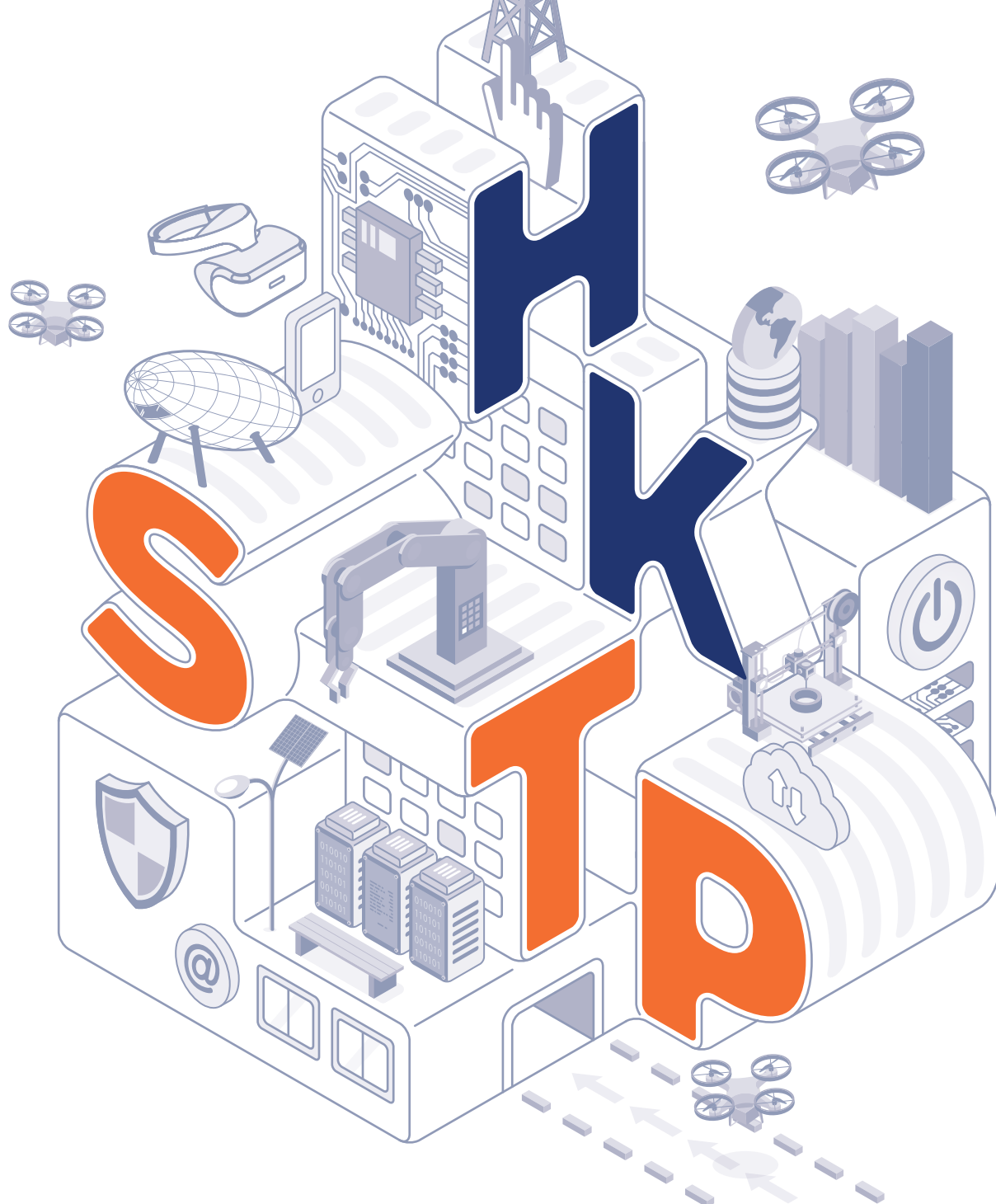


**COLLABORATE
TO GROW**



**INNOVATE
TO SUCCEED**



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LETTER FROM THE CHAIRPERSON

Dear Readers,

It has been an honour and privilege to be personally engaged at the forefront of the transformation of Hong Kong Science and Technology Parks Corporation (“HKSTP”) which today is in a much stronger position to power Hong Kong’s drive to become a leading innovation and technology (I&T) hub.

Through the five-pronged transformation journey that began in 2014 when I assumed the chair of HKSTP, the Corporation has progressed on many levels: from being responsive to demand to proactively seeking out opportunities, from primarily provisioning infrastructure to creating a vibrant ecosystem, and from taking a HKSTP-centric perspective to embracing a Hong Kong-wide futuristic vista. It is gratifying to see a refreshed and energised management team leading the Corporation to move forward as one.

In crystallising the Corporation’s 3Cs mission — connect, collaborate and catalyse — we have actively promoted interaction between partner companies and potential business partners and investors, provided a comprehensive range of facilities and services to support R&D and facilitate prototyping of products, and encouraged knowledge-sharing among partner companies. The aim is to nurture entrepreneurs and help their companies grow.

Building bridges to create synergy is key to a vibrant innovation ecosystem. This is reflected in the new HKSTP logo introduced at the beginning of 2015. The logo depicts a methane molecule (CH₄) in Chemistry. The hydrogen atoms represent four distinctive groups of players in the I&T ecosystem — the industry (including manufacturers, investors and businesses), the academia, the research community and policy-makers — bonded through the carbon atom which represents HKSTP. I firmly believe by working together with one heart and one mind, we will succeed in reaching our goal.

I am grateful to HKSTP colleagues for their admirable commitment and a steadfast focus on our value propositions — to create jobs across a range of technical and business functions, to facilitate transfer of knowledge and technology in making Hong Kong a smart modern city, and to create social and economic impact with the ultimate objective of improving quality of life for all. Their hard work over the years has borne plentiful fruits that are widely recognised in the community.

BUILDING A VIBRANT I&T ECOSYSTEM

True to the spirit of serving Hong Kong’s overall interests, HKSTP has played an active advocacy role in building an innovation ecosystem. We championed the creation of the Innovation and Technology Bureau and submitted numerous recommendations to the Government on measures to fill existing gaps in the ecosystem. I am delighted to see some of these already being implemented, for example, more expedient processes for talent importation and HKEx’s revised listing rules for new economy companies.

Furthermore, it is most encouraging to see the generous provision of HK\$50 billion in the 2018 Budget, of which HK\$10 billion was earmarked for two research platforms on healthcare technologies and artificial intelligence and robotics (AIR) respectively. Hong Kong has unique strengths in biomedical research with world class medical faculties and an illustrious record of pioneering basic research and clinical practices. We must build on strengths and nurture our own people to sustain the competitive advantage.

SCALING UP OUR INFRASTRUCTURE AND CONNECTEDNESS WITH THE MAINLAND

Thanks to the support of the Government and the Legislative Council, HKSTP launched a number of significant infrastructural projects in recent years to enrich the I&T ecosystem and provide for growth.

At Science Park, the expansion stage 1 (SPX1) will provide two new smart buildings with dedicated laboratories and work space for biotechnology and AIR companies when completed in 2019. InnoCell, a smart residential block with 500 units designed to provide affordable co-living and co-working space for tech talent, is on track for inauguration in 2021.

