



Hong Kong Science and Technology Parks Corporation

2019-2020 Annual Report



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STRATEGIC FOOTPRINT

From strategic R&D and design bases to advanced manufacturing plants, Hong Kong Science and Technology Parks Corporation (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 23 buildings over 4.3 million square feet of gross 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.

INNOCENTRE

Established in 2006, InnoCentre is now home to the city's aspiring and talented fintech, digital commerce and design companies. The six-storey structure in a prime location is 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.

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 fields of advanced manufacturing and mask production.
- Tseung Kwan O Industrial Estate – primarily occupied by operators in the information and communications technology (ICT) and multimedia industry including data centres. The Data Technology Hub (DT Hub) was completed in 2020 and will be leased out to ICT operators. The Advanced Manufacturing Centre (AMC) which will be completed in 2022 will be leased out to manufacturers engaging in advanced manufacturing.
- Yuen Long Industrial Estate – catered for a wide range of industries, from pharmaceutical and biomedical production to logistics services and petrochemical plants.

HONG KONG-SHENZHEN INNOVATION AND TECHNOLOGY PARK

The Hong Kong-Shenzhen Innovation and Technology Park (the Park) at the Lok Ma Chau Loop is positioned to be a key base for science and technology R&D, supported by relevant higher education, cultural and creative and other ancillary facilities. Integrating the competitive advantages of both Hong Kong and Shenzhen, the Park is expected to attract leading enterprises, research institutions and higher education institutes as well as top talent from all over the world, creating unprecedented space and opportunities for the innovation and technology industry in Hong Kong, Shenzhen and the Greater Bay Area (GBA). As a wholly-owned subsidiary company of HKSTP, the Hong Kong-Shenzhen Innovation and Technology Park Limited is responsible for the building of the superstructure, operation, maintenance and management of the Park.

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.

HKSTPC WESTERN DISTRICT HUB (iAXON™)

Located at the Western District, the HKSTPC Western District Hub (iAXON™) is jointly set up by HKSTP and The University of Hong Kong (HKU). Managed by HKSTP, the 4,000 square feet facility is a hub where we combine incubation support with world-class R&D capabilities to nurture deep tech startups spun off from universities. iAXON hosts startups founded by HKU students, faculty members, staff and alumni that are currently doing academic research at the University and planning to translate the knowledge into commercialised research and development results.

ACHIEVEMENTS AT A GLANCE

- Over 830 technology companies at Science Park
- Over 13,000 working population
- Over 9,100 R&D practitioners
- 24 countries/regions of origin for Park companies
- Two unicorns – SenseTime & Lalamove
- Over 4.3 million square feet of lab & office space
- Around 200,000 utilised lab hours
- 700 incubatees graduated since inception of Incubation Programmes
- Nearly 80% of graduated incubatees still in business
- 473 startups supported
- HK\$3.06 billion of funding raised by Park companies
- 207 local and international awards received by Park companies
- 65 enterprises partnered with Park companies under “Technologies from Science Park” since inception in 2015
- 9,824 Science Park SPARK members

Achievements during 2019-2020 unless otherwise stated.

TECH FOR GOOD

The COVID-19 pandemic since early 2020 posed unprecedented challenges for the community. It also brought into stark relief the tremendous value that HKSTP provides society by fostering innovation and technology in Hong Kong and, more specifically, by rallying the R&D community at Hong Kong Science Park to help fight the pandemic. Among many initiatives, we provided clean rooms for face mask production, as well as rolled out financial assistance to help the Park community weather the tough times.

The spike in demand for face masks for protection against COVID-19 underscored the urgent need for clean rooms to quickly expand local production. Heeding the call, HKSTP converted an 8,000 square feet space at the Precision Manufacturing Centre at the Tai Po Industrial Estate into a clean room meeting the exacting standards for face mask production.

During the year, many of the 800 companies based at Science Park developed various innovative solutions that demonstrated our collective R&D commitment and contribution to public health. These solutions – including smart robot delivery, air disinfection and purification, health diagnostics, body temperature monitoring, environmental sanitisation and location tracking of people under quarantine – were widely deployed during COVID-19.

HKSTP is committed to providing holistic support for partner companies and incubatees to foster the development of the innovation and technology ecosystem in Hong Kong.

As technology enterprises faced operational pressure in the tough economic environment in the second half of 2019, HKSTP took the initiative to introduce a 50% rental concession applicable to the existing tenants during the period between 1 October 2019 to 31 March 2020, allowing Park companies to focus their resources on R&D activities. In addition, incubatees were offered a one-off grant of HK\$37,500 each in the incubation programme package.

In the face of this very difficult time, HKSTP made the best use of its resources to motivate stakeholders in the innovation and technology ecosystem and maintain Hong Kong's R&D capabilities.

STRATEGIC FOCUS

ARTIFICIAL INTELLIGENCE AND ROBOTICS

The Artificial Intelligence and Robotics (AIR) community at Science Park continued to expand in 2019-20. More than 100 Park companies were developing cutting-edge AIR technologies and actively promoting industry adoption to help fuel the development of an innovation-driven economy.

New facilities supporting a dynamic community and fuelling innovation

- The Robotics Catalysing Centre (RCC) 2.0 and AI PLUG were launched in January 2020. The dedicated AIR facilities encourage co-creation, knowledge transfer and broader market adoption of AIR technologies in sectors such as logistics, healthcare, construction, retail, food and beverage and manufacturing.
- RCC 2.0 complements RCC 1.0 that was launched in 2018 to support Park companies working on robotics-related projects, typically at the prototyping and pre-production stages. RCC 2.0 features a FlexLab with plug-and-play infrastructure and a FabLab offering fabrication equipment and technical support for users to conduct proof-of-concept trials and present live demonstrations of their solutions to potential clients. As of 31 March 2020, RCC 2.0 had attracted 60 technology companies within and beyond Science Park to join as members.
- AI PLUG offers funding and technical services to foster a connected community of AI companies, service providers, industries and talent. It features four key areas of services – the Tech Shop one-stop support platform, AI Infrastructure, Corporate Innovation and AI Academy. Within six months of its launch, AI PLUG had attracted 82 technology companies within and beyond the Park community to join as members, as well as more than 20 partners, notably Arrow, Nvidia and Xilinx.

Strategic partnership advancing construction innovation

- To advance innovation in the construction industry, HKSTP and the Construction Industry Council (CIC) signed a Memorandum of Understanding (MoU) in May 2019 to collaborate on accelerating the development and adoption of construction robotics and automation systems. The two parties agreed to establish an accreditation scheme, an incubation programme and a promotional campaign including technical visits, workshops and seminars, as well as joint training, competence assessment and personnel certification.
- Following the MoU, HKSTP and CIC jointly hosted the first International Symposium on Construction Robotics at Science Park in July 2019. The symposium brought together experts, leading industry players and academics to showcase disruptive robotics, automation systems and smart construction in the construction industry.

Unleashing AIR talent's potential and creativity

- HKSTP organises the annual Robocon Hong Kong Contest to stimulate students' interests in Robotics and STEM education. Phantom Dancer, from the Chinese University of Hong Kong, was crowned champion against a record 13 teams from seven tertiary institutions at the Robocon 2020 Hong Kong Contest in June 2019. It went on to make history by winning the regional ABU Asia-Pacific Robot Contest in Mongolia in August 2019.
- The annual SciTech Challenge gives next-generation innovators a platform to join AIR-related training, mentorship and pitching opportunities to potential users and industries. Held from April to October 2019, it rallied nearly 30 teams working together to develop innovative solutions of Sports Tech. Platysens took the Champion Award with its swim analyser, SEAL, fitted with a wearable sensor system to measure a swimmer's force and motion.

BIOMEDICAL TECHNOLOGY

The Biomedical Technology (BMT) Cluster at Science Park continued to grow from strength to strength. The size of the BMT community increased to about 150 companies and incubatees as of 31 March 2020. They received extensive support from HKSTP and the ecosystem to advance solutions in the areas of advanced therapeutics, pharmaceuticals, diagnostics, medical devices and in-vitro diagnostics, traditional Chinese medicine and more.

Park companies achieving international success

- Partner company SinoMab BioScience Limited, dedicated to the R&D, manufacturing and commercialisation of therapeutics for the treatment of immunological diseases, was the first biopharmaceutical company at Science Park listed on the Main Board of Hong Kong Exchanges and Clearing Limited (HKEX) under Chapter 18A in November 2019.
- Another partner company Mononuclear Therapeutics Limited set up Hong Kong's first public umbilical cord blood mononuclear cell bank at Science Park and gained international accreditation from AABB (formerly known as the American Association of Blood Banks).
- During the year, two Incu-Bio members raised about HK\$40 million within the first six months of enrolling in the HKSTP's Incubation Programme. Other Incu-Bio companies also achieved one US Food and Drug Administration (FDA) approved product and two FDA orphan drug designations.

Synergy strengthened upon admission of world-class BMT giants

- Leading cancer precision treatment solution provider ACT Genomics Holdings Co., Ltd opened its third Asian Next Generation Sequencing laboratory at Science Park in July 2019.
- Rohto Advanced Research Hong Kong Limited, a subsidiary of Rohto Pharmaceutical Co., Ltd in Japan, joined the Park in September 2019 to conduct research on regenerative medicine.

