exchanges and Clearing Limited (HKEx) “ESG Reporting Guide”, the report was distributed in e-format via the Corporation’s website and via e-circular to all Partner Companies at the Hong Kong Science Park (“Science Park”).

HKSTP continued as signatory to the Environment Bureau’s Energy Saving Buildings (“eSB”) programme throughout the year.

HKSTP maintained the third-party certification of ISO management systems during 2018/19:

- ISO 9001 — quality management
- ISO 14001 — environmental management
- ISO/IEC 17025 — competence of testing and calibration laboratories
- ISO 50001 — energy management

## SAFETY, HEALTH AND ENVIRONMENTAL (“SHE”)

Safety, health and environmental protection are of paramount importance to HKSTP. Our SHE management system adopts a risk-based approach to identify and minimize potential health, safety and environmental incidents, and to mitigate their consequences.

HKSTP main office was relocated to Building 5E in January 2019, Display Screen Equipment (DSE) assessments for staff workstations have been launched in accordance with the Occupational Safety and Health (DSE) Regulation.

SHE Induction Training is arranged for the newly joined HKSTP staff to share SHE knowledge and increase safety awareness.

Independent safety audits of construction site projects including SPX1, InnoCell, and IE2.0 Projects A and C, public/common areas and back-of-house facilities are conducted on a monthly basis.

The SHE inspection programme for offices and co-working facilities has been run on a monthly basis to cover, the Corporation’s headquarter, Technology Support Centre (“TSC”), Biomedical Technology Support Centre (“BSC”), Project Development Division, Incubation and InnoCentre offices, 3 Industrial Estates and 12 various co-working facilities.

Internal audits in compliance with ISO 45001 and ISO 14001 were conducted, the audit scope covered the Corporation’s activities at the Science Park, InnoCentre and three Industrial Estate management offices, shared labs (TSC and BSC) and services contractors (Facilities Management Office and LabFM).

## RISK MANAGEMENT REPORT

Successful management of existing and emerging risks is critical to the long-term success of our Corporation. In order to achieve our strategic objectives and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of our Corporation’s corporate governance.

## RISK GOVERNANCE FRAMEWORK

### Strategic Direction and Risk Appetite

The Management, with oversight by the Board, determines the strategic direction of the Corporation and agrees the nature and extent of the risks it is willing to take to achieve its strategic objectives.

Management is responsible for ensuring that the risk management system is effective. Having determined and communicated the appropriate level of risk for the business, the Management has established and maintains a risk management system to identify, assess, manage and monitor risks which could threaten the existence of the Corporation or have a significant impact on the achievement of its strategic objectives. This risk management system includes a risk management policy and procedures which helps to reinforce the tone set from the top on risk, by instilling an appropriate risk culture in the Corporation whereby employees are expected to be risk aware, control minded and “do the right thing”. Each risk has been assigned to a responsible staff and the CEO acts as the overall risk sponsor to ensure that there is clarity of responsibility.

The Management reports to the Audit Committee on the overall risk position of the Corporation, on the individual risks and their

management, and on the performance and effectiveness of the risk management system as a whole on a bi-annual basis.

### Risk Management Process

The Management applies a consistent risk methodology across all key areas of the business. This is underpinned by a risk and control register which reinforces visibility of risks, controls and actions and accountability of ownership. The process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of the business units. The risk register is reviewed by senior management at least on a quarterly basis.

### Effectiveness of Risk Management System

The Management reports to the Audit Committee on a biannual basis on the performance and effectiveness of the risk management system. Additionally, the Audit Committee receives assurance from Corporate Compliance Division that the risk management system has functioned effectively. For the year ended 31 March 2019, the Audit Committee, with delegated authority from the Board, evaluated the effectiveness and adequacy of the risk management system and concluded that it was effective and adequate.

## PRINCIPAL RISKS

There are some principal risks which are inherent to the Corporation. For these inherent risks we have controls, processes and procedures in place as a matter of course which serve to mitigate each risk to either minimise the likelihood of the event occurring and/or minimise the impact if it does occur. The risks listed below are the principal risks of various types to which we are exposed and are not exhaustive. They will necessarily evolve over time due to the dynamic nature of our business.

Principal Risks	Description	Key Mitigations
Strategic Risk	The risk of being not able to strengthen Hong Kong’s position as the hub for innovation and technology	<ul style="list-style-type: none"> <li>Proactively engage different levels of government to solicit support in government policy, market adoption, education and training, investment, etc.</li> <li>Conduct marketing activities globally, regionally and in the Mainland to attract quality R&amp;D companies</li> <li>Plan and execute on \$10 billion funding from the government to attract and support companies, in view to build an elite core of companies to attract the critical mass of companies and talents</li> </ul>

<b>Principal Risks</b>	<b>Description</b>	<b>Key Mitigations</b>
Occupational Health and Safety Risk	The risk of not being able to identify, evaluate and control of health and safety hazards in all workplaces including offices, laboratories, and construction sites	<ul style="list-style-type: none"> <li>• Health and Safety policies and governance structures are reviewed regularly</li> <li>• Safety audit programme is in place to cover high risk workplaces such as laboratories operated by HKSTP, tenants or contractors</li> <li>• For research safety, safety assessment for research space is in place to identify potential health and safety hazards associated with research activities prior to operation to ensure mitigation measures are planned accordingly</li> </ul>
Information Security Risk	Inadequate processes and procedures leading to security breaches and loss of critical data	<ul style="list-style-type: none"> <li>• Procedures and measures are in place to prevent security breaches</li> <li>• Constantly on the alert of new cyber threats and take immediate measures to address them</li> <li>• Conduct mandatory information security awareness training for staff members to raise their awareness of common security breach tactics and safe computing practices on a regular basis</li> <li>• Appoint professional security consultants to assess system vulnerability and implement solution to address any security issues</li> </ul>
Operational Risk	Inadequate or failed internal processes which pose a material impact to the reputation and operation of HKSTP	<ul style="list-style-type: none"> <li>• Policies and procedures and monitoring programmes are in place to address various operational and fraud risks</li> <li>• Compliance audits are conducted</li> </ul>
Reputational Risk	Negative publicity due to allegations/negative articles in the press	<ul style="list-style-type: none"> <li>• Maintain a close relationship with the press and the media</li> <li>• Communicate honestly and effectively with the public when handling negative publicity</li> <li>• Continue to review and improve the issue/crisis communication</li> </ul>
Legal and Regulatory Risk	Incurring liabilities resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations	<ul style="list-style-type: none"> <li>• Legal advice sought prior to embarking on business activities and new initiatives</li> <li>• Monitoring programmes are in place</li> <li>• Compliance audits are conducted</li> </ul>
Financial Risk	The risk of not being able to achieve financial self-sustainability with the current business model	<ul style="list-style-type: none"> <li>• Undertake the annual rental review and align the headline rate with market conditions</li> <li>• Implement stringent control on expenditure</li> </ul>

**REPORT OF  
THE DIRECTORS AND  
FINANCIAL STATEMENTS**

## **DIRECTORS' REPORT**

The directors present their report together with the audited financial statements for the year ended 31 March 2019.