Under HKSTP’s Industrial Estates 2.0 initiative, we bought back under-utilised properties from owners within our portfolio of industrial estates to meet new demands. Our vision is to transform industrial estates eventually into enterprise parks that cater for a continuum of activities along the value chain from research to production, and to create a more attractive working environment with ancillary facilities.

The Data Technology Hub at Tseung Kwan O Industrial Estate (TKO IE), due to open in 2020, is dedicated to advancing data and

telecommunications technology. The Advanced Manufacturing Centre, also in TKO IE, will support high-end and on-demand manufacturing when it is completed in 2022.

Through a subsidiary company of HKSTP, planning for the Hong Kong-Shenzhen Innovation and Technology Park at Lok Ma Chau Loop progressed well, paving the way for closer collaboration with the I&T community in Shenzhen. The impending opening of the Hong Kong-Zhuhai-Macao Bridge and the Express Rail Link will broaden further the collaboration between Hong Kong and cities in the Greater Bay Area.

BRIGHT OUTLOOK FOR HONG KONG'S I&T

Hong Kong is entering a Golden Age for I&T. Building on a solid foundation laid down by successive terms of the HKSAR Government and with unprecedented determination and support from the highest level both in Hong Kong and Mainland China today, I believe Hong Kong will rise to the challenge of being an International Innovation and Technology Hub. I also see HKSTP continuing to play a key role in the process.

I offer my sincere appreciation to members of the HKSTP board and staff for their unwavering support during my term as the chairperson. I wish the Corporation success in enhancing its prominence and impact, both in Hong Kong and abroad, under the leadership of the newly appointed chairman and board members who will no doubt inject fresh ideas and provide strategic direction and support.



Fanny Law, GBM, GBS, JP

Chairperson

CEO'S REPORT

For the Hong Kong Science and Technology Parks Corporation ("HKSTP"), this has been a fruitful year. We were empowered to spearhead Hong Kong's innovation and technology (I&T) with a massive boost in government funding, a watershed moment that puts the spotlight on our organisation for each and every initiative we drive in the years to come.

GROWTH OF ECOSYSTEM AND COMMUNITY

Throughout the year we witnessed record high numbers of partner companies, incubatees, research and development (R&D) population growth and occupancy rates. We value the R&D contribution of all companies which call Science Park home. We make it mandatory for partner companies to maintain a committed proportion of R&D staff and activities. In our vibrant community, when people bump into each other at meetings, events or even a human foosball tournament, they kick off conversations that spark ideas.

SUCCESS OF PARTNER COMPANIES IS OUR ONLY SUCCESS

Frequently faced with the question "How do you measure success?", we are proud to say that we treat success as a journey, not a destination. A journey that constitutes the continual growth of our companies. A journey that makes research efforts impactful for generations. A journey that positions Hong Kong as a regional I&T hub.

Last year, Science Park witnessed the emergence of the first unicorn of Hong Kong in AI facial recognition, a major merger and acquisition of a biotech company in the area of liquid biopsy, and many exciting news from our graduated incubatees and partner companies. These accomplishments are not coincidental. They were achieved through dedication, the courage to fail and keep trying, and the determination to pursue dreams, technological breakthroughs and sound business models. These success stories will inspire and encourage everyone in the I&T field.

Another highlight is our Smart Campus initiative. Science Park is designated as a living laboratory that pilots applications of innovative solutions. Technologies that lead to Smart Mobility, Smart Living, Smart Environment and Smart People are deployed,

appreciated and experimented. In the next few years, we will channel resources for more technologies to be tested and adopted. Science Park itself will serve as the test bed to demonstrate to the community the unlimited possibilities for a smart city.

PARTNERSHIP AND COLLABORATION

Partnership with investors and enterprises is a strategic part of this I&T ecosystem. With an increasing number of investors showing keen interest in our partner companies, we are here not only to facilitate fundraising, but also to attract investors and engage them for mutual benefits. We strongly believe that investors are the genuine differentiating factor for the success of R&D outputs. All must be commercially viable, and investors are the best judges.

Speaking of industry interactions, we have our signature programme "Technologies from Science Park" (Tech from SP) where we facilitate various enterprises to adopt home-grown technologies. Equally important is how our partner companies have grown to develop their applications, adaptations, business plans and management. Since its inception in 2015, HKSTP has successfully connected over 50 business entities with more than 300 partner companies.

The trend of many large corporations introducing in-house innovation teams to emulate start-ups prompted us to launch the "Global Acceleration Academy" (GAA) to connect major enterprises with our incubatees and start-ups. Specific themes and cohorts are identified from industry partners while start-ups are recruited. If Tech from SP is considered version 1.0, then GAA is version 2.0, a further step to enable enterprises to work with start-ups in an acceleration framework.

GOVERNMENT SUPPORT

In the 2017 Policy Address, the Chief Executive set out eight key initiatives to drive new economic growth, and subsequently the Government announced in the 2018-19 Budget a HK\$50 billion budget allocated to promote I&T on all fronts. The unprecedented support is a vote of confidence in Science Park in particular, and in the future of Hong Kong. This is a testament to our commitment to building an active and dedicated R&D community. Together, we can and we will make a difference to the future of Hong Kong.

INTERNAL IMPROVEMENT

Our management team is committed to simplifying internal processes while upholding the highest standard for business compliance. With a list of new and ongoing projects, we will make our best effort to remove bureaucratic drag as we grow. This also represents a major change. It is no easy task but it is essential for us to embrace this new culture.

For those who have read our annual reports, you may have noticed that we have adopted a clean, direct and minimalistic approach. This also reflects our leadership style which is about prudence and pragmatism.

It may be daunting at times when considering the huge responsibilities for the Corporation in the years ahead, and yet we are ready. We are certain that by collaborating with our partner companies and all key stakeholders, we will deliver a bright future for Hong Kong.

A handwritten signature in black ink, appearing to read "Albert", written in a cursive style.

Albert Wong

Chief Executive Officer

THE TRANSFORMATION JOURNEY

Elevating Hong Kong into a regional hub for innovation and technology development has been HKSTP's vision since our inception in 2001. Over the years, we have joined hands with stakeholders in the ecosystem to cultivate a fertile ground for innovation and technology.

HKSTP has built a solid foundation to create a vibrant innovation and technology ecosystem and understood the needs of technology start-ups and companies. To bridge the gap between innovative ideas and the market, HKSTP embarked on a transformation journey to offer a much wider range of value-added support to the ecosystem. Expanding the Corporation's role beyond providing infrastructure and shared facilities, HKSTP has enhanced the support services to address different needs of partner companies. Our focus has been evolved to empowering the innovation and technology development by identifying and creating opportunities for the technology sector, providing top-notch incubation support

to nurture budding technology entrepreneurs, and creating an interactive community with a range of platforms for knowledge exchange, business and investor matching as well as R&D commercialisation. Today we channel supportive initiatives and resources to biotechnology, artificial intelligence and robotics, smart city, and fintech which are Hong Kong's areas of strength.