State-of-the-art facilities supporting strategic BMT development

- The Biomedical Technology Support Centre (BSC) provides essential R&D tools and technical support services for biomedical companies. The centre was further expanded in November 2019. The centre's utilisation rate increased substantially in 2019-20, with more than 130,000 lab utilisation hours logged, 18,000 hours more than the previous year.
- HKSTP continued to enhance infrastructure support to the biotech community, including:
 - o Good Manufacturing Practice (GMP) facilities for manufacturing Advanced Therapy Products in collaboration with universities.
 - o The Biomedical Informatics Platform (BIP) as a cloud-based data ecosystem to enable biomedical data analysis and sharing.
 - o The Biobank as a centralised system to collect, process, store and share biospecimens to give biotech companies, academic and research institutions access to high-quality samples.

DATA & SMART CITY

With Science Park designated as a Smart Region Living Lab under Hong Kong's Smart City Blueprint, HKSTP is leveraging hyper-connectivity in the 5G era, sensors, data, AI, IoT and other evolutionary technologies to drive Smart Living, Smart Environment, Smart Mobility and Smart People for Smart City development.

Harnessing 5G connectivity

- China Mobile Hong Kong relocated the China Mobile 5G Innovation Centre "Hong Kong Open Lab" to Science Park in April 2019, accelerating the development of the 5G ecosystem at the Park and catering to the needs of local business partners.
- Hong Kong Applied Science and Technology Research Institute (ASTRI) pioneered 5G tests at Science Park, ranging from real-time video transmission to remote control for Autonomous Self-Driving (ASD).

Promoting sensor R&D

- The Sensor Packaging and Integration Laboratory (Sensor Lab) was officially opened in 2017 to provide class 100 and class 1000 clean room facilities, equipment and tools as a hardware hub to support startups and SMEs in the full development cycle of micro/nano sensors and associated devices.
- Meridian Innovation became the first partner company of the Sensor Lab to achieve success in their experiments on Microelectromechanical Systems (MEMS) and Wafer Level Vacuum Packaging processes for the next generation of their signature product, SenXor™.
- HKSTP partnered ASTRI and Genvida to set up proprietary micro and nano processing technologies with R&D technical support, driving co-development of advanced sensor technologies.

Showcasing Smart Campus vision

- Science Park as a Smart Campus provides a living lab for Park companies to pilot applications of innovative solutions, drive adoption of new technologies and enhance collaboration and knowledge sharing. Innovation continued to be showcased, such as ASD vehicle open road testing, thermal sensing and mask on detection solution for F&B, microalgae green walls for indoor air purification, recycling vending machines and an autonomous smart kitchen. Successful initiatives continue onto the next stage of development or market adoption.
- First@Science Park gives Park companies the platform to test and evaluate new technologies and applications to obtain real-life data and user feedback. During the year, a total of 21 projects was showcased, of which 9 cases had completed testing. Featured projects included smart virtual fiber solution of Wireless Mesh Network, Pace Verification System for access control, a disinfection robot operating on predefined schedules, 5G film for Signal Penetration of Glass and Ultra-wireband (UWB) technology to enable Electronic Road Pricing using 4G/5G and replace Dedicated Short-Range Communications (DSRC).

Fostering open data for data-driven innovation

- The Data Studio is a data-driven innovation centre serving as an online platform to encourage and stimulate the development of Smart City solutions from open data and big data. As of 31 March 2020, the Data Studio had over 400 datasets related to nine industry verticals. The studio was accessed by over 1,300 registered developers who used the data resources for their R&D.

Flexible co-working space accommodating startups needs

- The ICT Co-working Centre provides workstations and shared facilities for incubation graduates and startups to perform ICT-focused R&D activities. The centre expanded the capacity to 7,360 square feet in March 2020 and achieved an occupancy rate of nearly 80%.

FINTECH

HKSTP is keen to grow the fintech ecosystem by expanding infrastructure, strengthening partnerships and enhancing support measures, with a view to cementing Hong Kong's status as an international financial centre and a global fintech hub. HKSTP re-positioned its InnoCentre in downtown Kowloon Tong to FinTech Hub@InnoCentre which provides a physical-cum-virtual platform for partners in the ecosystem to collaborate and co-create, and support fintech companies and startups within and outside Science Park.

As of 31 March 2020, a total of 61 companies at Science Park was involved in fintech technologies ranging from Payment, BankTech, RegTech, Capital Market, WealthTech, InsurTech, and General/ Cross-disciplinary. These companies engage in extensive R&D and the application of the "ABCD" of fintech technologies – Artificial Intelligence, Blockchain, Cybersecurity and Data analytics – to facilitate the development of ground-breaking solutions and further the growth of Hong Kong's financial sector.

Stepping up external collaboration

- Data-driven fintech application development received a boost as 21 banks published over 900 open API datasets at Science Park's Data Studio, giving developers much-needed data resources to develop viable fintech solutions.
- HKSTP signed a Memorandum of Understanding (MoU) in October 2019 with the United Kingdom's Department for International Trade to enhance fintech collaboration and encourage business growth. The two sides will establish a framework for long-term strategic cooperation to help homegrown fintech startups and companies explore business opportunities in Hong Kong, the GBA and the United Kingdom.

Closer partnership with HKMA

- The Hong Kong Monetary Authority (HKMA)-HKSTP Fin+Tech Collaboration Platform was launched in November 2019, to create an open and inclusive environment for facilitating the ABCD of fintech. It brings together industry players from both the finance and technology sectors to organise activities and explore innovation, identify and nurture talent, and generate collaboration opportunities.
- HKSTP announced in November 2019 that the HKMA-ASTRI Fintech Innovation Hub will be extended from Science Park to InnoCentre, to establish a sandbox infrastructure enriched with advanced hardware and software technology for proof-of-concept trials of fintech solutions. The sandbox infrastructure will be set up by 2020.
- HKSTP continued to serve as a strategic partner of HKMA's talent-grooming Fintech Career Accelerator Scheme 2.0 (FCAS), encouraging our partner companies to employ fresh or recent graduates full-time. In 2020, HKSTP also hosted an introductory day and technical workshops for the students in the programme. FCAS has received around 1,400 CVs, a 60% increase from last year.

VALUE-ADDED SERVICES

With the HK\$10 billion government funding support announced in 2018, HKSTP's Incubation Programmes were expanded and they received overwhelming interest from the startup community. The Science and Technology Entrepreneur Programme (STEP) received more than 300 applications. The increased financial support under the expanded Incu-App, Incu-Tech and Incu-Bio incubation programmes also benefitted a total of 384 incubatees as of 31 March 2020. Overall good progress had been made on other funding support and enhanced initiatives, including the launch of the Elite of Leading Innovation and Technology (ELITE) pilot programme, the expansion of the Corporate Venture Fund (CVF), as well as the development of the Robotics Catalysing Centre (RCC) 2.0 and AI PLUG under the HK\$10 billion funding, fuelling the I&T development of Hong Kong.

INNOVATION JOURNEY

For the innovation journey to be meaningful, it must lead to a viable product achieving success in the market. HKSTP has been providing comprehensive support with the right value-added services at the right time in the journey – from pre-incubation to incubation and acceleration – to guide startups to success.

During 2019-20, HKSTP stepped up incubation efforts with the establishment of the HKSTP Startups Alumni Association (SAA) and the opening of the new HKSTP Incubation Centre.

Established in December 2019, SAA serves to connect and support graduates from HKSTP's Incubation and Acceleration programmes with the Corporation's value-added services, fostering their growth in the innovation and technology ecosystem.

HKSTP Incubation Centre is dedicated to providing our incubatees at Science Park with an ideal space for co-creation and knowledge exchange. Nearly 240 incubation companies with over a thousand of employees have moved into the Centre since its opening in January 2020.

Nurturing a record number of incubatees

- The Corporation celebrated the graduation of a record-breaking number of 108 startups completing their Incubation Programmes (Incu-Bio, Incu-Tech and Incu-App) and STEP.
- The incubation graduates, hailing from Hong Kong, China, India, Taiwan, the UK and the US, had collectively applied or registered for 41 patents, the highest in the past three years. They also received 56 international and local invention awards in total. The Incu-Bio programme produced a record six graduates, reflecting the growth of the biotech ecosystem at Science Park.
- STEP, introduced in January 2019 to provide one-year pre-incubation support, drew more than 160 young tech enthusiasts still at universities or just starting out on their innovation journey. Among the STEP graduates, three had progressed to the Incubation Programmes to continue their journeys.

Theme-based accelerators attract global interest

- The Global Acceleration Academy (GAA) is HKSTP's thematic accelerator that connects promising tech ventures developing targeted solutions for corporates in eight specific industry verticals, including Travel & Hospitality, Real Estate, Financial Services & Insurance, Logistics & Manufacturing, Healthcare, Consumer & Retail, Education, and Government. Through solution demo days, business matching sessions and acceleration programmes, GAA fosters corporate innovation among the industries.
- Since its launch in April 2017, a total of 18 GAA's thematic programmes had been conducted, with the support of 55 corporate partners. The programmes attracted around 300 tech venture applicants from around the world, 145 of which were selected by the corporate partners to explore technology co-creation.
- In January 2020, two GAA programmes themed Smart Airways and Smart Operation concluded with 20 promising tech ventures showcasing their solutions for resolving problems for the travel and hospitality industries. The corporate partners of the programmes were Cathay Pacific Airways, Cathay Pacific Catering Services (H.K.) Ltd, the Airport Authority Hong Kong, Hong Kong Disneyland Resort, and Regal Hotels International.

iDM² accelerated hardware development in micro-electronics and FPGA

- Two cohorts of the iDM² Hardware Accelerator were completed in December 2019. The programme concluded with 18 incubatees showcasing their innovative products and solutions, demonstrating their success in overcoming difficulties in hardware manufacturing.
- Another iDM² programme, “iDM² Micro-Electronics Node”, was launched in August 2019, as Hong Kong’s first electronics acceleration programme for FPGA (Field Programmable Gate Array). Around 30 startups and partner companies, together with 22 university students, were enrolled in the programme to receive training on microelectronics design.