### **PRINCIPAL ACTIVITIES**

The principal activities of Hong Kong Science and Technology Parks Corporation (the "Corporation") are to facilitate the research and development and application of technologies in manufacturing and service industries in Hong Kong; to support the development, transfer and use of new or advanced technologies in Hong Kong; and to establish or develop any premises where activities related to the purposes prescribed above are, or are to be, carried out, and to manage and control the land and other facilities comprised in such premises. Details of the principal activities of the Corporation's subsidiaries are set out in note 29 to the financial statements.

### **RESULTS**

The results of the Corporation and its subsidiaries (the "Group") for the year ended 31 March 2019 and the financial position of the Group as at that date are set out in the financial statements on pages 44 to 78.

#### **Property, plant and equipment**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

#### **Construction in progress**

Details of movements in the construction in progress of the Group during the year are set out in note 12 to the financial statements.

#### **Industrial Estates**

Details of movements in the Industrial Estates of the Group during the year are set out in note 13 to the financial statements.

### **SHARE CAPITAL**

Details of the share capital of the Corporation are set out in note 23 to the financial statements.

### **DIRECTORS**

All directors were appointed and re-appointed in accordance with sections 1(1), 1(2) and 1(3) of Schedule 2 to the Hong Kong Science and Technology Parks Corporation Ordinance (the "Ordinance").

## DIRECTORS' REPORT

### DIRECTORS (CONTINUED)

The directors during the financial year and up to the date of this report were:

Name	First appointed in July for a term of 2 years	Re-appointed in July for a term of 2 years	Further re-appointed in July for a term of 2 years
<b>Chairperson</b>			
Dr. Sunny CHAI Ngai Chiu, BBS*	2018*		
The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP** (Retired on 30 June 2018)	2014**	2016	
<b>Government Members<sup>#</sup></b>			
Permanent Secretary for Innovation and Technology (with Commissioner for Innovation and Technology, Deputy Commissioner for Innovation and Technology or Assistant Commissioner for Innovation and Technology as alternate member)			
<i>Incumbent:</i>			
Mr. CHEUK Wing Hing, GBS, JP (Retired on 11 April 2019)	—	—	—
Ms. Annie CHOI Suk Han, JP (With effect from 30 July 2019)	—	—	—
Mrs. Millie NG KIANG Mei Nei, JP (Acting Permanent Secretary for Innovation and Technology) (Retired on 30 July 2019)	—	—	—
<b>Members</b>			
Mr. Raymond CHENG Siu Hong (Retired on 30 June 2019)	2013	2015	2017
Mr. Herbert CHIA Pun Kok	2018		
Mr. Donald CHOI Wun Hing	2018		
Ms. Cordelia CHUNG	2017	2019	
Mr. Kent HO Ching Tak	2017	2019	
Mr. Dennis HO Chiu Ping	2018		
Ir Dr. Honourable LO Wai Kwok, SBS, MH, JP (Retired on 30 June 2018)	2012	2014	2016
Mr. Theodore MA Heng	2014	2016	2018
Dr. Kim MAK Kin Wah, BBS, JP	2017	2019	
Professor MAK Tak Wah, OC, FRSC, FRS	2018		
Ms. Angel NG Yin Yee	2019		
The Honourable Jimmy NG Wing Ka, BBS, JP	2018		
Mr. Joseph NGAI, JP	2016	2018	
Mr. Gavin POON Ka Ming	2018		
Professor SHYY Wei, JP (Retired on 30 June 2018)	2012	2014	2016
Mr. Richard SUN Po Yuen, JP (Retired on 30 June 2018)	2012	2014	2016
Professor TANG Xiaou	2018		
Mr. Denis TSE Tik Yang	2018		
Professor TSUI Lap Chee, GBM, GBS, JP	2014	2016	2018
Mr. Billy WONG Wing Hoo, BBS, JP (Retired on 30 June 2018)	2012	2014	2016

Remarks:

\* Prior to commencement of chairpersonship in July 2018, Dr. Sunny Chai was appointed as a director for the period from 1 July 2014 to 30 June 2018.

\*\* Prior to commencement of chairpersonship in July 2014, Mrs. Fanny Law was appointed as a director for the period from 1 July 2013 to 30 June 2014.

# The Government Member was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region on an ex-officio basis in accordance with sections 1(1)(b) and (2) of Schedule 2 of the Ordinance.

## **DIRECTORS' REPORT**

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year was the Corporation a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Corporation to acquire benefits by means of the acquisition of shares in, or debentures of, the Corporation, its subsidiaries or any other body corporate.

### **DIRECTORS' INTERESTS IN CONTRACTS**

No contract of significance to which the Corporation, or any of its subsidiaries was a party, and in which a director of the Corporation had a material interest, subsisted at the end of the year or at any time during the year.

### **AUDITORS**

KPMG were re-appointed as auditors of the Corporation for the year ended 31 March 2019.

KPMG retire and their re-appointment as auditors of the Corporation was approved by the Board of Directors on 12 September 2018.

On behalf of the board

**Dr. Sunny CHAI Ngai Chiu, BBS**

*Chairman*

Hong Kong

27 September 2019

## INDEPENDENT AUDITOR’S REPORT



### **Independent auditor’s report to the Board of Directors of Hong Kong Science and Technology Parks Corporation**

*(Incorporated in Hong Kong under the Hong Kong Science and Technology Parks Corporation Ordinance)*

#### **OPINION**

We have audited the consolidated financial statements of Hong Kong Science and Technology Parks Corporation (“the Corporation”) and its subsidiaries (“the Group”) set out on pages 44 to 78, which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

#### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (“the Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (CONTINUED)

#### Assessing recoverability of the carrying value of property, plant and equipment

Refer to accounting policy 2.4(d), 2.4(h) and note 11 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 March 2019, the Group held property, plant and equipment located in Hong Kong with carrying amounts totalling HK\$8,614 million, which represented 36% of the Group's total assets at that date.</p> <p>The Science Park segment of the Group sustained a deficit for the year ended 31 March 2019, which management considered to be an indicator that the carrying value of property, plant and equipment attributable to that segment may not be recovered. Consequently, the recoverable amounts of property, plant and equipment in the Science Park segment were estimated by management and compared with their carrying amounts.</p> <p>The recoverable amounts of property, plant and equipment were assessed by management based on the value in use model by comparing the carrying values of the property, plant and equipment with the net present value of the forecast cash flows. The assessment of the recoverable amounts is inherently subjective as it involves the exercise of significant management judgement and estimation, particularly in determining future occupancy rates, rental growth rates, terminal rates and the discount rate applied.</p> <p>We identified the assessment of the recoverability of the carrying value of property, plant and equipment as a key audit matter because management's assessment of the recoverable amounts involved significant judgement and estimation which could be subject to management bias.</p>	<p>Our audit procedures to assess the recoverability of the carrying value of property, plant and equipment included the following:</p> <ul style="list-style-type: none"> <li>• evaluating the methodology adopted by management in the discounted cash flow forecast, the identification of cash generating units and the allocation of assets to the relevant cash generating units with reference to the guidance in the prevailing accounting standards;</li> <li>• with the assistance of our internal valuation specialists, evaluating the key estimates and assumptions adopted in the discounted cash flow forecast, including future occupancy rates, rental growth rates, terminal rates and the discount rate applied, by comparing these against historical results, publicly available market information and by utilising the industry knowledge and experience of our internal valuation specialists;</li> <li>• comparing the actual operating results for the current year with management's forecast operating results in its recoverability assessment made in the previous year in order to assess the historical accuracy of management's forecasting process, discussing with management significant variances identified and considering the impact of these variances on the discounted cash flow forecast for the current year; and</li> <li>• performing sensitivity analyses by making adjustments to the future occupancy rates and rental growth rates to assess the impact on the conclusions reached by management in its recoverability assessment and considering the risk of possible management bias in the recoverability assessment exercise.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT**

### **INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

## INDEPENDENT AUDITOR'S REPORT

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Wai Ming.

#### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 September 2019

## CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2019  
(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Gross rental income	5(a)	728,741	665,724
Property management fee, air-conditioning and support facility income		230,442	212,786
Government grant income	5(b)	27,192	—
Income from technology support centres and communal facilities		20,239	18,079
Industrial Estates income		7,221	73,546
Miscellaneous income		6,116	1,690
Increase in fair value of financial assets at fair value through profit or loss		12,493	10,146
		<b>1,032,444</b>	981,971
<b>Expenditure</b>			
Expenses for property management, technology support centres and communal facilities	6(a)	(337,269)	(295,683)
Administrative and operating expenses		(349,982)	(244,129)
Marketing and promotion expenses		(42,511)	(37,246)
Incubation support and technology transfer expenses		(49,816)	(33,829)
		<b>(779,578)</b>	(610,887)
<b>Operating surplus before interest and depreciation</b>			
		<b>252,866</b>	371,084
Interest income	5(c)	204,872	163,995
Interest expenses	6(b)	(57,438)	(51,464)
<b>Surplus before depreciation</b>			
		<b>400,300</b>	483,615
Depreciation	11	(430,736)	(413,009)
Deferred income		66,225	76,292
<b>Surplus for the year</b>			
	7	<b>35,789</b>	146,898
<b>Other comprehensive income for the year</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income: changes in fair value recognised during the year		693	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments: changes in fair value recognised during the year		—	2,060
<b>Surplus and total comprehensive income for the year</b>			
		<b>36,482</b>	148,958

The notes on pages 49 to 78 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2019  
(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	8,613,865	8,919,911
Construction in progress	12	3,213,692	857,377
Industrial Estates	13	386,947	336,132
Other financial assets	14	52,296	34,396
Financial assets at fair value through profit or loss		22,639	10,146
Bank deposits with original maturities of more than three months	16	770,000	—
<b>Total non-current assets</b>		<b>13,059,439</b>	10,157,962
<b>Current assets</b>			
Accounts receivable, prepayments, deposits and other receivables	15	152,039	116,435
Bank deposits with original maturities of more than three months	16	10,226,241	10,555,390
Cash and cash equivalents	17(a)	260,558	146,846
<b>Total current assets</b>		<b>10,638,838</b>	10,818,671
<b>Current liabilities</b>			
Accrued charges and other payables	18	868,197	599,577
Deposits and rental received in advance	19	366,600	345,716
Government loans	20	88,506	87,283
Medium term notes	21	854,973	—
<b>Total current liabilities</b>		<b>2,178,276</b>	1,032,576
<b>Net current assets</b>		<b>8,460,562</b>	9,786,095

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 31 March 2019  
(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Total assets less current liabilities</b>		<b>21,520,001</b>	19,944,057
<b>Non-current liabilities</b>			
Deferred income	22	<b>1,899,669</b>	1,976,856
Government loans	20	<b>708,467</b>	796,987
Medium term notes	21	<b>851,735</b>	1,706,566
<b>Total non-current liabilities</b>		<b>3,459,871</b>	4,480,409
<b>NET ASSETS</b>		<b>18,060,130</b>	15,463,648
<b>EQUITY</b>			
Issued capital	23	<b>17,770,398</b>	15,210,398
Reserves		<b>289,732</b>	253,250
<b>TOTAL EQUITY</b>		<b>18,060,130</b>	15,463,648

Approved and authorised for issue by the board of directors on 27 September 2019.

**Dr. Sunny CHAI Ngai Chiu, BBS**

*Chairperson*

**Mr. Dennis HO Chiu Ping**

*Director*

The notes on pages 49 to 78 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019  
(Expressed in Hong Kong dollars)

	Issued capital	Accumulated surplus	Fair value reserve (recycling)	Fair value reserve (non-recycling)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 April 2017</b>	15,210,398	104,292	—	—	15,314,690
<b>Changes in equity for 2018:</b>					
Surplus for the year	—	146,898	—	—	146,898
Other comprehensive income	—	—	2,060	—	2,060
Total comprehensive income for the year	—	146,898	2,060	—	148,958
<b>At 31 March 2018</b>	15,210,398	251,190	2,060	—	15,463,648
Impact on initial application of HKFRS 9 (note 2.3)	—	—	(2,060)	2,060	—
<b>At 1 April 2018 (adjusted)</b>	15,210,398	251,190	—	2,060	15,463,648
<b>Changes in equity for 2019:</b>					
Issuance of shares (note 23)	2,560,000	—	—	—	2,560,000
Surplus for the year	—	35,789	—	—	35,789
Other comprehensive income	—	—	—	693	693
Total comprehensive income for the year	—	35,789	—	693	36,482
<b>At 31 March 2019</b>	17,770,398	286,979	—	2,753	18,060,130

The notes on pages 49 to 78 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2019  
(Expressed in Hong Kong dollars)

	Note	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Surplus for the year		35,789	146,898
Adjustments for:			
Depreciation	11	430,736	413,009
Deferred income recognised		(66,225)	(76,292)
Interest expenses	6(b)	57,438	51,464
Interest income	5(c)	(204,872)	(163,995)
Increase in fair value of financial assets at fair value through profit or loss		(12,493)	(10,146)
Gain on disposal of items of property, plant and equipment	7	(91)	(723)
		240,282	360,215
Increase in Industrial Estates		—	(58,389)
Increase in accounts receivable, prepayments, deposits and other receivables		(34,589)	(11,736)
Increase in accrued charges and other payables		92,357	2,940
Increase in deposits and rental received in advance		20,884	19,486
<b>Net cash flows generated from operating activities</b>		<b>318,934</b>	<b>312,516</b>
<b>Cash flows from investing activities</b>			
Payment for the purchase of items of property, plant and equipment		(34,573)	(15,009)
Increase in Industrial Estates		(100,000)	—
Construction cost paid in respect of construction in progress		(2,228,041)	(617,742)
Increase in other financial assets		(17,207)	(13,754)
Increase in bank deposits with original maturities of more than three months when acquired		(440,851)	(511,315)
Interest received		203,857	109,780
<b>Net cash flows used in investing activities</b>		<b>(2,616,815)</b>	<b>(1,048,040)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of new shares	23	2,560,000	—
Interest paid	17(c)	(50,148)	(51,139)
Proceed from new government loan	17(c)	—	600,000
Repayment of government loan	17(c)	(98,259)	(97,021)
<b>Net cash flows generated from financing activities</b>		<b>2,411,593</b>	<b>451,840</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>113,712</b>	<b>(283,684)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>146,846</b>	<b>430,530</b>
<b>Cash and cash equivalents at the end of the year</b>	17(a)	<b>260,558</b>	<b>146,846</b>

The notes on pages 49 to 78 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

## 1 GROUP INFORMATION

The Hong Kong Science and Technology Parks Corporation (the “Corporation”) was incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (the “Ordinance”). The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The address of the principal place of business of the Corporation is 5/F, Building 5E, No. 5 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

The purposes of the Corporation and its subsidiaries (the “Group”) are to facilitate the research and development and application of technologies in manufacturing and service industries in Hong Kong; to support the development, transfer and use of new or advanced technologies in Hong Kong; and to establish or develop any premises where activities related to the purposes prescribed above are, or are to be, carried out, and to manage and control the land and other facilities comprised in such premises.