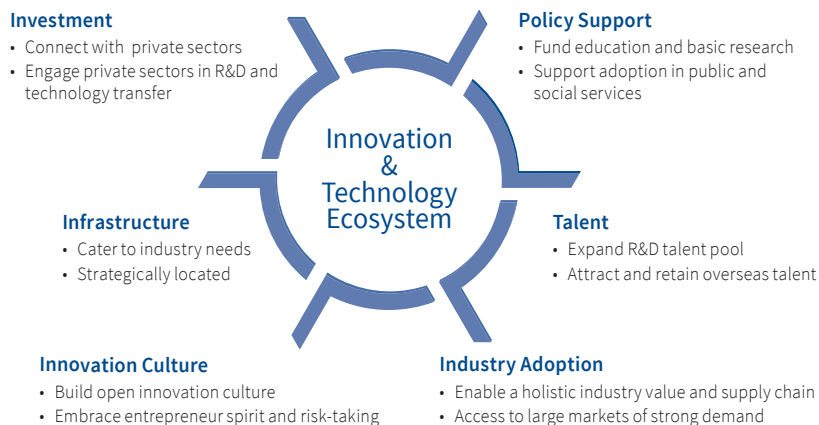
HKSTP maintains the four well-defined roles to foster the development of innovation and technology, including the city's largest R&D base, leading incubator, a super-connector in the innovation and technology ecosystem and a catalyst for Hong Kong's innovation, technology and entrepreneurship to support industrial diversification. The success of partner companies demonstrates our collective efforts and underscores our determination to make innovation and technology another pillar of the city's diversified economy.

THE HKSTP TODAY

THE ECOSYSTEM

Riding on the growing momentum to develop innovation and technology in Hong Kong, HKSTP is doubling down on its efforts to expand and empower the innovation and technology ecosystem through a series of targeted strategic initiatives.

We serve as the city's key catalyst to support partner companies and start-ups in their expansion into local and global markets. We connect stakeholders in business enterprises, R&D communities, the Government and education institutes to build the city's largest R&D base and translate pioneering research results into cutting-edge marketable products and solutions.



ACHIEVEMENTS AT A GLANCE

- 675 Technology Companies at Science Park
- 22 Countries / Regions of Origin for Park Companies
- Over 13,000 Working Population
- Over 9,000 R&D Practitioners
- First Unicorn - SenseTime
- 542 Graduated Incubatees since Inception in 1992
- More than 70% Graduated Incubatees Still in Business
- 263 Existing Incubatees
- HK\$1.2 Billion Investment Raised by Park Companies
- Fund Raised by Incubatees Increased by 6 Times YoY
- 138 Awards Received by Park Companies
- 50 Partnerships Facilitated under “Technologies from Science Park” since Inception in 2015
- Over 3.5 Million sq ft Lab & Office Space
- 190,000 Lab Utilised Hours
- More than 7,100 SPARK Members
- 51,000 Visitors Joined “Science Explorer” Guided Tours

Achievements during 2017-18 unless otherwise stated.

STRATEGIC FOOTPRINT

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

HONG KONG SCIENCE PARK

Within the 22-hectare waterfront Science Park, we have been committed to supporting the R&D work of the partner companies based in the 21 buildings over 3.5 million sq ft of floor area. We provide advanced equipment, software platforms and professional engineers in our communal labs. With the objective to build a community that lives and breathes innovation, we also serve as a test bed and stimulate professional exchange, investors matching, business development and commercialisation.

INDUSTRIAL ESTATES

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

- Tai Po Industrial Estate — primarily for companies in the areas of food manufacturing, media services and lifestyle goods. The refurbishment of Precision Manufacturing Centre for companies to work on artificial intelligence, robotics, Internet of Things and automated workflow was completed in March 2018.
- Tseung Kwan O Industrial Estate — suited for heavy industries, as well as lighter commercial manufacturing and information technology/ information and communications technology related services.
- Yuen Long Industrial Estate — catered for a wide range of industries, from pharmaceuticals and biomedical production to logistics services and petrochemical plants.

INNOCENTRE

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

HONG KONG-SHENZHEN INNOVATION AND TECHNOLOGY PARK

The Hong Kong-Shenzhen Innovation and Technology Park at Lok Ma Chau Loop is set to provide four times as much land area as Hong Kong Science Park to grow our ecosystem exponentially. It is strategically located to help the ecosystem access the Greater Bay Area manufacturing and talent resources. In October 2017, HKSTP set up the Hong Kong-Shenzhen Innovation and Technology Park Limited to build the superstructure, manage, maintain and operate the Park.

HOW WE SERVE

STRATEGIC FOCUS

With growing momentum for Hong Kong's innovation and technology drive, fuelled by increased funding and support from the HKSAR Government and the private sectors, HKSTP put its strategic focus on areas where Hong Kong boasts a distinct edge, namely biomedical technology, artificial intelligence and robotics, data and smart city development.

BIOMEDICAL TECHNOLOGY

- **The total number of biomedical technology companies & incubatees reached 100**
- **Biomedical Technology Support Centre usage: close to 99,000 hours, up 134% YoY**
- **Healthcare Devices Innovation Hub launched**

Biomedical Technology (BMT) was the fastest growing cluster at Science Park in 2017–18, in terms of company numbers and occupancy area. The total number of biomedical technology companies increased 26% to reach 82, and 18 start-ups were incubated in the Incu-Bio programme during the year. The space leased by the companies increased 36% compared to 2016-17. Genomic medicine, cell therapy and regenerative medicine continued to be the focus areas. To incubate biotech companies from the start-up phase all the way to IPO, the management of the Incu-Bio programme has been rationalised to integrate with the BMT cluster since January 2018, with enhanced programme content and support from a group of experts in regulatory and technological fields.

Our efforts to make Science Park a BMT hub bore fruit, as US biotech giant and unicorn Grail set up at Science Park in 2017–18 following a merger with our partner company Cirina. In addition, new technologies such as ostrich antibodies, 3D ultrasound, recyclable plastics and colon cancer diagnostics were attracted to Science Park. Our incubatee Sonikure garnered the Prize of the State of Geneva at the 45th International Exhibition of Inventions of Geneva, the world's most prestigious innovation exhibition, with its medical ultrasound technology for ocular needle-free and non-invasive drug administration.

Professionally designed BMT facilities

The Healthcare Devices Innovation Hub (HDIH) was officially launched in March 2018 to promote shared facilities and business development guidance for accelerating healthcare device product development, from prototype testing to clinical evaluation. The platform also brings together biomedical device researchers and companies. Ten medical device companies had been established in the HDIH as of 31 March 2018, indicating strong demand for the facility.

Another dedicated BMT facility, the Biomedical Technology Support Centre (BSC), provides R&D tools and technical support for local research and enables knowledge sharing and networking among

partner companies. The usage rate of the BSC more than doubled in 2017–18, rising from just over 42,000 hours in the previous year to a total of almost 99,000 hours.

Industry promotion and development

A range of high impact conferences and events took place in 2017–18 to bring together stakeholders and reinforce Science Park's role in empowering biomedical technology R&D. We co-organised the Gerontech and Innovation Expo cum Summit with The Hong Kong Council of Social Service in June 2017 to explore innovative healthy ageing solutions. The event attracted over 40,000 visitors. We also co-hosted the third Hong Kong and Guangzhou International Conference on Stem Cell and Regenerative Medicine with the Guangzhou Institutes of Biomedicine and Health in November 2017, connecting local academia with their Mainland and international counterparts to delve into topics about advanced therapies.