Bringing the best into the fold

- Leading Enterprises Acceleration Programme (LEAP) is designed to provide funding of up to HK\$4.7 million plus expertise to help prime startups leapfrog growth on the world stage of business. In 2019-20, 50 applications were received and of which, 12 startups were admitted into the programme.
- During the year, four companies under LEAP raised nearly HK\$1 billion of investment; one other LEAP company was acquired by an international brand.

In June 2019, HKSTP launched pilot phase of ELITE programme, offering matched funding and rental subsidies to attract high-potential technology enterprises from China and overseas to pursue R&D at Science Park and assist local I&T companies working on cutting-edge technologies grow and expand. More than 10 companies were confirmed as ELITE members within the year.

In November 2019, HKSTP won the Incubator of the Year award, presented by the Asian Association of Business Incubation (AABI), in recognition of our complete incubation strategy, from pre-incubation through to commercial success, for catalysing the growth and success of technology startups.

INVESTMENT

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 2019-20, the Corporation facilitated more than 580 one-on-one and group investment matching sessions locally, in the Mainland and overseas. Park companies totally raised HK\$3.06 billion.

Multiplying investment dollars through Corporate Venture Fund (CVF)

- Rebranded from Corporate Venture Fund, HKSTP Ventures leverages the Corporation’s resources to attract private sector funding to nurture early-stage technology startups. In early 2019, the Fund received an injection of HK\$200 million, which was boosted to HK\$250 million subsequently. The Fund is distinctively positioned to encourage angel investors and venture funds to co-invest in Science Park partner companies or startups in, or graduated from, HKSTP’s Incubation or Acceleration Programmes. The goal is to rally local and overseas investors to jointly nurture high-potential technology companies.
- From its inception in 2015 to 31 March 2020, HKSTP Ventures had invested a total of HK\$79 million in 14 companies. The Fund in turn attracted more than HK\$1.26 billion of private sector investment for these companies, with around half of the co-investors originating from overseas. About one-third of invested companies in the portfolio were sourced outside of Hong Kong, including the Silicon Valley in the US, the UK and Taiwan. The funding from HKSTP Ventures successfully attracted overseas technology companies to set up a R&D base in Hong Kong.
- HKSTP Ventures’ portfolio covers a broad spectrum of sectors, such as biomedical technology, semi-conductor, material tech, autonomous self-driving and synthetic biology.

Enriching investment support platforms

- Ventures Investment Connect is a fundraising/investment acceleration programme that connects technology companies to potential investors through intensive fundraising and business development consultation. They also enjoy priority access to HKSTP delegations on financing roadshows in Hong Kong, Mainland China and overseas. In 2019-20, the programme helped 26 technology startups raise a total of HK\$2.1 billion in capital.
- The Investor Calendar online platform was launched to match technology companies with target investors such as angel funds and institutional investors. Through the platform, technology companies can showcase their innovative solutions to investors to attract investment. More than 160 projects were shortlisted to present to investors since its launch.

Building extensive fundraising networks

- HKSTP's extensive investor network brings together more than 1,000 investors. More than 250 investment institutions have been invited to join the Corporation's list of active investors.
- The Corporation offers training and consultation platforms for startups, coaching them on business models, sales strategy, fundraising trends, business valuation and promotional techniques. Professional consultants were invited to run 26 free-of-charge consultation sessions for the Corporation's Professional Clinic programme.
- Tech Raiser was jointly launched by HKSTP and PwC Hong Kong. Under the three-phase programme, 10 technology startups had been selected to undergo comprehensive fundraising training, matching sessions and investment roadshows in the first phase. As of 31 March 2020, these startups had raised a total funding of HK\$43 million through the programme.
- SPRINTER was held jointly with HSBC in 2017-2019. Nearly 180 technology companies and 50 angel investors participated in professional training and business exchanges through the programme to promote the development of Hong Kong's I&T sector as well as the investment community. Selected companies had raised more than HK\$133 million as of 31 March 2020.

Matching worldwide startups with investors

- Held for the fourth time, the Elevator Pitch Competition (EPIc) converged more than 1,000 entrepreneurs, venture capitalists, angel investors and representatives of industries, incubation and accelerator programmes from around the world. A record 650 applications from 48 countries and regions were received for the 2019 event. The 126 contestants shortlisted for the on-site final vied for prize money of US\$100,000 to support the development of their innovation.
- The Angel x Corporate Venture Conference 2019, held in conjunction with the Hong Kong Business Angel Network, explored cross-border investment and acquisition opportunities. The startup exchange attracted 176 attendees including investors, family offices, startups, incubators and universities to share views and insights on investment strategies.

COLLABORATION AND TALENT SUPPORT

COLLABORATION AND INDUSTRY ADOPTION

Successful commercialisation is a significant milestone of the R&D outcome. To this end, HKSTP devised a multitude of channels for partner companies to penetrate markets and industries. The goal is to maximise exposure of their innovative solutions and help them establish a strong foothold in the market, thus fuelling the development impetus of our I&T ecosystem.

Promoting innovation to local industries

- IndustryConnect serves to promote and facilitate technological and industrial collaboration between Science Park companies and members of local industry as well as trade associations. The programme won the support of 38 industry and trade associations. In 2019-20, about 115 companies were connected with 820 industry players from the logistics, manufacturing, welfare, education, hospitality, travel, catering and banking sectors, to exchange innovative ideas and explore emerging technologies in AI, big data, robotics, IoT and health technologies.

Leading industry effort to accelerate innovation

- The Technologies from Science Park Programmes are designed to facilitate the adoption of innovative technologies between leading enterprises and Park companies. In 2019-20, Park companies presented their solutions to corporates such as the Airport Authority Hong Kong, Cathay Pacific Airways, Chinachem Group, China Merchants group, CLP, Hang Seng Bank, Hong Kong Broadband Network and Swire Resources Limited. Since the launch, a total of 90 technology solutions was adopted.

Exploring cross-border opportunities

- Launched in September 2019, the InnoExpress Programme is designed to help encourage overseas technology rising stars to tap into the China market. The programme provides startups with tailored support and guidance about visas and immigration, taxation, government grants and support, fund raising, talent recruitment, go-to-market strategies, policies and regulations. HKSTP and Japan External Trade Organization (JETRO) co-organised the “HKSTP InnoExpress X JETRO Innovation Programme” for the first time in Hong Kong in September 2019 and a one-day forum cum investor pitching event was tailor-made for Japanese technology startups.

- HKSTP signed a Memorandum of Understanding (MOU) with Thailand’s National Science and Technology Development Agency (NSTDA) in November 2019 to expand trade and investment relations in high technology areas in Hong Kong and Thailand.

Expanding global horizons

- HKSTP led incubatees and Park companies to join major international conferences and exhibitions, creating opportunities for them to build connections and explore opportunities in the global marketplace. HKSTP delegations attended various major technology conferences, including Collision in Toronto in May, RISE in Hong Kong in July, Web Summit in Portugal in November 2019; and the 2020 International CES in the US in January 2020.
- HKSTP Park companies were prominent at the 47th International Exhibition of Inventions of Geneva held in Switzerland in April 2019 with 16 Science Park companies taking home a total of 50 awards, including the top prize – the Grand Prix award.
- HKSTP attended Think Asia Think Hong Kong in the US in September 2019 to demonstrate Hong Kong’s I&T competitive edge. The delegation hosted a thematic session, “Riding the Wave of Health Innovations – Invest in Hong Kong Biotech”, to highlight the investment and development opportunities of Hong Kong’s biotechnology and healthcare industries, and shared the fintech landscape and related R&D capabilities in Hong Kong in a separate session on “Smart Banking Empowering Rapid Fintech Development in Hong Kong”.
- During 2019-20, HKSTP received 1,562 visitors from 29 countries and regions. The visits created opportunities for public and private sector collaboration for Park companies, as well as accessible platforms for knowledge exchange to expand horizons and business reach.

TALENT

Talent is an essential asset for I&T development. HKSTP is constantly enhancing our support services to draw in local and international talent to enrich our talent pool and inspire creativity and entrepreneurship in an effort to develop new-generation innovators.

Discovering local and overseas talent

- As Hong Kong Science Park Career Expo went virtual for the first time in March 2020, a record number of 18,000 CVs matching with more than 1,000 positions offered by 170 technology companies was reported, reflecting strong interest and participation from local and overseas I&T talent.
- HKSTP online talent matching platform Talent Pool has become a vital portal for Park companies and technology talent to find the best match. Since the launch of the platform, 28,362 individuals have registered on the platform, and 2,371 jobs were posted on the platform in 2019-20.
- The HKSTP Student Internship Programme provides funding for partner companies to employ students as full-time interns. In 2019-20, 62 partner companies had hired 104 interns with the support of the programme.
- Under Research Talent Hub (merging the previous Researcher Programme and Postdoctoral Hub), funded by the Innovation and Technology Commission (ITC), eligible Park companies receive funding for recruiting post-doctoral and research talent. In 2019-20, 351 recruits were approved under the Researcher Programme and 155 under the Postdoctoral Hub scheme.