The entire issued capital of the Corporation was registered under The Financial Secretary Incorporated, a corporation solely established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong) which is wholly owned by the Government of the Hong Kong Special Administrative Region (the “Government”).

### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Corporation. Note 2.3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### 2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2019 comprise the Corporation and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- Other financial assets (see note 2.4(c)); and
- financial assets at fair value through profit or loss (see note 2.4(r)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

### 2.3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

#### (i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

The following table summarises the impact of transition to HKFRS 9 on reserves at 1 April 2018.

<b>Fair value reserve (recycling)</b>	\$'000
Transferred to fair value reserve (non-recycling) relating to equity securities now measured at fair value through other comprehensive income ("FVOCI")	(2,060)
<b>Fair value reserve (non-recycling)</b>	2,060
Transferred from fair value reserve (recycling) relating to equity securities now measured at FVOCI	2,060

#### a. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at FVOCI and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 March 2018	Reclassification	HKFRS 9 carrying amount at 1 April 2018
	\$'000	\$'000	\$'000
<b>Financial assets measured at FVOCI (non-recyclable) under HKFRS 9</b>			
Equity securities (note (i))	—	34,396	34,396
<b>Financial assets classified as available-for-sale under HKAS 39</b>			
Equity securities (note (i))	34,396	(34,396)	—

Note:

- (i) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 April 2018, the Group designated all listed and unlisted equity investments at FVOCI, as these investments are held for strategic purposes.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (i) HKFRS 9, Financial instruments (continued)

##### a. *Classification of financial assets and financial liabilities (continued)*

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2.4(c), (h)(i), (i), (l) and (r).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not de-designate any financial asset or financial liability at FVPL at 1 April 2018.

##### b. *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (“ECL”) model. The model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The adoption of the new ECL model has no significant impact on the Group’s consolidated financial statements.

#### (ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of HKFRS 15 has no significant financial impact on the Group’s consolidated financial statements.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographical segment information has been prepared as all the Group’s operations are located within Hong Kong for the years presented.

#### (b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Subsidiaries (continued)

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in income statement. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

#### (c) Other financial assets

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in income statement. For an explanation of how the Group determines fair value of financial instruments, see note 27(e).

##### (A) Policy applicable from 1 April 2018

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated surplus. It is not recycled through income statement. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in income statement in accordance with the policy set out in note 2.4(p).

##### (B) Policy applicable prior to 1 April 2018

Available-for-sale equity securities were initially stated at fair value, which was their transaction price unless it was determined that the fair value at initial recognition differed from the transaction price and that fair value was evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that used only data from observable markets. Cost included attributable transaction costs.

Investment in securities, being those held for non-trading purposes, were classified as available-for-sale securities. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that did not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured were recognised in the statement of financial position at cost less impairment losses.

When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to income statement.

#### (d) Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2.4(h)).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Property, plant and equipment and depreciation (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method at annual rates as follows:

— Science Park	Over the unexpired terms of the leases or 2% to 6 $\frac{2}{3}$ %*
— InnoCentre	Over the unexpired terms of the leases
— Industrial Estates buildings	5%
— Estate centre building	Over the unexpired terms of the leases
— Laboratories equipment and facilities	8 $\frac{1}{3}$ % to 33 $\frac{1}{3}$ %
— Leasehold improvements	Over the shorter of lease term or 8 $\frac{1}{3}$ % to 33 $\frac{1}{3}$ %
— Furniture, fittings and equipment	5% to 33 $\frac{1}{3}$ %
— Motor vehicles	25%

\* Depreciation rate of 6 $\frac{2}{3}$ % is applied to certain significant electrical and mechanical equipment inside the Science Park and the remaining premises and others are depreciated over the unexpired terms of the leases.

#### *Science Park*

The Science Park is developed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development. The Science Park is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

#### *InnoCentre*

The InnoCentre is developed for the purpose of supporting design development by providing design infrastructure and facilities and leasing office space for tenants engaged in design and display activities. The property is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

#### *Industrial Estates buildings*

Industrial Estates buildings are held to earn rental income rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. The properties are shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

#### *Estate centre building*

The Estate centre building is used for administrative purposes. The property is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)).

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Construction in progress

Construction in progress is being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development. Construction in progress is shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated impairment losses (see note 2.4(h)).

No depreciation is provided in respect of construction in progress until it is completed and is ready for its intended use. On completion, the amounts are reclassified to appropriate categories of assets within property, plant and equipment.

#### (f) Industrial Estates

Industrial Estates represented the pieces of land in each estate and are shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated impairment losses (see note 2.4(h)). Included in the cost of each estate is the cost of land and certain construction costs related to the estate centre. The construction cost of the estate centre building has been excluded from the cost of the estate and is shown separately as above described.

#### (g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### (i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

##### (ii) *Operating lease charges*

Where the Group has the use of other assets held under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made.

#### (h) Credit losses and impairment of assets

##### (i) *Credit losses from financial instruments*

###### (A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for ECLs on the financial assets measured at amortised cost (including cash and bank balances and trade and other receivables).

Financial assets measured at fair value, including financial assets at FVPL and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments (continued)

(A) Policy applicable from 1 April 2018 (continued)

##### Measurement of ECLs

The loss allowance for a trade debtor is measured at an amount equal to lifetime ECLs, which are those losses that are expected to occur over the expected life of the trade debtors. The loss allowance is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in income statement. The Group recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(B) Policy applicable prior to 1 April 2018

Investments in equity securities and current and non-current receivables that were stated at cost or amortised cost were reviewed at the end of each reporting period to determine whether there was objective evidence of impairment. Objective evidence of impairment includes observable data that came to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that had an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss was determined and recognised as follows:

- For available-for-sale securities, the cumulative loss that had been recognised in the fair value reserve was reclassified to income statement. The amount of the cumulative loss that was recognised in income statement was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in income statement.

Impairment losses recognised in income statement in respect of available-for-sale equity securities were not reversed through income statement. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in income statement.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to 1 April 2018 (continued)

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting was material. This assessment was made collectively where these financial assets share similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses were written off against the corresponding assets directly, except for impairment losses recognised in respect of accounts receivable included within trade and other receivables, whose recovery was considered doubtful but not remote. In this case, the impairment losses for doubtful debts were recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable was written off against accounts receivable directly and any amounts held in the allowance account relating to that debt were reversed. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in income statement.

##### (ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress; and
- Industrial Estates.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Credit losses and impairment of assets (continued)

##### (ii) *Impairment of other assets (continued)*

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

#### (i) Accounts receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.4(h)(i)).

#### (j) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.4(q)).

#### (k) Accounts payable

Accounts payable is initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.4(h)(i).