ARTIFICIAL INTELLIGENCE & ROBOTICS

- **SenseTime became the Park's first unicorn**
- **Robotics Catalysing Centre inaugurated**

Artificial Intelligence and Robotics (AIR) have the potential to disrupt and breathe new life into a wide range of commercial practices and traditional industries. In 2017–18, we encouraged the deployment of AIR by setting up different infrastructure at Science Park and enabling industry partnerships to provide solutions for specific issues, such as adoption of chatbots by financial institutions, automation for the manufacturing industry and optimisation of the supply chain.

AI game-changers

The first unicorn from Science Park emerged in 2017–18. Leading AI company SenseTime joined the league of companies with a valuation exceeding US\$1.5 billion after a US\$400 million funding round in July 2017. It had raised a total financing of more than US\$1.6 billion until May 2018, boosting its valuation to US\$4.5 billion. Furthermore, Kami, an AI company founded by a Hongkonger with its R&D focus on natural language processing, set up its presence in Europe and moved its entire R&D operation to Science Park in early 2018. Fano Labs, another prominent AI start-up at Science Park, was a spin-off from the University of Hong Kong and backed by investors including Horizons Ventures.

Facilitating robotics innovation

In response to the growing need for a flexible working space to support robotics solutions development, from testing to prototype validation, HKSTP introduced the Robotics Catalysing Centre in December 2017, allowing solution providers and system integrators to use its 4,000 sq ft floor space for robotics development, system integration, assembly, validation, factory acceptance testing and demonstrations.

The Robotics Garage, inaugurated in May 2016, has established a strong affinity with robotics enthusiasts in the community. The

workshops created a community for robotics makers, receiving more than 2,000 visitors and acquiring more than 400 members in 2017–18. It supported the design and development of more than 1,000 projects during the year.

A new showcase for budding innovators

To help budding AI/robotics and electronics innovators turn their creative ideas into reality, the SciTech Challenge was organised by the Robotics Garage from April to September 2017, in partnership with Arrow Electronics and Indiegogo. More than 70 teams registered and around 10 proposals were shortlisted. After a series of mentorship and workshops on fund raising, marketing, manufacturing and IP protection, participants presented their business plans to an international panel of experts from various domains to win the challenge.

DATA & SMART CITY

- **Science Park designated as a pilot site for the HKSAR Government's Smart City Blueprint**
- **Launch of Data Analytics Platform, Sensor Hub, Sensor Lab and Smart City Innovation Centre, the 5G application test bed, in collaboration with partner companies**
- **Data Studio possessed 130+ data sets with 700+ subscribed developers**

As a key driving force of Hong Kong's smart city development, HKSTP powered ahead with the Smart Region at Science Park, designated by the HKSAR Government as its Smart City Blueprint pilot site. Four Smart City themes including Smart Mobility, Smart Environment, Smart Living and Smart People were the key trial areas.

Using data to fuel innovation

The Data Studio was launched in February 2017 as a neutral and secured platform for corporations to share data and co-create with the developer community. In March 2018, an extension of the Data Studio initiative, the Data Analytics Platform, was launched in partnership with Siemens, Hitachi Vantara, CLP Holdings, Infineon and NVIDIA to accelerate adoption of smart city solutions. The partners provided access to data, hybrid cloud, data-centric tools and software to harness the power of big data and the Internet of Things for developing data-driven innovation.

As of 31 March 2018, the Data Studio had attracted more than 4,000 visitors and 700 registered developers. It housed more than 130 data sets of various disciplines such as health, finance, environment, education and transportation for fostering the development of multiple applications.

Open platform for testing sensor technologies

The Sensor Hub, launched in September 2017, provides an open platform for testing the latest sensor technologies to accelerate the R&D of related innovative products and solutions. It creates an

environment for testing sensors and enabling real-time data collection and feedback for evaluation and analytics. Data collected at the Sensor Hub was fed to the Data Studio for application development. Notable projects of the Sensor Hub included:

- Smart Water Sensors, Air Sensors and Weather Sensors
- 24GHz Radar Sensors for smart street lighting
- Eight smart lamp poles being tested since March 2018 for collecting environmental and weather data as well as people and vehicle flows

The Sensor Lab was set up during the year to provide a shared 3,000 sq ft cleanroom to support microelectromechanical system (MEMS) sensor chip integration and packaging. The establishment of the Sensor Hub and the Sensor Lab attracted 28% more sensor companies to set up at Science Park in 2017–18.

Enabling smart city application development

The Smart City Innovation Centre, set up in July 2017, was the first 5G innovation laboratory in Hong Kong. Spearheaded by HKSTP and Hong Kong Applied Science and Technology Research Institute (ASTRI) and opened to Science Park and local companies, the facility features the 5G application test bed and a machine-to-machine communications laboratory.

The Smart City Digital Hub, launched in collaboration with Siemens in December 2017, is designed to accelerate the development of smart city applications and solutions. The open laboratory, consisting of the Smart Mobility Test Bed and Smart Energy Lab, allows experts to carry out R&D to tackle city challenges such as traffic congestion, public safety, energy saving and city planning.

Demonstrating smart city progress

The APAC Innovation Summit 2017 — Smart City Connected City in September 2017 further crystallised the smart city vision for Hong Kong. The event attracted more than 700 attendees. At the Sensor Technology Conference on the second day, 200 attendees joined 40 business matching sessions. During the event, Science Park companies showcased more than 17 Smart City technologies, including an autonomous vehicle, cashless payment, food delivery drones and smart lamp poles.

INCUBATION

- **542 graduated incubatees with more than 70% still in business, filing 1,015 patents and winning 558 awards over the years**
- **Launch of Global Acceleration Academy in partnership with international industry leaders**

As Hong Kong's largest innovation and technology incubator, HKSTP was awarded as a State-level Scientific and Technological Enterprise Incubator by the Ministry of Science and Technology of the People's

Republic of China in 2017–18. The high-level recognition reflected HKSTP's success in incubating start-ups, developing talents and providing funding support for incubatees.

Growing the start-up ecosystem

Incubation efforts continued to accelerate. By March 2018, a total of 542 start-ups had graduated from HKSTP's Incubation Programmes. More than 70% of them were still in business. Incubatees have garnered 558 awards and filed 1,015 patents over the years since their introduction. In March 2018, HKSTP held a graduation ceremony for 72 technology start-ups that had completed Incubation Programmes.

As of 31 March 2018, there were 263 start-ups in Incubation Programmes. The incubatees provided over 1,100 job opportunities, received 89 awards and filed 84 patents in 2017–18.