Strengthening incentives to attract talent

- The Technology Talent Admission Scheme (TechTAS), introduced by the Innovation and Technology Commission (ITC) in 2018, provides a fast-track arrangement for eligible companies to admit overseas and Mainland technology talent to undertake research and development (R&D) work for them. Since January 2020, ITC has extended the coverage of TechTAS to all companies undertaking R&D activities in 13 applicable technology areas (i.e. Artificial Intelligence (AI), biotechnology, cybersecurity, data analytics, financial technologies, material science, robotics, 5G communications, digital entertainment, green technology, integrated circuit design, Internet-of-Things and microelectronics) in Hong Kong. In 2019-20, 30 HKSTP partner companies had been allotted with TechTAS quotas, most of which involved bringing in AI specialists.

- The HKSTP Accommodation Support Scheme was introduced in October 2018 to help partner companies attract talent from the Mainland and overseas by offering them accommodation subsidies to reside and work in Hong Kong. In 2019-20, accommodation subsidies were provided to 70 non-local R&D talent of 64 Park companies.
- HKSTP's smart living and co-creation residence, InnoCell, will provide around 500 spaces as affordable accommodation for talent and incubatees to work, play, exchange ideas and reside, all within Science Park to facilitate a more intensive collaboration. Being the first high-rise Modular Integrated Construction project in Hong Kong, the InnoCell is set for completion in end 2020, well ahead of schedule.

Boosting new-generation creativity

- Through HKSTP's Talent Connect portal, which lists internship opportunities at Science Park, and the NxTEC (Next Technologist Entrepreneurial Champion) programme supported by J.P. Morgan and the Hong Kong Institute of Human Resource Management, HKSTP partner companies can recruit high-potential students, undergraduates, postgraduates or associate degree holders from local universities, and groom them for the future talent pool. In 2019-20, more than 300 interns gained valuable work exposure with Park companies.
- Through the University Connect programme, HKSTP embraces R&D personnel from universities to interact and exchange with the Park's R&D community and develop mutual inspiration.
- The Thought-Leadership Series invites international scholars to join regular knowledge exchange sessions with local academia, on-site at Science Park or via online platforms. The initiative serves to keep the local R&D community in touch with cutting-edge international R&D work.

THE FUTURE

Technology is advancing by leaps and bounds as the global drive towards Industry 4.0 intensifies. HKSTP continues to formulate a cohesive forward-looking strategy delivering critical infrastructure and support measures for expediting Hong Kong's innovation and technology development in the post-COVID recovery. Together with the stakeholders of the I&T ecosystem, the Corporation will continue to develop the city's competitive advantages and play an important part in growing Hong Kong's economy.

ENGINEERING RE-INDUSTRIALISATION WITH TECHNOLOGY

In support of Hong Kong's re-industrialisation aspirations, HKSTP is integrating innovative technology, R&D and industry to build multi-storey and high-tier industrial buildings at the Industrial Estates, with a view to fostering smart production and attracting high value-added technology industries.

In respect of infrastructure, HKSTP has been spearheading the development of the Data Technology Hub (DT Hub) and the Advanced Manufacturing Centre (AMC) at the Tseung Kwan O Industrial Estate (TKOIE).

Built at the heart of the TKOIE data centre cluster, DT Hub is set to evolve Hong Kong into a data economy and drive industrial upgrade by its high speed network and transmission capability. By leveraging data and ICT technology, DT Hub supports low-latency financial trading, IT computer design/system integration, data centre operational support, multi-media processing and Industry 4.0 cyber physical system development. The DT Hub building with a GFA of 27,000 sqm has been completed.

AMC provides a GFA of about 108,000 sqm. The high-standard building provisions such as high ceiling and high floor loading design make it ideal for technologically innovative, high value-added or personalised high mix production. The centre offers comprehensive services for logistics, warehousing, prototyping and low-volume assembly, and clean-room-enabled space. A shared logistics centre provides ample common warehousing space and a centrally controlled delivery system for flexible logistics arrangements to provide visibility of Industry 4.0 supply chain intelligence. AMC will be completed in 2022.

In addition, HKSTP will develop a Microelectronics Centre (MEC) in the Yuen Long Industrial Estate for microelectronics production. The facility is equipped with dedicated facilities such as clean rooms, dangerous goods storage and waste treatment facilities, as well as ancillary facilities such as laboratories for product quality and reliability testing analysis.

INNOHK RESEARCH CLUSTERS

The Government is pressing ahead with the establishment of the *InnoHK* research clusters in the Hong Kong Science Park. The first two research clusters are "*Health@InnoHK*" focusing on healthcare technologies and "*AIR@InnoHK*" focusing on artificial intelligence and robotics technologies.

The *InnoHK* initiative has received 65 proposals from world-renowned universities and research institutes. After a rigorous selection and assessment process, the Government is following up with the institutions whose proposal is recommended for admission. The first batch of R&D centers / laboratories is expected to commence operation progressively from the fourth quarter of 2020 to the first quarter of 2021.

EMBRACING CO-CREATION AND SMART LIVING

Adjacent to the Science Park, the InnoCell will provide around 500 spaces as affordable accommodation for tenants and incubatees of Science Park. As the first to adopt high-rise Modular Integrated Construction method in Hong Kong, the InnoCell is set for completion in December 2020 and starting operation in early 2021.

TAPPING GBA SYNERGY

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, startup funding and financing, and commercialisation of R&D results.

HKSTP will proactively explore and facilitate collaboration with stakeholders in the GBA, with a view to complementing the unique strengths of various GBA cities, accelerating I&T development across the region, and enhancing Hong Kong's position as an international innovation and technology hub.

The Hong Kong-Shenzhen Innovation and Technology Park will become a key base for cooperation in R&D, higher education and cultural and creative industries, capitalising on the competitive advantages of GBA cities to create synergies, form closer regional links and foster I&T collaboration.

THE CORPORATION

CORPORATE INFORMATION

HEAD OFFICE

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Pak Shek Kok, New Territories
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INNOCENTRE OFFICE

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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 page 32 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
Ms. Angel NG Yin Yee (with effect from 1 January 2020)
Mr. Joseph NGAI, JP
Mr. Gavin POON Ka Ming
Professor TANG Xiaou
Mr. Denis TSE Tik Yang
Permanent Secretary for Innovation and Technology

FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Mr. Dennis HO Chiu Ping (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

Remarks:

Mr. Theodore MA Heng retired from FAC, AC, and IC on 30 June 2020.
Professor TSUI Lap Chee retired from FAC and AC on 30 June 2020

Updates with effect from 24 July 2020:

Mr. CHEN Shuang joined FAC and IC
Mr. Herbert CHIA Pun Kok retired from PFC and joined AC
Mr. Donald CHOI Wun Hing joined FAC
Dr. Stephanie MA Kwai Yee joined BDAC and PFC
Dr. Kim MAK Kin Wah retired from BDAC and joined AC
Mr. Daryl NG Win Kong joined FAC and PFC

INVESTMENT COMMITTEE (IC)

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

AUDIT COMMITTEE (AC)

The Honourable Jimmy NG Wing Ka, BBS, JP (Chairman)
Mr. Dennis HO Chiu Ping
Mr. Theodore MA Heng
Professor TSUI Lap Chee, GBM, GBS, JP
Permanent Secretary for Innovation and Technology

SENIOR STAFF ADMINISTRATION COMMITTEE (SSAC)

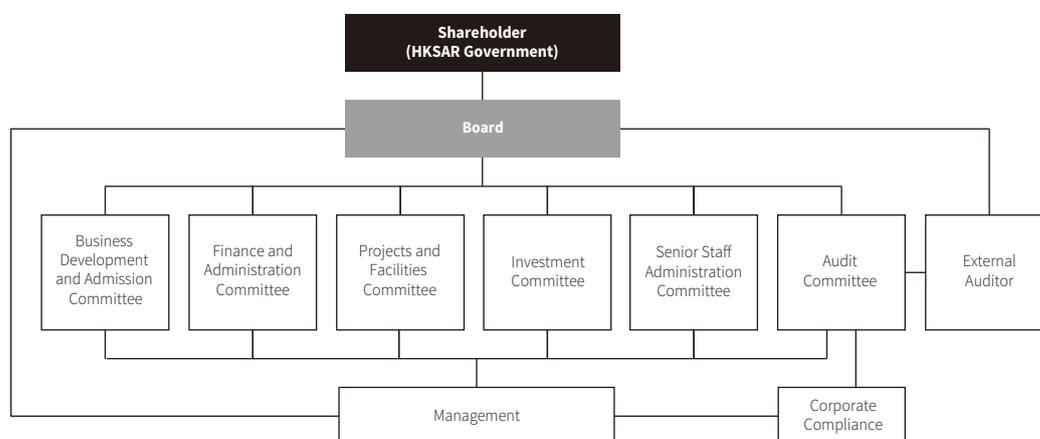
Dr. Sunny CHAI Ngai Chiu, BBS (Chairman)
Ms. Cordelia CHUNG
Mr. Dennis HO Chiu Ping
Ms. Angel NG Yin Yee
Mr. Joseph NGAI, JP
Permanent Secretary for Innovation and Technology

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 2020, the Board comprised 16 Non-Executive Directors including the Chairman and 15 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, 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 policies and guidelines 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 "Making of a Unicorn – Lalamove's story" hosted by Mr. Shing Chow, founder and CEO of Lalamove, was arranged for sharing the success and experience in running a start-up company during the Board Strategy Day on 13 December 2019. A briefing session on "Big Data and Artificial Intelligence Governance" hosted by the Privacy Commissioner for Personal Data was also arranged for the Board on 27 September 2019.