#### (m) Employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group provides employer's contribution to the MPF Scheme for all qualifying employees at the following rates:

- 1–5 years of service                      5% of basic salary
- 6–10 years of service                      10% of basic salary
- Over 10 years of service                      15% of basic salary

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to income statement over the expected useful life of the relevant asset to match with the depreciation of the relevant asset.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to income statement over the expected useful lives of the relevant assets to match with the depreciation of the relevant assets.

Where the Group receives government loans granted with no or at a below-market rate of interest, the initial carrying amount of the government loans is determined using the effective interest rate method. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to income statement over the loan period to match with the interest expenses of the relevant loans.

#### (o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (p) Revenue and other income

Income is classified by the Group as revenue when it arises from the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Further details of the Group's revenue and other income recognition policies are as follows:

- (i) Rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned;
- (ii) management fee, air-conditioning and support facility income is recognised when the services are rendered to the tenants;
- (iii) income from technology support centres and communal facilities including (i) equipment leasing and service fee income which is recognised when the services are rendered to the tenants; (ii) procurement sales income which is recognised when the laboratories materials are delivered and accepted by the tenants; and (iii) rental income from leasing communal office or laboratory is recognised in equal instalments over the periods covered by lease terms;
- (iv) income from grantees of the Group in relation to the premises of Industrial Estates granted to them is recognised when the transactions are completed;
- (v) recognition of deferred income in income statement arising from assets granted by the Government and a third party is recognised over the unexpired terms of the leases of the related assets and in accordance with the depreciation policies of the related assets; and
- (vi) interest income is recognised as it accrues using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

#### (r) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in income statement.

#### (s) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

#### (a) Impairment of property, plant and equipment

The Group determines whether the property, plant and equipment is impaired, particularly in assessing whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. This requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from its use. Discount rate of 5.5% (2018: 5.5%) is used to calculate the present value of future cash flows. Where the actual future cash flows are less than expected, material impairment provision may arise. As at 31 March 2019, the net carrying amount of the property, plant and equipment was \$8,613,865,000 (2018: \$8,919,911,000) after taking into account the accumulated impairment provision of \$135,986,000 made in previous year in respect of certain property, plant and equipment.

#### (b) Provision for ECLs on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

### 4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has three reportable operating segments as follows:

#### (a) Science Park

The Science Park segment refers to all services in connection with development of Hong Kong into a regional hub for innovation and growth in several focused clusters including Electronics, Information and Communications Technology, Green Technology, Biomedical Technology, Material and Precision Engineering. It also covers value added services and comprehensive incubation programmes for technology start-ups to accelerate their growth.

#### (b) InnoCentre

The InnoCentre segment refers to creative design support to further advance Hong Kong's product design and brand building capabilities.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4 OPERATING SEGMENT INFORMATION (CONTINUED)

#### (c) Industrial Estates

The Industrial Estates segment refers to fully serviced land at the three Industrial Estates in Tai Po, Tseung Kwan O and Yuen Long to companies engaged in skill-intensive manufacturing and service industries as well as data centres, pharmaceutical processing, recycling, and multimedia industries in order to cope with the growth of the industries.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results.

No measure of segment assets and liabilities are reported or used by the directors, which are the chief operating decision maker. Therefore, no segment assets and liabilities information is disclosed.

	2019			
	Science Park \$'000	InnoCentre \$'000	Industrial Estates \$'000	Total \$'000
Income	906,801	59,397	66,246	1,032,444
Expenditure	(704,499)	(36,309)	(38,770)	(779,578)
<b>Operating surplus before interest and depreciation</b>	<b>202,302</b>	<b>23,088</b>	<b>27,476</b>	<b>252,866</b>
Net interest income	26,275	—	121,159	147,434
Surplus before depreciation	228,577	23,088	148,635	400,300
Depreciation, net of deferred income	(342,458)	(13,664)	(8,389)	(364,511)
<b>(Deficit)/surplus for the year</b>	<b>(113,881)</b>	<b>9,424</b>	<b>140,246</b>	<b>35,789</b>

	2018			
	Science Park \$'000	InnoCentre \$'000	Industrial Estates \$'000	Total \$'000
Income	811,669	58,667	111,635	981,971
Expenditure	(555,226)	(31,967)	(23,694)	(610,887)
<b>Operating surplus before interest and depreciation</b>	<b>256,443</b>	<b>26,700</b>	<b>87,941</b>	<b>371,084</b>
Net interest income	14,140	—	98,391	112,531
Surplus before depreciation	270,583	26,700	186,332	483,615
Depreciation, net of deferred income	(314,980)	(17,762)	(3,975)	(336,717)
<b>(Deficit)/surplus for the year</b>	<b>(44,397)</b>	<b>8,938</b>	<b>182,357</b>	<b>146,898</b>

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 5 GROSS RENTAL INCOME, GOVERNMENT GRANT INCOME AND INTEREST INCOME

#### (a) Gross rental income

The amount represents gross rental income in respect of Science Park, InnoCentre and investment properties situated in Industrial Estates.

#### (b) Government grant income

This represents government grant income earned during the year in connected with two planning studies funded by the Government, namely the Lok Ma Chau Loop Development Master Planning Study and the Business Model and Business Planning for Hong Kong — Shenzhen Innovation and Technology Park at Lok Ma Chau Loop.

#### (c) Interest income

	2019	2018
	\$'000	\$'000
Interest income on bank deposits	<b>204,872</b>	163,995

### 6 EXPENSES FOR PROPERTY MANAGEMENT AND TECHNOLOGY SUPPORT CENTRES AND COMMUNAL FACILITIES AND INTEREST EXPENSES

#### (a) Expenses for property management and technology support centres and communal facilities

Amount includes expenses for property management of \$307,193,000 (2018: \$266,625,000) and expenses for technology support centres and communal facilities of \$30,076,000 (2018: \$29,058,000). Included in expenses for property management were salaries and other benefits of \$68,265,000 (2018: \$61,762,000) and contribution to defined contribution retirement scheme of \$3,108,000 (2018: \$2,523,000) that the management companies paid to its staff.

#### (b) Interest expenses

	2019	2018
	\$'000	\$'000
Interest expenses on medium term notes	<b>45,532</b>	45,529
Interest expenses on government loans	<b>11,906</b>	5,935
	<b>57,438</b>	51,464

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7 SURPLUS FOR THE YEAR

The Group's surplus for the year is arrived at after charging/(crediting):

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Auditors' remuneration	<b>730</b>	521
Employee benefit expenses (excluding staff costs of property management, as set out in note 6(a)):		
— Wages and salaries	<b>219,715</b>	184,537
— Retirement scheme contribution	<b>14,026</b>	11,746
Gain on disposal of items of property, plant and equipment	<b>(91)</b>	(723)

### 8 DIRECTORS' EMOLUMENTS

No directors received any fees or emoluments in respect of their services rendered to the Group during the year (2018: Nil).

### 9 FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the five non-directors and highest paid employees, including the remuneration to the Chief Executive Officer ("CEO") of the Corporation, for the year are set out as follows:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Salaries and other benefits	<b>12,249</b>	11,830
Performance related incentive payments	<b>3,061</b>	2,936
Retirement benefit scheme contributions	<b>916</b>	903
	<b>16,226</b>	15,669

The remuneration of the CEO for the year is \$4,683,000 (salary and other benefits: \$3,603,000; performance related incentive payments: \$900,000; retirement benefit scheme contributions: \$180,000).