Leveraging industry expertise for co-acceleration

Co-incubation and co-acceleration partnerships were further explored in 2017–18 to tap the expertise of the private sectors. The Global Acceleration Academy (GAA), launched in April 2017, was a prime example. Theme-based GAA accelerator programmes were introduced. Industry leaders were engaged in the programmes to provide market validation opportunities and industry insights for start-ups, and to consider adoption of the start-ups' innovations. In 2017–18, a total of 54 start-ups participated in eight cohorts. Seven industry partners, including ARM Innovation Ecosystem Accelerator, Global Incubator Network (Austrian Startup Incubator), SIASUN, LINK, Elite, Bayer and Hong Kong Air Cargo Terminals Limited, spearheaded the programmes across different themes. Follow-up actions including investment, proof of concept, adoption and referral were also undertaken after the programmes.

Leading Enterprises Acceleration Programme (LEAP@HK) is HKSTP's blue-chip incubation programme targeting growth-stage companies with high potential and readiness to scale. It has provided all-round support to help acceleratees enter regional and global markets. LEAP@HK has successfully supported 32 companies since its inception in 2014, and 10 of them have graduated.

Higher level support for growth-stage start-ups

The Technopreneur Partnership Programme (TPP) lets the local start-up community access support services and facilities at Science Park, such as laboratory services, seminars, events and exhibitions. As of 31 March 2018, 28 partners had joined this programme, including universities, NGOs and co-working spaces.

Partnerships with six local universities to transition start-ups formed by university teams into our incubation programmes were enhanced. As of 31 March 2018, 76 start-ups had been admitted into HKSTP's Incubation Programmes through the Government's Technology Start-up Support Scheme for Universities (TSSSU) since its inception in 2014. In 2017–18, 24 university teams were admitted.

INVESTMENT

- **HK\$1.2 billion investment funds raised by Park companies**
- **More than 6-fold increase in capital raised by incubatees YoY**
- **HK\$50 million Corporate Venture Fund investment drew HK\$550 million of co-investment from the private sectors**

As part of our commitment to connect local start-ups with funding sources to help them further their R&D efforts and take their products or services to market, HKSTP provides fundraising support to Park companies. We have built a network of 1,000 investors and connected them with potential start-ups through a variety of investment matching platforms and opportunities. In 2017–18, more than 150 local and overseas one-on-one and cohort investment matching sessions were organised. HKSTP provided fundraising consultation to more than 470 companies and helped the Science Park community raise record-high funding of HK\$1.2 billion. Incubatees, graduates and LEAP partner companies raised more than HK\$2.2 billion in total in 2017–18, a six-fold increase compared to the year before.

Co-investment model to attract private investors

HKSTP established a HK\$50 million Corporate Venture Fund (CVF) in 2015 to invest, on a co-investment basis with private funds, in technology start-ups. CVF has been effective in bridging the funding gap and in encouraging more private investment in early-stage start-ups. By March 2018, HKSTP had already committed the entire fund in nine investments, attracting more than HK\$550 million from co-investors.

Initiatives bridging technology firms and investors

HKSTP organised a range of angel and venture capital pitching activities throughout the year to create funding opportunities for Park companies.

The Elevator Pitch Competition (EPiC) 2017, held in November 2017, attracted 100 contestants shortlisted from 458 local and overseas start-ups. They vied for an investment fund by delivering rapid-fire pitches within a 60-second elevator ride in the International Commerce Centre. The event attracted more than 1,000 attendees, including 160-plus investors who joined the event's business matching segment.

SPRINTER, a joint programme between HKSTP, The Hongkong and Shanghai Banking Corporation (HSBC) and the Hong Kong Business Angel Network (HKBAN), provided structured training and networking opportunities with investors for Hong Kong technology companies. The first-round recruitment for the Entrepreneur Track received an enthusiastic response. A total of 82 companies participated and four training courses were completed. Ten selected companies entered the second stage, which focused on supporting them for business expansion and fund-raising.

The Road to IPO platform, jointly launched by HKSTP and Hong Kong Exchanges and Clearing Limited in June 2017, was available for

technology companies close to the IPO-planning stage. The platform connected high-potential technology companies with global investors, financial, legal and business experts to support them on their IPO journey.

The Next Technologist Entrepreneurial Champion (NxTEC) programme, jointly launched by HKSTP, J.P. Morgan and HKBAN, was a two-year structured training programme for start-ups, gearing up their business and management skills to enhance their fund-raising prospects. The programme trained 218 start-ups and helped raise a total of US\$7.8 million before it concluded in June 2017.

INDUSTRY ADOPTION

- **28 partner companies and incubatees' innovations adopted by enterprises through Technologies from Science Park**
- **87 Park companies received 138 awards worldwide**

Stepping up our mission to help Park companies commercialise their R&D results, HKSTP expanded the industry adoption promotion channels for companies to penetrate local and global markets.

Awards speak volumes about the Park companies' innovations being well received in the market. In 2017–18, 87 Park companies won 138 local, regional and international awards.

Matching enterprises with Park technologies

"Technologies from Science Park" provides a matching platform for enterprises to adopt innovations by Park companies. In 2017–18, almost 140 companies presented their solutions in more than 180 business matching sessions to conglomerates such as Wheelock Properties and HSBC. A total of 28 innovations were adopted during the year.

During the year, over a hundred collaborations between 521 industrialists and 118 partner companies and incubatees were generated through IndustryConnect@Science Park, an initiative to facilitate collaboration between Park companies and industry associations. Eight breakthrough solutions were adopted commercially through themed activities with 26 associations.

TecONE, a one-stop business support centre, connects our partner companies with all the resources available throughout HKSTP that help drive business success. In 2017–18, over 8,700 visitors made use of TecONE facilities and services.

Building closer Mainland and international collaboration

As a super connector, HKSTP facilitates business ties between Park companies and Mainland and international counterparts. In 2017–18, we hosted 76 Mainland delegations for cross-border exchanges at the state, provincial and city levels. High-level partnerships were formed between HKSTP and Mainland organisations. In collaboration with the Chinese Academy of Sciences and Guangzhou Institutes of Biomedicine and Health's Hong Kong centre, the Guangzhou Hong

Kong Stem Cell and Regenerative Medicine Research Centre was opened at Science Park in September 2017. In November 2017, HKSTP signed a memorandum of understanding with the Chinese Academy of Sciences Holdings Co., Ltd. to create an innovation and technology hub in the Greater Bay Area.

Internationally, the appeal of cross-cluster support attracted 21 companies from seven countries to Science Park in 2017–18. We hosted 90-plus delegations comprising over 1,000 delegates from more than 30 countries to generate dialogue and promote the Hong Kong innovation and technology ecosystem in the global arena. We also led 12 missions to eight countries to connect more than 100 Park companies with potential business partners. In association with InvestHK, HKSTP led eight partner companies to participate in London Tech Week 2017 in June and co-organised a seminar introducing Hong Kong's role in the global technology ecosystem to more than 100 executives of UK-based technology companies.

Effective test bed for solutions

Twenty-three innovations were tested in 2017–18 through First@SciencePark, which provided a test bed for Park companies to test or pilot new technologies to obtain real-life data and fine-tune their products. The tested applications included a glass canopy with nano-coating, a high-speed optical fibre network and solar-powered cameras which were installed in Science Park buildings. Selected innovations were also presented at the APAC Innovation Summit 2017 — Smart City Connected City and IndustryConnect@Science Park engagements.