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, guidelines on managing conflict of interest and preventing misconduct in public office issued by the Hong Kong Independent Commission Against Corruption was also shared with the Board.

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 seven times during the year with an average attendance rate of 75%.

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 the Independent Auditors' Report on page 34 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
- 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 22 of the Annual Report.

BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE

The Business Development and Admission Committee ("BDAC"), chaired by Dr. Sunny Chai, 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. Dennis Ho (after Mr. Raymond Cheng retired from the Board on 30 June 2019), 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, 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. Denis Tse (after Mr. Dennis Ho retired from the role of Chairman of the IC on 30 June 2019), 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 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, 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, 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 IC. 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, seven CVF-IC meetings had been held with an average attendance rate of 86% 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 2019 to 31 March 2020 is provided in the following table.

BOARD MEMBERS	MEETINGS	Board of Directors	BDAC	FAC	PFC	IC	AC	SSAC
Dr. Sunny CHAI Ngai Chiu		7/7	6/6	-	-	-	-	3/3
Permanent Secretary for Innovation and Technology ¹ or her alternates		7/7	6/6	4/4	4/4	2/2	3/3	3/3
Mr. Raymond CHENG Siu Hong (Retired with effect from 30 June 2019)		0/2	-	1/1	-	0/1	1/1	1/2
Mr. Herbert CHIA Pun Kok		7/7	4/6	-	4/4	-	-	-
Mr. Donald CHOI Wun Hing		5/7	-	-	4/4	-	-	-
Ms. Cordelia CHUNG		7/7	5/6	-	4/4	2/2	-	2/3
Mr. Kent HO Ching Tak		5/7	-	3/4	-	1/2	-	-
Mr. Dennis HO Chiu Ping (Joined SSAC on 26 August 2019)		7/7	-	4/4	-	2/2	3/3	1/1
Mr. Theodore MA Heng		4/7	-	2/4	-	1/2	3/3	-
Dr. Kim MAK Kin Wah		5/7	5/6	-	2/4	-	-	-
Professor MAK Tak Wah (Resigned on 28 October 2019)		0/4	-	-	-	-	-	-
Ms. Angel NG Yin Yee (Appointed on 1 July 2019) (Joined SSAC on 26 August 2019 and BDAC on 1 January 2020)		5/5	2/2	-	-	-	-	1/1
The Honourable Jimmy NG Wing Ka		5/7	-	-	-	-	3/3	-
Mr. Joseph NGAI		4/7	1/6	-	-	-	-	2/3
Mr. Gavin POON Ka Ming		4/7	4/6	-	2/4	-	-	-
Professor TANG Xiaou		3/7	3/6	-	-	-	-	-
Mr. Denis TSE Tik Yang		6/7	4/6	4/4	-	2/2	-	-
Professor TSUI Lap Chee (Joined AC on 26 August 2019)		6/7	-	3/4	-	-	1/2	-
Average Attendance Rate		75%	71%	84%	83%	77%	93%	81%

Remarks:

¹ 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 her 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 Corporation regularly organises relevant training for employees. The Equal Opportunities Commission is invited to give briefing on the four anti-discrimination ordinances and the ways to prevent discrimination in the workplace. The last briefing session for new and existing employees was conducted in July 2019. Also, The ICAC is invited to give briefing on the prevention of bribery and conflict of interest to employees. The last briefing session for new and existing employees was conducted in November 2019.

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 27 to 29 of the Annual Report.

During 2019/20, 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 2020, the auditor's remuneration in respect of audit service provided for the Corporation and its subsidiaries was HK\$808,000. No non-audit service was provided by KPMG 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 June 2020.

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 should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director.	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 19 of the Annual Report for details of events participated by the directors during 2019/20.
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 regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period).	For board and committee meetings held during 2019/20, 5% of the total number of meeting papers was dispatched less than 3 days before the meetings and half of which were informational papers that 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 58 of the Annual Report.

The attendance of Directors at meetings is reported on page 22 of the Annual Report.

COMMUNICATION

Continuous and transparent communication with our stakeholders, during unprecedented times when volatility is prevailing around the world, remains a top priority of the Corporation. Apart from frequent updates of the latest corporation's development, we ensure important information, such as financial relief measures and pandemic preventive measures, reaches our community in an open and timely manner via email, website and mobile app.

While we continue to host key events including corporate events, press conferences and park companies' product/solution launches, and participate in third-party exhibitions and conferences, we move some of our signature events and activities online to make sure our stakeholders can stay engaged and interact with each other even during social distancing period. In March 2019, we took our annual Hong Kong Science Park Career Expo online and it was concluded with 18,000 CVs received from talent all over the world, matching them with over a thousand of vacancies by 170 hiring companies- the result has broken the record despite the change into a virtual format. The Chairman, the CEO and the senior management also made themselves available online and offline for public occasions and industry forums, to keep evangelising the Corporation in its efforts to drive Hong Kong into an international innovation and technology hub.

DIGITAL AND SOCIAL MEDIA

We continue to build engaging content covering the success stories of our partner companies, promotion of the signature events and publicity of industry news and partnership to facilitate communications with our target stakeholders via social and digital channels, namely HKSTP's corporate website, LinkedIn, YouTube, Facebook and Instagram. We also produced video stories such as "Inno Wonderland" and "Tech For Good" to feature the innovations of our partner companies. Some of these contents are created in collaboration with media partners with an aim to deepen our reach to the community. With the revamp of the HKSTP corporate website and Park App during the year, we paved our way to cultivate a co-creation culture with innovators across key touchpoints on top of optimising visitors' experience and enhancing community engagement.

CARING COMPANY

Being a responsible corporate citizen, we are committed to embracing corporate sustainability and social responsibility initiatives. This is the twelve consecutive years 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 is 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 operation excellence such as Assertiveness Training, Persuasive Presentation Skills, Understanding Finance, Win-Win Negotiation and Performance Feedback & Coaching Skills. The "SMART Supervisory Certification Program" which aims to equip people managers with essential management skills was held from July to November 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.

SUSTAINABILITY 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 minimise potential health, safety and environmental incidents, and to mitigate their consequences.

We put continuous effort to complete Display Screen Equipment ("DSE") assessments for the increasing numbers of staff workstations due to expansion of HKSTP's operations. In addition, Display Screen Equipment User Online training has been rolled out to all HKSTP Staff for e-learning since March 2020. This online training allows all HKSTP staff to understand the cause of health effect by incorrect use of DSE and how to avoid or control health hazards.

In training and promotion, SHE Induction Training class is arranged for all the newly joined HKSTP staff to provide SHE information and increase safety awareness. Four seminars, Fire Safety, Pain Management, Nutrition Labelling, The Health Implication of Snoring & Bad Sleep are organised within fiscal year 2019/20 to promote health and 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 to monitor the SHE performance of the contractors and subcontractors in their projects. SHE office continue to provide technical support in the food safety and hygiene audit for all food and beverage outlets in Science Park and InnoCentre.

The safety inspection program for offices and co-working facilities has been run on a monthly basis to cover, the Corporation's headquarter at Building 5E, Technology Support Centre ("TSC") office, Biotech Support Centre ("BSC") office, Project Development site office, Incubation and InnoCentre offices, Industrial Estates management offices and 12 various co-working facilities. In addition, a weekly inspection across Science Park phase one to three is initiated to further monitor SHE performance in public premises.

SHE handbook has been reviewed and revised to ensure information is current. Newly endorsed policy and guidelines are also incorporated into the handbook.

External certified auditor is engaged to conduct internal audits for ISO 45001 and ISO 14001 compliance, 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 Laboratory Facilities Management).

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 2020, 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"> Proactively engage key stakeholders at different levels to solicit support in the areas concerning policy, market adoption, investment, education and training Conduct promotional activities locally and globally, as well as in the Mainland markets to attract quality R&D companies Plan and execute funding and resources to attract and support R&D companies, in view of developing a core of high quality R&D companies to strengthen the innovation & technology ecosystem and attract talents Define and execute stricter focuses with specific sub-sectors and list of targeted companies to attract to build stronger portfolio
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"> Health and Safety policies and governance structures are reviewed regularly Safety audit programme is in place to cover high risk workplaces such as laboratories operated by HKSTP, tenants or contractors 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
	The risk of not being able to operate due to outbreak of the COVID-19 disease	<ul style="list-style-type: none"> Observe all good practices as enacted by the WHO and HK Center for Health Prevention Establish a crisis management team to provide guidance and oversee the actions taken to prevent the outbreak of the disease on the premises of HKSTP

Principal Risks	Description	Key Mitigations
Information Security Risk	Inadequate processes and procedures leading to security breaches and loss of critical data	<ul style="list-style-type: none"> • Procedures and measures are in place to prevent security breaches • Constantly on the alert of new cyber threats and take immediate measures to address them • 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 • Conduct simulated phishing email tests regularly to test users' vigilances against phishing email • Appoint professional security consultants to assess system vulnerability and implement solution to address any security issues
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"> • Policies and procedures and monitoring programmes are in place to address various operational and fraud risks • Compliance audits are conducted
Reputational Risk	Negative publicity due to allegations/negative articles in the press	<ul style="list-style-type: none"> • Maintain close working relationships with the press and media • Effective communications with the public when handling negative publicity • Regular reviews and improvement for issue/crisis communications
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"> • Legal advice sought prior to embarking on business activities and new initiatives • Compliance audits are conducted
Financial Risk	The risk of not being able to achieve financial self-sustainability with the current business model	<ul style="list-style-type: none"> • Undertake the annual rental review and align the headline rate with market conditions • Implement stringent control on expenditure • Use a rolling forecast to monitor the financial result and manage any potential financial exposure

**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 2020.

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 31 to the financial statements.