The number of non-directors and highest paid employees whose remuneration is within the following bands as follows:

	<b>2019</b>	2018
\$2,500,001 to \$3,000,000	<b>3</b>	4
\$3,000,001 to \$3,500,000	<b>1</b>	—
\$3,500,001 to \$4,000,000	<b>—</b>	—
\$4,000,001 to \$4,500,000	<b>—</b>	—
\$4,500,001 to \$5,000,000	<b>1</b>	1
	<b>5</b>	5

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10 TAXATION

No provision for Hong Kong Profits Tax has been made as the Corporation is exempt from taxation in Hong Kong in accordance with section 25 of the Ordinance and the subsidiaries within the Group did not earn any assessable profits for both 2019 and 2018.

### 11 PROPERTY, PLANT AND EQUIPMENT

	Properties*								Total
	Science Park	InnoCentre	Industrial Estates buildings	Estate centre building	Laboratories equipment and facilities	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost:</b>									
At 1 April 2017	10,964,689	204,970	44,270	938	373,166	610,622	159,910	3,164	12,361,729
Additions	—	—	—	—	3,257	3,515	8,290	790	15,852
Disposals	(192)	—	—	—	(30,502)	(101)	(1,707)	(469)	(32,971)
Transfer from Construction in progress	9,693	—	85,447	—	40,727	30,543	15,154	—	181,564
At 31 March 2018	10,974,190	204,970	129,717	938	386,648	644,579	181,647	3,485	12,526,174
At 1 April 2018	10,974,190	204,970	129,717	938	386,648	644,579	181,647	3,485	12,526,174
Additions	22,185	—	1,222	—	329	2,767	7,947	252	34,702
Disposals	(5)	—	—	—	(9,965)	(277)	(924)	—	(11,171)
Transfer from Construction in progress	—	—	—	—	11,995	64,091	13,940	—	90,026
At 31 March 2019	10,996,370	204,970	130,939	938	389,007	711,160	202,610	3,737	12,639,731
<b>Accumulated depreciation and impairment provision:</b>									
At 1 April 2017	2,184,716	74,204	30,762	404	347,847	462,212	123,437	2,523	3,226,105
Charge for the year	314,502	4,670	2,837	25	15,822	56,551	17,977	625	413,009
Written back on disposals	(192)	—	—	—	(30,498)	(3)	(1,689)	(469)	(32,851)
At 31 March 2018	2,499,026	78,874	33,599	429	333,171	518,760	139,725	2,679	3,606,263
At 1 April 2018	2,499,026	78,874	33,599	429	333,171	518,760	139,725	2,679	3,606,263
Charge for the year	318,972	4,670	8,207	25	23,736	54,627	20,202	297	430,736
Written back on disposals	(5)	—	—	—	(9,965)	(274)	(889)	—	(11,133)
At 31 March 2019	2,817,993	83,544	41,806	454	346,942	573,113	159,038	2,976	4,025,866
<b>Net book value:</b>									
At 31 March 2019	8,178,377	121,426	89,133	484	42,065	138,047	43,572	761	8,613,865
At 31 March 2018	8,475,164	126,096	96,118	509	53,477	125,819	41,922	806	8,919,911

\* These properties are held for rental

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) At 31 March 2019, the Group's leasehold properties with aggregate carrying amount of \$8,389,420,000 (2018: \$8,697,887,000) are situated in Hong Kong and held under medium term leases.
- (b) In the opinion of the directors, the fair value of the Group's properties held for rental cannot be reliably measured as there are no active market prices for similar properties.

### 12 CONSTRUCTION IN PROGRESS

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Carrying amount at the beginning of the year	<b>857,377</b>	280,730
Additions	<b>2,397,156</b>	758,211
Transfer to property, plant and equipment	<b>(90,026)</b>	(181,564)
Transfer from Industrial Estates	<b>49,185</b>	—
Carrying amount at the end of the year	<b>3,213,692</b>	857,377

At 31 March 2019, Construction in progress, including expansion of Science Park Phase 1, Data Technology Hub (Project A) and Advanced Manufacturing Centre (Project C) are being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development.

### 13 INDUSTRIAL ESTATES

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Carrying amount at the beginning of the year	<b>336,132</b>	254,121
Additions	<b>100,000</b>	82,011
Transfer to construction in progress	<b>(49,185)</b>	—
Carrying amount at the end of the year	<b>386,947</b>	336,132

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14 OTHER FINANCIAL ASSETS

		<b>31 March 2019</b>	1 April 2018	31 March 2018
	Notes	<b>\$'000</b>	\$'000	\$'000
<b>Equity securities designated at FVOCI (non-recycling):</b>				
— Unlisted	(i), (iii)	<b>46,203</b>	27,393	—
— Listed in overseas	(ii), (iii)	<b>6,093</b>	7,003	—
		<b>52,296</b>	34,396	—
<b>Investment in equity instruments:</b>				
— Unlisted	(iii)	—	—	27,393
— Listed in overseas	(iii)	—	—	7,003
		—	—	34,396

Notes:

- (i) The unlisted equity securities represent investments in start-up companies. Those companies are engaged in various industries including software and application, biotech and healthcare technology. The Group designated the investments in unlisted equity securities at FVOCI (non-recycling), as those investments are held for strategic purposes. No dividends were received on those investments during the year (2018: Nil).
- (ii) The listed equity securities is investment in Novoheart Holdings Limited ("NHL"), a company listed in Toronto Venture Stock Exchange engaging in the development of heart therapeutics. The Group designated its investment in NHL at FVOCI (non-recycling) as the investment is held for strategic purposes. No dividends were received on this investment during the year (2018: Nil).
- (iii) Investment in equity instruments was reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 on 1 April 2018 (see note 2.3).

### 15 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Accounts receivable, net of loss allowance	<b>13,499</b>	11,458
Prepayments	<b>10,536</b>	8,295
Deposits and other receivables	<b>128,004</b>	96,682
	<b>152,039</b>	116,435

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 15 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

- (a) The Group allows an average credit period of 14 days to its tenants, extending up to 30 days. Before accepting any new tenant, the Group internally assesses the credit quality of the potential tenant and define appropriate credit limits. Overdue balances are regularly reviewed by senior management and collections are followed up regularly.

For receivables due from grantees of Industrial Estates, the Group may reclaim the premises granted to the grantees in default of payments and the directors consider there are no significant credit risks. As at 31 March 2019, the balance of accounts receivable covered by collateral amounted to \$385,000 (2018: \$931,000). Except for receivables from Industrial Estates' grantees and tenants, the Group does not hold any collateral or other credit enhancements over these balances.

Further details on the Group's credit policy and credit risk arising from account receivables are set out in note 27(b).

### 16 BANK DEPOSITS WITH ORIGINAL MATURITIES OF MORE THAN THREE MONTHS

The balance represents deposits placed with banks, with original maturities ranging from three months to two years.

As at 31 March 2019, these bank deposits carried interest at the average interest rate of 2.39% (2018: 1.65%) per annum.

### 17 CASH AND CASH EQUIVALENTS

- (a) The balance represents cash at banks and on hand.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

#### (b) Non-cash transaction

During the year ended 31 March 2019, the Group had disposed of several laboratories equipment and facilities at a total consideration of \$129,000 (2018: \$843,000) which was partially offset against the acquisition costs of certain new laboratories equipment and facilities.