TALENT

- **Career Expo drew 5,700 visitors for 1,000 job opportunities**
- **STEMUp@HK18@Science Park brought 400 students from 18 districts to meet 18 innovators**
- **Vibrant Science Academy attracted 36,000+ visitors**

Recognising that a steady flow of skilled talents is essential to empower Hong Kong's innovation and technology ecosystem, HKSTP continued a multi-faceted approach to nurture and cultivate students and graduates through a mix of educational and inspirational engagement programmes.

Creating career opportunities

Around 1,000 job opportunities, across multiple sectors were offered by over 100 Park companies at the annual career expo, "MakeITYour Career@SciencePark 2018", in March 2018. Billed as the city's largest technology career marketplace, the expo drew about 5,700 visitors.

Over 25,000 job hunters have registered at HKSTP's Talent Pool website, the primary portal for job opportunities offered by our partner companies and incubatees, since its launch. Around 1,400 jobs were posted on the platform in 2017–18.

HKSTP also held an Internship Programme to help students gain experience in a real work environment and connect Park companies with a new generation of technology talents. In 2017–18, we arranged 104 student internships with 32 partner companies. Park companies also applied to the Innovation and Technology Fund Internship Programme to hire local graduates as R&D interns. In total, 242 graduate interns were employed under this programme in 2017–18.

Igniting interest in key technology fields

The 2017 DreamCatchers MedTech Hackathon Hong Kong, jointly organised by HKSTP and The University of Hong Kong in June 2017, was the only Hackathon in Hong Kong focusing on healthcare technology. The week-long competition drew 50 participating students from Stanford University and Hong Kong universities. They were required to solve healthcare issues through innovative thinking and come up with solution prototypes.

In the Robocon 2017 Hong Kong Contest held by HKSTP in June 2017, 12 teams from six local educational institutions displayed their technological wizardry in robotics and received technical support from industry partners to help realise their robotics projects and ideas. After the Robocon, we organised the “Friendly Match” at Olympian City in September 2017 to bring robotics into the community. More than 2,000 people were in the audience. HKSTP also supported the establishment of an OC STEM Lab at Olympian City, which has provided equipment and consultation to create an immersive world of robotics to engage the public since September 2017.

Classified Post Hackathon, co-organised by HKSTP and the South China Morning Post in March 2018, attracted over 200 university students and graduates competing in 50 teams to build digital business solutions in 24 hours, based on Application Programming Interface (API) hosted data from the Data Studio. The event enabled participants to unleash their creativity by creating applications and technological tools for use in the media and insurance industries.

Fun learning in STEM activities

Held in partnership with Ming Pao Education Publications and the Hong Kong New Generation Cultural Association in December 2017, STEMUp@HK18@Science Park brought together around 400 participants from 18 secondary schools from 18 districts in Hong Kong to “mash up” with 18 Science Park companies for a knowledge and experience exchange. The students showcased various ingenious devices at the event, while participating companies offered their facilities to the budding innovators to work on future inventions. The results demonstrated that the event had achieved the goal of encouraging sustained enthusiasm in STEM subjects.

During the year, HKSTP reached more students through our community partnership with Google CS First, an initiative to provide easier access to computer science education developed by Google. We adopted CS First’s curriculum in our Robo Workshop to allow nearly 1,000 primary and secondary students to learn about coding and robotics.

Vibrant Science Academy, an ongoing programme to inspire young people to develop an early interest in STEM subjects and innovation, attracted more than 36,000 students and parents to join fun workshops and experiments in 2017–18. Additionally, Science Park ambassadors escorted 51,000 visitors on guided tours under the Science Explorer programme to acquaint them with innovations from Science Park.

INNOVATION CULTURE

- **“MakelTHongKong 3-2-1 Go!” open house brought 800+ stakeholders to witness Science Park and Park companies’ accomplishments**
- **SPARK membership reached 7,100**

At HKSTP, we constantly live and practise innovation and technology. We embrace people who have the courage to disrupt and cherish those who have the will to persevere. This encapsulates the spirit of HKSTP’s “MakelTHongKong” movement, launched in 2017 to foster an innovation culture in the community and coalesce Hong Kong’s innovation and technology ecosystem to move forward on the innovation journey as one. It also serves to build public awareness of the far-reaching benefits of a thriving technology ecosystem and encourages the wider community to support and embrace innovation.

MakelTHongKong

A series of events was held throughout 2017–18 to bring together the innovation and technology ecosystem under the “MakelTHongKong” banner.

“MakelTMashUp” in September 2017 created a live platform for HKSTP and Science Park innovators to share the message that technology enhances our lifestyle in many ways and that the courage to overcome minor setbacks leads to major success. More than 870 participants from the Park community received that message loud and clear, while they enjoyed a light-hearted networking event.

The momentum was sustained with the “MakelTHongKong 3-2-1 Go!” open house held in March 2018. More than 800 participants came together to see how Science Park served as a living laboratory and R&D base. Park companies demonstrated 35 projects, culminating in a Grand Meet-up. HKSTP also used the opportunity to announce the launch of the Data Analytics Platform, the HDIH and the installation of smart lamp poles, as well as hosting the graduation ceremony of the Incubation Programmes.

Sparking the Park Community

The Science Park community, SPARK, expanded in 2017–18, with membership swelling to over 7,100 members. A series of recreational activities and technology-related workshops were organised to boost the community spirit, and social gatherings for festive celebrations were held to create opportunities for members to network with external stakeholders. The gatherings drew more than 4,000 participants.

THE FUTURE

ENVISION THE FUTURE

The capacity to grow Hong Kong's innovation and technology ecosystem expanded significantly during the year, with HK\$10 billion funding earmarked for HKSTP in the HKSAR Government's 2018-19 Budget, and the Greater Bay Area vision moving one step closer to reality with the planned announcement of the development blueprint. With the commitment to helping realise Hong Kong's aspiration to be an international innovation and technology hub, HKSTP will continue to play a leading role in creating an increasingly favourable environment and support measures to empower and grow the ecosystem, optimising resources and fostering cooperation amongst the government, industry, academia and research sectors.

LEVERAGING GOVERNMENT FUNDING

Armed with the funding, HKSTP will allocate HK\$3 billion to building and upgrading infrastructure and facilities for R&D, and dedicate the bulk of it, HK\$7 billion, to elevating and innovating support initiatives for partner companies and incubatees, while accelerating Science Park's Smart Campus development. HKSTP is committed to applying the funding in the most prudent and strategic manner to sharpen Hong Kong's edge in innovation and technology and deliver social and economic benefits for the community.

TAPPING GREATER BAY AREA SYNERGY

As the Greater Bay Area vision further crystallised during the year, HKSTP continues to upgrade infrastructure to support the long-term development of the ecosystem. At the same time, HKSTP is devising strategies to capitalise on Hong Kong's relative advantages and leverage the complementary strengths within the Greater Bay Area to jointly elevate capabilities in technological innovation and translational research, and promote diversified and high value-added economic development. The Hong Kong-Shenzhen Innovation and Technology Park at Lok Ma Chau Loop, which is under planning, will give the ecosystem not only the space to grow but also the proximity to tap the supply chain, manufacturing capabilities and talent pool across the border when completed.