RESULTS

The results of the Corporation and its subsidiaries (the "Group") for the year ended 31 March 2020 and the financial position of the Group as at that date are set out in the financial statements on pages 38 to 74.

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 24 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
Chairperson			
Dr. Sunny CHAI Ngai Chiu, BBS*	2018*	2020	
Government Members#			
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>			
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)	-	-	-
Mr. CHEUK Wing Hing, GBS, JP (Retired on 11 April 2019)	-	-	-
Members			
Mr. CHEN Shuang, JP	2020		
Mr. Raymond CHENG Siu Hong (Retired on 30 June 2019)	2013	2015	2017
Mr. Herbert CHIA Pun Kok	2018	2020	
Mr. Donald CHOI Wun Hing	2018	2020	
Ms. Cordelia CHUNG	2017	2019	
Mr. Kent HO Ching Tak	2017	2019	
Mr. Dennis HO Chiu Ping	2018	2020	
Mr. Theodore MA Heng (Retired on 30 June 2020)	2014	2016	2018
Dr. Stephanie MA Kwai Yee	2020		
Dr. Kim MAK Kin Wah, BBS, JP	2017	2019	
Professor MAK Tak Wah, OC, FRSC, FRS (Resigned with effect from 28 October 2019 in accordance with section 1(3)(d) of Schedule 2 to the Ordinance)	2018		
Mr. Daryl NG Win Kong, JP	2020		
Ms. Angel NG Yin Yee	2019		
The Honourable Jimmy NG Wing Ka, BBS, JP	2018	2020	
Mr. Joseph NGAI, JP	2016	2018	2020
Mr. Gavin POON Ka Ming	2018	2020	
Professor TANG Xiaou	2018	2020	
Mr. Denis TSE Tik Yang	2018	2020	
Professor TSUI Lap Chee, GBM, GBS, JP (Retired on 30 June 2020)	2014	2016	2018

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.

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

The re-appointment of KPMG as auditors of the Corporation for the year ended 31 March 2020 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

28 September 2020

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 38 to 74, which comprise the consolidated statement of financial position as at 31 March 2020, 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 2020 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 2020, the Group held property, plant and equipment located in Hong Kong with carrying amounts totalling HK\$10,483 million, which represented 40% 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 2020, 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"> • 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; • 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; • 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 • 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.

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 HKSAAs 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 HKSAAs, 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, actions taken to eliminate threats or safeguards applied.

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.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Income			
Gross rental income	5(a)	723,627	728,741
Industrial Estates income		250,118	7,221
Property management fee, air-conditioning and support facility income		232,240	230,442
Income from technology support centres and communal facilities		21,538	20,239
Increase in fair value of financial assets at fair value through profit or loss		4,270	12,493
Government grant income	5(b)	3,308	27,192
Miscellaneous income		11,319	6,116
		1,246,420	1,032,444
Expenditure			
Operating and administrative expenses		(440,701)	(349,982)
Expenses for property management, technology support centres and communal facilities	6(a)	(370,783)	(337,269)
Incubation and tenant support and technology transfer expenses		(107,706)	(49,816)
Marketing and promotion expenses		(62,637)	(42,511)
Cost of land recognised upon premise in Industrial Estates granted		(7,738)	-
		(989,565)	(779,578)
Operating surplus before interest and depreciation			
		256,855	252,866
Interest income	5(c)	234,945	204,872
Interest expenses	6(b)	(34)	(57,438)
Surplus before depreciation			
		491,766	400,300
Depreciation	11	(499,558)	(430,736)
Deferred income		79,013	66,225
Surplus for the year			
	7	71,221	35,789
Other comprehensive income for the year			
<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		(8,142)	693
Surplus and total comprehensive income for the year			
		63,079	36,482

The notes on pages 43 to 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Non-current assets			
Property, plant and equipment	11	10,483,129	8,613,865
Construction in progress	12	3,186,920	3,213,692
Industrial Estates	13	449,209	386,947
Other financial assets	14	66,004	52,296
Financial assets at fair value through profit or loss		34,765	22,639
Bank deposits with original maturities of more than three months	16	-	770,000
Total non-current assets		14,220,027	13,059,439
Current assets			
Accounts receivable, prepayments, deposits and other receivables	15	165,543	152,039
Bank deposits with original maturities of more than three months	16	10,861,367	10,226,241
Cash and cash equivalents	17(a)	646,745	260,558
Total current assets		11,673,655	10,638,838
Current liabilities			
Accrued charges and other payables	18	1,021,586	868,197
Deposits and rental received in advance	19	375,903	366,600
Government loans	20	89,842	88,506
Medium term notes	21	-	854,973
Lease liabilities	23	1,180	-
Total current liabilities		1,488,511	2,178,276
Net current assets		10,185,144	8,460,562

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Total assets less current liabilities		24,405,171	21,520,001
Non-current liabilities			
Deferred income	22	1,809,931	1,899,669
Government loans	20	618,653	708,467
Medium term notes	21	851,784	851,735
Lease liabilities	23	1,594	–
Total non-current liabilities		3,281,962	3,459,871
NET ASSETS		21,123,209	18,060,130
EQUITY			
Issued capital	24	20,770,398	17,770,398
Reserves		352,811	289,732
TOTAL EQUITY		21,123,209	18,060,130

Approved and authorised for issue by the board of directors on 28 September 2020.

Dr. Sunny CHAI Ngai Chiu, BBS

Chairperson

Mr. Dennis HO Chiu Ping

Director

The notes on pages 43 to 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Issued capital	Accumulated surplus	Fair value reserve (non-recycling)	Total equity
	\$'000	\$'000	\$'000	\$'000
At 1 April 2018	15,210,398	251,190	2,060	15,463,648
Changes in equity for 2019:				
Issuance of shares (note 24)	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
At 31 March 2019 and 1 April 2019	17,770,398	286,979	2,753	18,060,130
Changes in equity for 2020:				
Issuance of shares (note 24)	3,000,000	–	–	3,000,000
Surplus for the year	–	71,221	–	71,221
Other comprehensive loss	–	–	(8,142)	(8,142)
Total comprehensive income for the year	–	71,221	(8,142)	63,079
At 31 March 2020	20,770,398	358,200	(5,389)	21,123,209

The notes on pages 43 to 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020
(Expressed in Hong Kong dollars)

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Surplus for the year		71,221	35,789
Adjustments for:			
Depreciation	11	499,558	430,736
Loss/(gain) on disposal of items of property, plant and equipment	7	53,480	(91)
Deferred income related to disposal of items of property, plant and equipment	7	(20,490)	-
Interest expenses	6(b)	34	57,438
Increase in fair value of financial assets at fair value through profit or loss		(4,270)	(12,493)
Other deferred income recognised		(58,523)	(66,225)
Gain on premise in Industrial Estates granted		(109,121)	-
Interest income	5(c)	(234,945)	(204,872)
		196,944	240,282
<i>Changes in operating assets and liabilities:</i>			
Increase in accrued charges and other payables		17,302	92,357
Increase in deposits and rental received in advance		9,303	20,884
Increase in accounts receivable, prepayments, deposits and other receivables		(40,593)	(34,589)
		182,956	318,934
Cash flows from investing activities			
Interest received		262,034	203,857
Decrease/(increase) in bank deposits with original maturities of more than three months when acquired		134,874	(440,851)
Proceeds from/(payments for) Industrial Estates		46,859	(100,000)
Payment for construction in progress		(2,200,682)	(2,228,041)
Increase in other financial assets		(21,850)	(17,207)
Payment for the purchase of items of property, plant and equipment		(14,470)	(34,573)
Increase in financial assets at fair value through profit or loss		(7,856)	-
		(1,801,091)	(2,616,815)
Cash flows from financing activities			
Proceeds from issuance of new shares	24	3,000,000	2,560,000
Repayment of medium term notes	17(c)	(855,000)	-
Repayment of government loans	17(c)	(99,203)	(98,259)
Interest paid	17(c)	(40,001)	(50,148)
Capital element of lease rentals paid	17(c)	(1,440)	-
Interest element of lease rentals paid	17(c)	(34)	-
		2,004,322	2,411,593
		386,187	113,712
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		260,558	146,846
Cash and cash equivalents at the end of the year	17(a)	646,745	260,558

The notes on pages 43 to 74 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 2020 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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 new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach to measure the right-of-use assets at an amount equal to the amount recognised for the remaining lease liabilities. Therefore, the adoption of HKFRS 16 does not result in an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported according to HKAS 17.

Key changes to the Group's accounting policies resulting from the adoption of HKFRS 16 are summarised below:

a. As a lessee

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

b. As a lessor

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(ii) Annual Improvements to HKFRSs 2015–2017 cycles: Amendments to HKAS 23, Borrowing costs

The amendments to HKAS 23, *Borrowing costs*, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under construction. If a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of the funds an entity borrows generally.

The Group has applied these amendments to borrowing costs incurred on or after 1 April 2019, the date of initial application according to the transitional provisions. Consequentially, additional borrowing costs of HK\$43,290,000 were capitalised to construction in progress during the year ended 31 March 2020.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 fair value through profit or loss ("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 28(e).

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 fair value through other comprehensive income ("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).

(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)(ii)).