#### (c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Medium term notes	Interest payable	Government loans	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 April 2018</b>	1,706,566	10,230	884,270	2,601,066
<b>Changes from financing cash flows:</b>				
Repayment of government loans	—	—	(98,259)	(98,259)
Interest paid	—	(50,148)	—	(50,148)
<b>Total changes from financing cash flows</b>	—	(50,148)	(98,259)	(148,407)
<b>Other changes:</b>				
Amortisation of deferred income	—	—	10,962	10,962
Interest expenses (note 6(b))	142	57,296	—	57,438
<b>Total other changes</b>	142	57,296	10,962	68,400
<b>As at 31 March 2019</b>	1,706,708	17,378	796,973	2,521,059

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17 CASH AND CASH EQUIVALENTS (CONTINUED)

	Medium term notes \$'000	Interest payable \$'000	Government loans \$'000	Total \$'000
<b>As at 1 April 2017</b>	1,706,427	10,044	486,741	2,203,212
<b>Changes from financing cash flows:</b>				
Proceed from new government loan	—	—	600,000	600,000
Repayment of government loan	—	—	(97,021)	(97,021)
Interest paid	—	(51,139)	—	(51,139)
<b>Total changes from financing cash flows</b>	—	(51,139)	502,979	451,840
<b>Other changes:</b>				
Recognition of deferred income	—	—	(107,447)	(107,447)
Amortisation of deferred income	—	—	1,997	1,997
Interest expenses (note 6(b))	139	51,325	—	51,464
<b>Total other changes</b>	139	51,325	(105,450)	(53,986)
<b>As at 31 March 2018</b>	1,706,566	10,230	884,270	2,601,066

### 18 ACCRUED CHARGES AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
Accrued charges	812,394	498,654
Other payables	55,803	100,923
	<b>868,197</b>	599,577

Other payables are non-interest-bearing and are normally settled on 30-day terms.

### 19 DEPOSITS AND RENTAL RECEIVED IN ADVANCE

Deposits received from tenants of \$259,912,000 (2018: \$227,931,000) are expected to be settled after one year. The remaining balances are expected to be settled within one year.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 20 GOVERNMENT LOANS

Government loans are repayable as follows:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current</b>		
Amount due within one year	<b>88,506</b>	87,283
<b>Non-current</b>		
Amount due within second year	<b>89,753</b>	88,634
Amount due within third year	<b>91,016</b>	89,758
Amount due after three years	<b>527,698</b>	618,595
Amount due over one year	<b>708,467</b>	796,987
	<b>796,973</b>	884,270

Government loans are obtained from the Government in 2008 and 2018 for the construction of the Science Park Phase 2 and Phase 3 respectively. These loans are unsecured and interest bearing at the “no-gain-no-loss” floating interest rate of the Government of 1.26% (2018: 1.13%) per annum during the year. The loan for Science Park Phase 2 is repayable to the Government by 15 annual instalments until 2022. The loan for Science Park Phase 3 is repayable to the Government by 6 annual instalments starting from 2025 to 2030.

### 21 MEDIUM TERM NOTES

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Current</b>		
Amount due within one year	<b>854,973</b>	—
<b>Non-current</b>		
Amount due over one year	<b>851,735</b>	1,706,566
	<b>1,706,708</b>	1,706,566

5-year medium term notes (“MTN”) of \$855,000,000 and 10-year MTN of \$852,000,000 were issued in July 2014 for the construction of the Science Park Phase 3, with direct transaction costs of \$936,000.

The 5-year MTN bears interest at the fixed rate of 2.12% and is repayable on 11 July 2019. The 10-year MTN bears interest at the fixed rate of 3.20% and is repayable on 11 July 2024. All these MTN are guaranteed by the Government.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 22 DEFERRED INCOME

The balance mainly represents the value of assets granted by the Government in respect of the set up of the Science Park with the corresponding assets capitalised as property, plant and equipment at the date of grant. Such deferred income is recognised as income in the income statement to offset against the charges of depreciation of the relevant assets granted.

### 23 ISSUED CAPITAL

Authorised, issued and fully paid:	2019		2018	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
At 1 April	15,210,398	15,210,398	15,210,398	15,210,398
Issuance of new shares	2,560,000	2,560,000	—	—
At 31 March	17,770,398	17,770,398	15,210,398	15,210,398

The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The Corporation's initial capital of \$1,836,397,594 represented the net assets of the three entities vested in the Corporation on that day in accordance with section 17 of the Ordinance. Subsequently, over the prior years, additional 13,374,000,000 ordinary shares of \$1 each were issued at par to the Government for cash.

During the year ended 31 March 2019, additional 2,560,000,000 ordinary shares of \$1 each were issued at par to the Government for cash.

At the end of the reporting period, the entire amount of 17,770,397,594 shares of \$1 each of the Corporation were registered under The Financial Secretary Incorporated, a corporation solely established under the Financial Secretary Incorporation Ordinance (Chapter 1015 of the Laws of Hong Kong) which is wholly owned by the Government.

### 24 OPERATING LEASE ARRANGEMENTS

#### As lessor

The Group leases its properties under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019	2018
	\$'000	\$'000
Within one year	619,878	705,740
In the second to fifth years inclusive	622,385	798,018
After five years	7,292	10,024
	1,249,555	1,513,782

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 25 COMMITMENTS

At 31 March 2019, the Group had the following capital commitments at the end of the reporting period:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Authorised, but not contracted for:		
— development projects in Industrial Estates	<b>7,058,304</b>	7,878,786
— construction of the Science Park and its ancillary facilities	<b>5,284,554</b>	2,089,478
— others	—	6,525
	<b>12,342,858</b>	9,974,789
Contracted, but not provided for:		
— development projects in Industrial Estates	<b>1,407,345</b>	227,926
— construction of the Science Park and its ancillary facilities	<b>717,241</b>	2,278,576
— others	<b>60,000</b>	19,569
	<b>2,184,586</b>	2,526,071

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 26 MATERIAL RELATED PARTY TRANSACTIONS

The Corporation is wholly owned by the Government. Transactions between the Group and Government departments, agencies or Government controlled entities are considered to be related party transactions and identified separately in these financial statements.

**(a) In addition to the balances and transactions disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:**

	Note	2019 \$'000	2018 \$'000
With the Government:			
Interest expenses on government loans	20	11,906	5,936
Financial guarantee received on MTN issued	21	1,707,000	1,707,000
Government grant income	(i)	27,192	—
With the Government's controlled-entities:			
Rental income	(ii)	43,515	36,760
Management fee and air-conditioning income	(ii)	14,966	13,902
Equipment rental and procurement sales income	(ii)	6,240	4,203

Notes:

- (i) Grant from the Government was in connection with two planning studies, namely the Lok Ma Chau Loop Development Master Planning Study and the Business Model and Business Planning for Hong Kong — Shenzhen Innovation and Technology Park at Lok Ma Chau Loop.
- (ii) All these income from the Government's controlled entities were determined according to terms similar to those offered to the Group's third party tenants.