BUILDING A BIGGER AND SMARTER PARK

HKSTP's portfolio of facilities and value-added services is constantly expanding to cater for the growth and diversified needs of the

ecosystem. Science Park New Expansion Stage 1 (SPX1) will deliver two smart buildings on a 1.18-hectare site at the western corner of Phase 3. When completed in 2019, SPX1 with a total gross floor area of about 834,000 sq ft will bring additional dedicated laboratories and work space to meet the high demand of R&D, SME, biomedical technology and AI/ML and accelerate the development of the Park's Smart Campus.

InnoCell will pioneer affordable on-campus living accommodation to attract and retain talents at Science Park and help foster cross-fertilisation of ideas and collaboration among members of the Park community. When completed in 2021, the 15-storey building will provide a total gross floor area of about 165,000 sq ft with at least 500 units for residential use in the co-living and co-working environment. Town planning and funding approvals in 2017-18 paved the way for the innovative project to go ahead.

ENGINEERING ADVANCED MANUFACTURING AND DATA TECHNOLOGY

To empower innovation and re-industrialisation, HKSTP is developing the Advanced Manufacturing Centre (AMC) and Data Technology Hub (DTH) at Tseung Kwan O Industrial Estate.

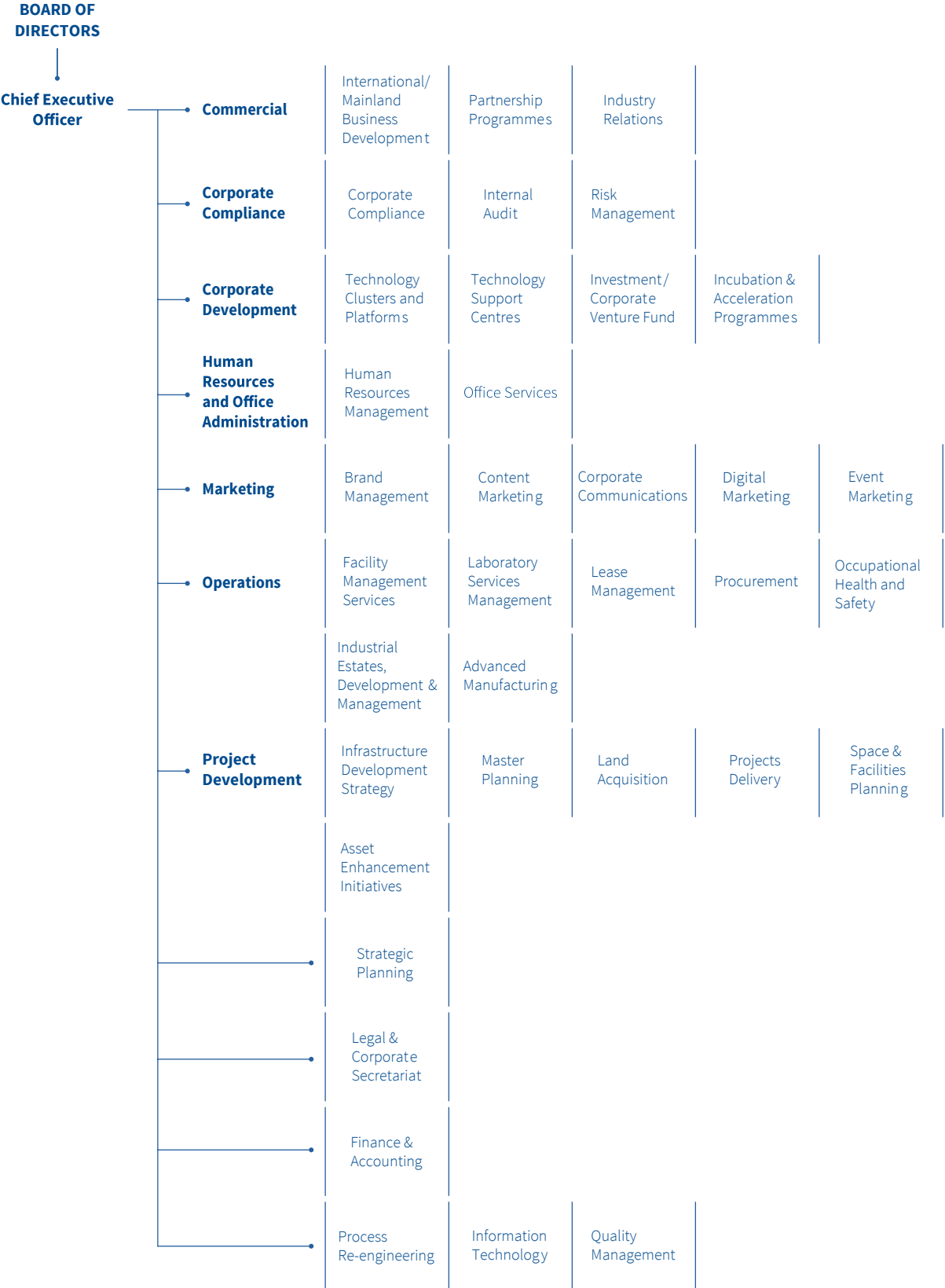
AMC will offer a 1.1 million sq ft floor area including high specification manufacturing space as well as clean-room-enabled space, and shared services on logistics, warehousing, prototyping and low-volume assembly. Slated for completion in 2022, it is designed to support customised production, scalable prototyping and high value-added and on-demand smart manufacturing.

DTH will offer a 290,700 sq ft floor area for data technology and information and telecommunications activities, including low-latency finance and trading, IT-related computer design and system integration, supporting services for data centre operations and disaster recovery plans. It is scheduled for completion in 2020.

The pace of innovation and technology development will quicken in the next decade. HKSTP will continue to empower innovation through Hong Kong Science Park — a complete innovation and technology base camp connected to other strategic footholds including the three industrial estates, InnoCentre and Hong Kong-Shenzhen Innovation and Technology Park to capitalise on the opportunities arising in the region.

THE CORPORATION

CORPORATE STRUCTURE



CORPORATE INFORMATION

HEAD OFFICE

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Pak Shek Kok, New Territories
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Facsimile: (852) 2629 1833

Website: www.hkstp.org

INNOCENTRE OFFICE

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INDUSTRIAL ESTATE OFFICE

Tai Po Industrial Estate
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Tseung Kwan O Industrial Estate
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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 HONOURABLE MRS. FANNY LAW FAN CHIU FUN, GBM, GBS, JP (Retired on 30 June 2018)
Member of HKSAR Executive Council

Mrs. Fanny Law is a Member of the HKSAR Executive Council, a Special Advisor to the China-US Exchange Foundation and Our Hong Kong Foundation, and an advisor of Hong Kong X-Tech Startup Platform. Mrs. Law is also an External Director of China Resources (Holdings) Co. Ltd. and an Independent Non-executive Director of CLP Holdings Limited, China Unicom (Hong Kong) Limited, DTXS Silk Road Investment Holdings Company Limited, Nameson Holdings Limited and Minmetals Land Limited.