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	Over the unexpired terms of the leases or 5%
—	Estate centre building	Over the unexpired terms of the leases
—	Other properties leased for own use	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.

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)

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)(ii)).

InnoCentre

The InnoCentre is developed for the purpose of supporting development for fintech, digital commerce and design by providing infrastructure and facilities and leasing office space for tenants engaged in such 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)(ii)).

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)(ii)).

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)(ii)).

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.

(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, borrowing costs capitalised, together with direct and indirect overheads applicable to the construction, less accumulated impairment losses (see note 2.4(h)(ii)).

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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)(ii)). 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

(A) *Policy applicable from 1 April 2019*

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to income statement in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2.4(h)(ii)).

In the statement of financial position, the Group presents right-of-use assets within “property, plant and equipment” and presents lease liabilities separately.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (continued)

(B) Policy applicable prior to 1 April 2019

An arrangement, comprising a transaction or a series of transactions, was or contained a lease if the Group determined that the arrangement conveyed 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 was made based on an evaluation of the substance of the arrangement and was regardless of whether the arrangement took the legal form of a lease.

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were 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

The Group recognises a loss allowance for expected credit loss ("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.

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.

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

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).

- 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 ECLs (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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned;
- (ii) Industrial Estates income in relation to the premises of Industrial Estates granted to the grantees is recognised when the transactions are completed;
- (iii) management fee, air-conditioning and support facility income is recognised when the services are rendered to the tenants;
- (iv) 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;
- (v) deferred income arising from assets granted by the Government is recognised over the unexpired terms of the leases of the related assets in accordance with the depreciation policies of the related assets;
- (vi) government grant income in compensating expenses incurred is recognised on a systematic basis in the same periods in which the related costs are expensed (see note 2.4 (n));
- (vii) interest income is recognised as it accrues using the effective interest method; and
- (viii) dividends
 - dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
 - dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 5.04% (2019: 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 2020, the net carrying amount of the property, plant and equipment was \$10,483,129,000 (2019: \$8,613,865,000) after taking into account the accumulated impairment provision of \$135,875,000 made in previous year in respect of certain property, plant and equipment.

4 OPERATING SEGMENT INFORMATION

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. 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.

(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.

To reconcile the Group's financial results, certain items are not reported under an individual segment but are classified under Government Funded Initiatives. Government Funded Initiatives refer to a range of facilities to foster the research work in healthcare and artificial intelligence and robotics technologies, and support measures and incentives to the Corporation's tenants and incubatees. They are funded by the Government through equity injected to the Corporation. Cost of facilities is accounted for in property, plant and equipment and construction in progress. Support measures and incentives including funding support, rental concession, related facilities' operating expenses and corporate overheads are accounted for in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (CONTINUED)

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

	2020			
	Science Park \$'000	InnoCentre \$'000	Industrial Estates \$'000	Total \$'000
Income	872,498	59,653	326,466	1,258,617
Expenditure	(775,836)	(37,366)	(59,638)	(872,840)
Operating surplus before interest and depreciation	96,662	22,287	266,828	385,777
Net interest income	132,367	-	102,544	234,911
Surplus before depreciation	229,029	22,287	369,372	620,688
Depreciation, net of deferred income	(394,420)	(15,641)	(9,787)	(419,848)
Reportable segment (deficit)/surplus for the year	(165,391)	6,646	359,585	200,840
<i>Government funded initiatives</i>				
— Rental income concession				(12,197)
— Operating expenses				(117,422)
Surplus for the year				71,221
	2019			
	Science Park \$'000	InnoCentre \$'000	Industrial Estates \$'000	Total \$'000
Income	908,252	59,397	66,246	1,033,895
Expenditure	(694,706)	(36,309)	(38,770)	(769,785)
Operating surplus before interest and depreciation	213,546	23,088	27,476	264,110
Net interest income	26,276	-	121,158	147,434
Surplus before depreciation	239,822	23,088	148,634	411,544
Depreciation, net of deferred income	(342,300)	(13,664)	(8,388)	(364,352)
Reportable segment (deficit)/surplus for the year	(102,478)	9,424	140,246	47,192
<i>Government funded initiatives</i>				
— Rental income concession				(1,451)
— Operating expenses				(9,952)
Surplus for the year				35,789

Total cost of facilities under Government Funded Initiatives as at 31 March 2020 was approximately \$303 million (2019: approximately \$50 million).

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 connection 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

	2020	2019
	\$'000	\$'000
Interest income on bank deposits	234,945	204,872

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 \$333,626,000 (2019: \$307,193,000) and expenses for technology support centres and communal facilities of \$37,157,000 (2019: \$30,076,000). Included in expenses for property management were salaries and other benefits of \$87,389,000 (2019: \$68,265,000) and contribution to defined contribution retirement scheme of \$4,439,000 (2019: \$3,108,000) that the management companies paid to their staff.

(b) Interest expenses

	2020	2019
	\$'000	\$'000
Interest expenses on medium term notes	32,480	45,532
Interest expenses on government loans	10,810	11,906
Interest expense on lease liabilities	34	–
	43,324	57,438
Less: interest expense capitalised into construction in progress (Note)	(43,290)	–
	34	57,438

Note: The borrowing costs were capitalised at rates of 1.1% to 3.2% per annum (2019: Nil).

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):

	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses (excluding staff costs of property management, as set out in note 6(a)):				
– Wages and salaries		283,238		219,715
– Retirement scheme contribution		15,756		14,026
Loss/(gain) on disposal of items of property, plant and equipment	53,480		(91)	
Less: Deferred income related to disposal of items of property, plant and equipment	(20,490)		–	
Net loss/(gain) on disposal		32,990		(91)
Auditors' remuneration		808		730

8 DIRECTORS' EMOLUMENTS

No directors received any fees or emoluments in respect of their services rendered to the Group during the year (2019: 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:

	2020	2019
	\$'000	\$'000
Salaries and other benefits	12,980	12,249
Performance related incentive payments	3,174	3,061
Retirement benefit scheme contributions	773	916
	16,927	16,226

The remuneration of the CEO for the year is \$4,993,000 (salary and other benefits: \$3,841,000; performance related incentive payments: \$960,000; retirement benefit scheme contributions: \$192,000) (2019: \$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:

	2020	2019
\$2,500,001 to \$3,000,000	2	3
\$3,000,001 to \$3,500,000	2	1
\$4,500,001 to \$5,000,000	1	1
	5	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 2020 and 2019.

11 Property, plant and equipment

	Properties*			Other properties leased for own use	Estate centre building	Laboratories equipment and facilities	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	Total
	Science Park	InnoCentre	Industrial Estates buildings							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:										
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
Impact on initial application of HKFRS 16 (Note)	-	-	-	795	-	-	-	-	-	795
At 1 April 2019	10,996,370	204,970	130,939	795	938	389,007	711,160	202,610	3,737	12,640,526
At 1 April 2019	10,996,370	204,970	130,939	795	938	389,007	711,160	202,610	3,737	12,640,526
Additions	-	-	-	3,419	-	4,422	5,121	4,944	-	17,906
Disposals	(131,630)	-	-	-	-	(1,434)	(200)	(905)	(200)	(134,369)
Transfer from Construction in progress	2,316,905	-	-	-	-	8,231	71,849	6,633	-	2,403,618
Reclassification	-	-	-	-	-	20,833	-	(20,833)	-	-
At 31 March 2020	13,181,645	204,970	130,939	4,214	938	421,059	787,930	192,449	3,537	14,927,681
Accumulated depreciation and impairment provision:										
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
At 1 April 2019	2,817,993	83,544	41,806	-	454	346,942	573,113	159,038	2,976	4,025,866
Charge for the year	366,216	4,672	7,777	1,443	25	26,481	76,570	16,102	272	499,558
Written back on disposals	(78,201)	-	-	-	-	(1,434)	(138)	(899)	(200)	(80,872)
Reclassification	-	-	-	-	-	7,469	-	(7,469)	-	-
At 31 March 2020	3,106,008	88,216	49,583	1,443	479	379,458	649,545	166,772	3,048	4,444,552
Net book value:										
At 31 March 2020	10,075,637	116,754	81,356	2,771	459	41,601	138,385	25,677	489	10,483,129
At 31 March 2019	8,178,377	121,426	89,133	-	484	42,065	138,047	43,572	761	8,613,865

* 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)

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Under this method, comparative information is not restated. See note 2.3.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2020	2019
	\$'000	\$'000
Ownership interests in leasehold land and properties held for own use with remaining lease term of:		
— within 50 years	10,274,206	8,389,420
Other property leased for own use with remaining lease term of:		
— within 3 years	2,771	-
	10,276,977	8,389,420

The Group has obtained the right to use certain land lots for the development of premises relating to the Group's principal activities. The Group has also obtained the right to use certain properties for supporting the new or advanced technologies in Hong Kong through tenancy agreements. The leases do not include any variable lease payments.

The analysis of expense items in relation to leases recognised in income statement is as follows:

	2020	2019
	\$'000	\$'000
Depreciation charge of right-of-use assets:		
— Ownership interests in leasehold land and buildings	378,690	331,874
— Other properties leased for own use	1,443	-
Interest on lease liabilities (note 6(b))	34	-

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12 CONSTRUCTION IN PROGRESS

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the year	3,213,692	857,377
Additions	2,333,556	2,397,156
Capitalised interest (note 6(b))	43,290	–
Transfer to property, plant and equipment	(2,403,618)	(90,026)
Transfer from Industrial Estates	–	49,185
Carrying amount at the end of the year	3,186,920	3,213,692

As at 31 March 2020, Construction in progress, including expansion of Science Park Phase 1, Data Technology Hub (Project A), Advanced Manufacturing Centre (Project C) and InnoCell are being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development.