**(b) Outstanding balance with the Government**

The Government has agreed to make available a loan facility of up to \$1,643,000,000 to the Group to be repaid by annual instalments according to the repayment schedules issued by the Government and interest bearing at the Government's 'no-gain-no-loss' interest rate (note 20). At 31 March 2019, the outstanding balance of the government loan amounted to \$901,445,000 (2018: \$999,704,000).

**(c) No directors received any remunerations in respect of their services rendered to the Group during the year (2018: Nil).**

Details of the remuneration of the five non-directors and highest paid employees, including the CEO of the Corporation are disclosed in note 9 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group's exposure to interest rate risk, credit risk and liquidity risk arises in the normal course of its operations. These risks are managed by the Group's financial management policies and practices described below:

#### (a) Interest rate risk

The cash flow interest rate risk relates primarily to the Group's variable-rate government loans. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

##### *Sensitivity analysis*

The Group's sensitivity to interest rate risk has been determined based on the exposure to interest rates for the above-mentioned financial instruments at the end of the reporting period. The analysis is prepared assuming the amount of variable-rate government loans during the year was the amount for the whole year.

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's surplus for the year ended 31 March 2019 would decrease/increase by \$9,014,000 (2018: \$9,997,000).

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and bank deposits is limited because the counterparties are major financial institutions in Hong Kong, for which the Group considers to have low credit risk.

In respect of accounts receivable, the Group maintains a defined credit policy, including credit evaluation on tenants and payment of a rental deposit is required. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates.

The Group measures loss allowances for accounts receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Given the Group has not experienced any significant credit losses in the past, the allowance for expected credit losses is insignificant.

##### *Comparative information under HKAS 39*

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2.4(h)(i)). At 31 March 2018, accounts receivable of \$50,000 were individually determined to be impaired.

The ageing analysis of account receivables that were neither individually nor collectively considered to be impaired was as follows:

	2018
	\$'000
Neither past due nor impaired	4,790
1-60 days past due	6,188
61-90 days past due	76
91-120 days past due	10
Over 120 days past due	394
	6,668
	11,458

Receivables that were neither past due nor irrecoverable related to a wide range of tenants for whom there was no recent history of default.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Credit risk (continued)

*Comparative information under HKAS 39 (continued)*

Receivables that were past due but not irrecoverable related to a number of independent tenants that had a good track record with the Group. Based on past experience, management believed that no loss allowance was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of accounts receivable during the year is as follows:

	\$'000
Balance at 1 April 2017 under HKAS 39	87
Uncollectible amount written-off	(37)
Balance at 31 March 2018 under HKAS 39	50
Balance at 1 April 2018	50
Uncollectible amount written-off	(50)
Balance at 31 March 2019	—

#### (c) Liquidity risk

In managing the liquidity risk, the Group monitors its liquidity requirements to ensure it maintains a level of cash and cash equivalents deemed adequate by management and adequate utilisation of available loan facilities to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its financial liabilities. The table has been drawn up to reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	2019					Carrying amount
	On demand or less than 3 months	Within 1 year	2-5 years	Over 5 years	Total Undiscounted cash flows	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Accrued charges and other payables	851,040	9,824	—	7,333	868,197	868,197
Deposits and rental received in advance	77,411	29,277	258,050	1,862	366,600	366,600
Government loans	—	103,018	206,036	684,682	993,736	796,973
Medium term notes	—	891,402	108,981	865,595	1,865,978	1,706,708
	928,451	1,033,521	573,067	1,559,472	4,094,511	3,738,478

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Liquidity risk (continued)

	2018					Carrying amount \$'000
	On demand or less than 3 months	Within 1 year	2–5 years	Over 5 years	Total Undiscounted cash flows	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Accrued charges and other payables	589,753	9,824	—	—	599,577	599,577
Deposits and rental received in advance	72,080	45,705	226,556	1,375	345,716	345,716
Government loans	—	102,770	308,310	669,910	1,080,990	884,270
Medium term notes	—	45,390	973,119	892,859	1,911,368	1,706,566
	661,833	203,689	1,507,985	1,564,144	3,937,651	3,536,129

#### (d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its operations and maximise stakeholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or raising additional debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 2018.

The Group monitors capital by the use of funding from the Government. Accordingly, in the opinion of the directors, the presentation of the quantitative capital management analysis of the Group would provide no additional useful information to the users of the financial statements.

#### (e) Fair value measurement

##### *Financial assets measured at fair value*

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Fair value measurement (continued)

*Financial assets measured at fair value (continued)*

Fair value hierarchy (continued)

	2019			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other financial assets				
— Listed	6,093	—	—	6,093
— Unlisted	—	25,494	20,709	46,203
Financial assets at fair value through profit or loss	—	480	22,159	22,639
	<b>6,093</b>	<b>25,974</b>	<b>42,868</b>	<b>74,935</b>
	2018			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other financial assets				
— Listed	7,004	—	—	7,004
— Unlisted	—	21,146	6,246	27,392
Financial assets at fair value through profit or loss	—	2,291	7,855	10,146
	7,004	23,437	14,101	44,542

During the year ended 31 March 2019, there were no transfers between Level 1 and Level 2 nor transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Fair value measurement (continued)

*Financial assets measured at fair value (continued)*

Valuation techniques

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These includes recent financing made by investors. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

The Level 3 includes financial instruments which values are based on unobservable inputs. These are mostly call options with zero strike price. Their values are calculated by adjusted net asset value approach, adjusted recent financing approach, market comparable companies method, trending method, adopted value in prior year or binomial model.

### 28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of new standards, amendments and interpretations to the existing standards which are not yet effective for the year ended 31 March 2019 and have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
HKFRS 16, <i>Leases</i>	1 January 2019
Annual Improvements to HKFRS, 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment on the impact of adopting these new standards, amendments and interpretations to the existing standards in the period of initial application. The Group preliminary assessed that the adoption of them is not expected to have significant impact on the Group's consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

### 29 LIST OF SUBSIDIARIES

At 31 March 2019, the particulars of the Corporation's subsidiaries are as follows:

<b>Subsidiary</b>	<b>Place of incorporation and operations</b>	<b>Particulars of issued and paid up capital</b>	<b>Group's effective interest</b>	<b>Principal activity</b>
STP Asset Holding Limited	Hong Kong	\$10,000	100%	Investment holding
STP Corporate Venture Limited	Hong Kong	\$10,000	100%	Investment holding
Hong Kong — Shenzhen Innovation and Technology Park Limited ("HSITP")	Hong Kong	\$10,000	100%	To establish and develop an Innovation and Technology Park at the Lok Ma Chau Loop
CVF ONE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF TWO Limited	Hong Kong	\$1,000	100%	Investment holding
CVF THREE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FOUR Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FIVE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF SIX Limited	Hong Kong	\$1,000	100%	Investment holding
CVF SEVEN Limited	Hong Kong	\$1,000	100%	Investment holding
CVF EIGHT Limited	Hong Kong	\$1,000	100%	Investment holding
CVF NINE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF TEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF ELEVEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF TWELVE Limited	Hong Kong	\$1,000	100%	Inactive
CVF THIRTEEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF FOURTEEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF FIFTEEN Limited	Hong Kong	\$1,000	100%	Inactive
STP Anchor Asset Holding Limited	Hong Kong	\$10,000	100%	Investment holding
RIK ONE Limited	Hong Kong	\$1,000	100%	Inactive

### 30 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 September 2019.