13 INDUSTRIAL ESTATES

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the year	386,947	336,132
Additions	70,000	100,000
Transfer to construction in progress	–	(49,185)
Cost of land recognised upon premise granted	(7,738)	–
Carrying amount at the end of the year	449,209	386,947

14 OTHER FINANCIAL ASSETS

	2020 \$'000	2019 \$'000
Equity securities designated at FVOCI (non-recycling):		
— Unlisted	(i) 60,472	46,203
— Listed in overseas	(ii) 5,532	6,093
	66,004	52,296

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14 OTHER FINANCIAL ASSETS (CONTINUED)

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 (2019: Nil).
- (ii) The listed equity securities are 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 (2019: Nil).

15 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	\$'000	\$'000
Accounts receivable, net of loss allowance	11,739	13,499
Prepayments	15,089	10,536
Deposits and other receivables	138,715	128,004
	165,543	152,039

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 2020, the balance of accounts receivable covered by collateral amounted to \$1,541,000 (2019: \$385,000). 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 28(b).

16 BANK DEPOSITS WITH ORIGINAL MATURITIES OF MORE THAN THREE MONTHS

As at 31 March 2019, the balance represented deposits placed with banks, with original maturities ranging from three months to two years. As at 31 March 2020, all bank deposits have remaining maturities within one year.

As at 31 March 2020, these bank deposits carried interest at the average interest rate of 2.28% (2019: 2.39%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020, the Group had disposed of several laboratories equipment and facilities at a total consideration of \$17,000 (2019: \$129,000) 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	Government loans	Interest payable	Lease liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 April 2019	1,706,708	796,973	17,378	–	2,521,059
Impact of initial application of HKFRS 16	–	–	–	795	795
	1,706,708	796,973	17,378	795	2,521,854
Changes from financing cash flows:					
Repayment of government loans	–	(99,203)	–	–	(99,203)
Repayment of medium term notes	(855,000)	–	–	–	(855,000)
Capital element of lease rentals paid	–	–	–	(1,440)	(1,440)
Interest element of lease rentals paid	–	–	–	(34)	(34)
Interest paid	–	–	(40,001)	–	(40,001)
Total changes from financing cash flows	(855,000)	(99,203)	(40,001)	(1,474)	(995,678)
Other changes:					
Increase in lease liabilities from entering into new lease during the year	–	–	–	3,419	3,419
Amortisation of deferred income	–	10,725	–	–	10,725
Interest expenses (note 6(b))	–	–	–	34	34
Interest expense realised (note 6(b))	76	–	43,214	–	43,290
Total other changes	76	10,725	43,214	3,453	57,468
As at 31 March 2020	851,784	708,495	20,591	2,774	1,583,644

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

(d) Total cash outflow for leases

	2020	2019
	\$'000	\$'000
Within financing cash flows and relating to lease rentals paid	1,474	–

18 ACCRUED CHARGES AND OTHER PAYABLES

	2020	2019
	\$'000	\$'000
Accrued charges	920,700	812,394
Other payables	100,886	55,803
	1,021,586	868,197

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 \$279,247,000 (2019: \$259,912,000) 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:

	2020	2019
	\$'000	\$'000
Current		
Amount due within one year	89,842	88,506
Non-current		
Amount due within second year to fifth years	64,773	163,315
Amount due after five years	553,880	545,152
Amount due over one year	618,653	708,467
	708,495	796,973

The balance can be further analysed as follows:

	2020	2019
	\$'000	\$'000
Balance at effective interest rate	708,495	796,973
Unamortised deferred income	93,747	104,472
Total outstanding balance with the Government	802,242	901,445

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 bearing interest at the “no-gain-no-loss” floating interest rate of the Government ranging from 1.11% to 1.26% (2019: 1.13% to 1.26%) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 MEDIUM TERM NOTES

	2020 \$'000	2019 \$'000
Current		
Amount due within one year	-	854,973
Non-current		
Amount due over one year	851,784	851,735
	851,784	1,706,708

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 was fully repaid 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.

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 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	31 March 2020		1 April 2019 (Note)		31 March 2019 (Note)	
	Present value of minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	1,180	1,206	795	800	-	-
After 1 year but within 2 years	1,231	1,242	-	-	-	-
After 2 years but within 5 years	363	364	-	-	-	-
	1,594	1,606	-	-	-	-
	2,774	2,812	795	800	-	-
Less: total future interest expense		(38)		(5)		-
Present value of lease liabilities		2,774		795		-

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise lease liabilities relating to the lease which was previously classified as operating lease under HKAS 17. Under this method, comparative information is not restated. See note 2.3.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 ISSUED CAPITAL

Authorised, issued and fully paid:	2020		2019	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
At 1 April	17,770,398	17,770,398	15,210,398	15,210,398
Issuance of new shares	3,000,000	3,000,000	2,560,000	2,560,000
At 31 March	20,770,398	20,770,398	17,770,398	17,770,398

The Corporation was incorporated on 7 May 2001 by vesting 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 15,934,000,000 ordinary shares of \$1 each were issued at par to the Government for cash.

During the year ended 31 March 2020, additional 3,000,000,000 ordinary shares (2019: 2,560,000,000) of \$1 each were issued at par to the Government for cash.

At the end of the reporting period, the entire amount of 20,770,397,594 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.

25 OPERATING LEASE ARRANGEMENTS

As lessor

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

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020	2019
	\$'000	\$'000
Within one year	615,634	619,878
After 1 year but within 2 years	423,107	396,757
After 2 years but within 3 years	182,259	171,610
After 3 years but within 4 years	45,893	37,100
After 4 years but within 5 years	30,718	16,918
After 5 years	77,294	7,292
	1,374,905	1,249,555

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 COMMITMENTS

At 31 March 2020, the Group had the following capital commitments at the end of the reporting period:

	2020	2019
	\$'000	\$'000
Authorised, but not contracted for:		
— construction of the Science Park and its ancillary facilities	4,042,276	5,284,554
— development projects in Industrial Estates	2,244,043	7,058,304
	6,286,319	12,342,858
Contracted, but not provided for:		
— development projects in Industrial Estates	4,726,029	1,407,345
— construction of the Science Park and its ancillary facilities	1,208,284	717,241
— others	-	60,000
	5,934,313	2,184,586

27 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	2020	2019
		\$'000	\$'000
With the Government:			
Financial guarantee received on MTN issued	21	852,000	1,707,000
Interest expenses on government loans	20	10,810	11,906
Government grant income	(i)	3,308	27,192
With the Government's controlled-entities:			
Rental income	(ii)	48,959	43,515
Management fee and air-conditioning income	(ii)	20,346	14,966
Equipment rental and procurement sales income	(ii)	8,601	6,240

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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. Details of the government loans at the end of the reporting period are set out in note 20.

(c) No directors received any remunerations in respect of their services rendered to the Group during the year (2019: 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.

28 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 2020 would decrease/increase by \$8,022,000 (2019: \$9,014,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(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.

	2020					
	On demand or less than 3 months	Within 4-12 months	2-5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued charges and other payables	1,001,215	5,826	-	14,545	1,021,586	1,021,586
Deposits and rental received in advance	65,444	31,212	274,616	4,631	375,903	375,903
Government loans	-	102,802	102,802	686,180	891,784	708,495
Medium term notes	-	33,090	941,486	-	974,576	851,784
Lease liabilities	302	904	1,606	-	2,812	2,774
	1,066,961	173,834	1,320,510	705,356	3,266,661	2,960,542
	2019					
	On demand or less than 3 months	Within 4-12 months	2-5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount
	\$'000	\$'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)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(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 2020 and 2019.

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)

28 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)

	2020			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other financial assets				
— Listed	5,532	-	-	5,532
— Unlisted	-	30,000	30,472	60,472
Financial assets at FVPL	-	7,755	27,010	34,765
	5,532	37,755	57,482	100,769
	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 FVPL	-	480	22,159	22,639
	6,093	25,974	42,868	74,935

Due to the change in valuation technique, a financial asset at FVPL with fair value of \$597,000 and some other financial assets of \$17,324,000 were transferred from Level 2 to Level 3 of the fair value hierarchy at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 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 of which their 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.

29 COMPARATIVE FIGURES

Certain comparative figures in note 4 have been reclassified to conform with the current year's presentation.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 March 2020 and have not been early adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of material</i>	1 January 2020

The Group is in the process of making an assessment of what the impact of the amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them are unlikely to have significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

31 LIST OF SUBSIDIARIES

At 31 March 2020, the particulars of the Corporation's subsidiaries are as follows:

Subsidiary	Place of incorporation and operations	Particulars of issued and paid up capital	Group's effective interest	Principal activity
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
STP Anchor Asset Holding Limited	Hong Kong	\$10,000	100%	Investment holding
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%	Investment holding
CVF ELEVEN Limited	Hong Kong	\$1,000	100%	Investment holding
CVF TWELVE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF THIRTEEN Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FOURTEEN Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FIFTEEN Limited	Hong Kong	\$1,000	100%	Investment holding
STP Hydrogen Limited	Hong Kong	\$1,000	100%	Inactive
STP Helium Limited	Hong Kong	\$1,000	100%	Inactive
STP Lithium Limited	Hong Kong	\$1,000	100%	Inactive
RIK ONE Limited	Hong Kong	\$1,000	100%	Inactive