Mrs. Law graduated from the University of Hong Kong with an Honours degree in Science, and in 2009 was named an outstanding alumnus of the Science Faculty. She also holds a Master degree in Public Administration from Harvard University and a Master degree in Education from the Chinese University of Hong Kong.

Mrs. Law had been an Administrative Officer of the government of the HKSAR for 30 years. Her services straddle a wide range of public policies, including medical and health, economic services, housing, land and planning, home affairs, social welfare, civil service, transport, labour and manpower planning, education and anti-corruption.

MR. CHEUK WING HING, JP
Permanent Secretary for Innovation and Technology*

Mr. Cheuk Wing-hing is the Permanent Secretary for Innovation and Technology of the Government of the Hong Kong Special Administrative Region.

Graduated from the University of Hong Kong in 1981, Mr. Cheuk entered the Government as an Inspector of Police in the same year. He joined the Administrative Service in 1984 and was promoted to his present rank of Administrative Officer Staff Grade A1 in 2017.

Mr. Cheuk is a veteran civil servant and has served in various bureaux and departments. He was Commissioner for Labour from end 2010 to early 2014 and Chairman of the 2014 Administrative Officer Recruitment Board from February to March 2014. Before taking up the Permanent Secretary post, he was Director of Administration and Development in the Department of Justice.

* Appointed on an ex-officio basis.

DR. SUNNY CHAI NGAI CHIU, BBS (Appointed as Chairman on 1 July 2018)

Managing Director
Fook Tin Group Holdings Limited

Dr. Sunny Chai is the Group Managing Director of Fook Tin Group Holdings Limited. He graduated with a Bachelor of Science from Rochester Institute of Technology (USA), and was awarded the Young Industrialist Award of Hong Kong in 2004. Dr. Chai completed an Executive MBA program (EMBA) at the Chinese University of Hong Kong in 2007. In 2010, Dr. Chai was awarded the Doctor of Engineering (EngD) from the City University of Hong Kong.

Dr. Chai currently contributes to society by participating in:

- Board Chairman of Logistics and Supply Chain MultiTech R&D Centre Limited
- Chairman of Technology Committee, Logistics and Supply Chain MultiTech R&D Centre Limited
- Committee Member of Chongqing Chinese Political Consultative Conference
- Deputy Chairman of Federation of Hong Kong Industries
- Member of Copyright Tribunal
- Member of Enterprise Support Scheme (ESS) Assessment Panel
- Member of Professional Services Advancement Support Scheme (PASS)
- Chairman of Departmental Advisory Committee of Industrial and Systems Engineering Department (PolyU)
- Member of Executive Committee, Outward Bound Hong Kong

MR. RAYMOND CHENG SIU HONG

Group General Manager & Chief Operating Officer, Asia Pacific
The Hongkong and Shanghai Banking Corporation Limited

Mr. Raymond Cheng is the Group General Manager & Chief Operating Officer for The Hongkong and Shanghai Banking Corporation Limited (HSBC Asia Pacific). He is an Executive Committee Member of HSBC Asia Pacific, assuming the overall responsibility of Information Technology, Operations and Professional Services which include Corporate Real Estate and Procurement for the 20 markets in Asia Pacific region.

Mr. Cheng joined HSBC in Hong Kong right after coming back from Netherlands and worked in Technology. Since then, he has worked in and led different IT functions and various projects both locally and globally. A large part of his experience is delivering new technology for the Bank. Apart from working in Hong Kong, Mr. Cheng has spent five years in HSBC North America.

Mr. Cheng is the Chairman of HSBC Technology & Services (China) Limited, HSBC Electronic Data Processing (Guangdong) Limited and HSBC Global Services (Hong Kong) Limited. He is also a Director of HSBC Bank (Vietnam) Limited, Hong Kong Note Printing Limited, Hong Kong Interbank Clearing Limited, HKICL Services Limited, Hong Kong Trade Finance Platform Company Limited and Hong Kong Institute for IT Professional Certification. In addition, he is the Independent Manager on School Board for Shun Tak Fraternal Association Yung Yau College.

MR. HERBERT CHIA PUN KOK (Appointed on 1 July 2018)

Venture Partner
Sequoia Capital China Fund

Herbert is currently Venture Partner of Sequoia Capital China also appointed by Beijing city government as consultant expert for the leadership committee. Former Vice President of Alibaba Group, awarded "China Excellent IT Team" in 2014. He was rated as 2017 China Top 10 most influential big data entrepreneurs by state information center.

MR. DONALD CHOI WUN HING, BFA, BArch, BSc, MA, MBA, MAIBC, MRAIC, RAI, HKIA, HKIUD, PRC Class 1 Registered Architect Qualification, Registered Architect, Authorised Person (Appointed on 1 July 2018)
Executive Director and Chief Executive Officer
Chinachem Group

Donald has worked globally as architect and developer for over 30 years. He is familiar with both public and private projects and believes in the power of design and architecture to empower society. Clients have included Hong Kong Government, Airport Authority, Mass Transit Railway Corporation, Urban Renewal Authority, Public Works Canada, British Columbia Buildings Corporation, NGOs and the private sector.

He is currently the Chief Executive Officer of Chinachem Group. He was the Managing Director of Nan Fung Development and before Nan Fung, Director of Foster and Partners and the Authorised Person — Architect for the Hong Kong International Airport Passenger Terminal (HKIA Silver Medal Winner) and many infrastructure projects at Chek Lap Kok. The airport was awarded the Top Ten Construction Projects in the World and has won numerous awards including the Best Airport in the World since opening in 1998.

Donald lives in Hong Kong and is active in community services. He is a Global Trustee of the Urban Land Institute, Trustee of Design Trust — Hong Kong, Council Member of the Hong Kong Institute of Urban Design, and Board Member of Construction Innovation and Technology Application Centre. He had taught at the University of Hong Kong and was the former Chairman of the Architects Registration Board, HKSAR.

MS. CORDELIA CHUNG

Managing Director
LIXIL Corporation

Cordelia Chung is Managing Director of LIXIL Corporation responsible for corporate strategy. LIXIL is a global leader in building materials and home solutions.

Prior to LIXIL, Ms. Chung held senior leadership roles in her 24 years with IBM including CEO for IBM ASEAN; CEO for IBM China/Hong Kong Ltd; and as IBM Chief Legal Counsel across Asia. She was among the first Asian executives to serve on IBM Chairman & CEO's Strategy Committee, setting strategic directions for IBM globally.

Ms. Chung is a lawyer by training. In her early career she practised law with global law firm Baker & McKenzie and specialised in corporate commercial law.

Ms. Chung devotes time for public service. She is trustee of Singapore University of Technology and Design; member of HKSAR's Research Grants Council; non-official member of Human Resources Planning Commission of HKSAR; member of Personal Data (Privacy) Advisory Committee and member of China Dalian CPCC. She also served as council member of HK Polytechnic University, Court member of HK University of Science and Technology, and HK Government's Digital 21 Strategy Advisory Committee.

MR. KENT HO CHING TAK

Founder and Chief Executive Officer of s28 Capital
Executive Director of Sing Tao News Corporation

Kent Ho is the Founder and CEO of s28 Capital — a San Francisco-based venture capital fund with US\$170 million under management. The fund focuses on early stage technology companies with a strong emphasis on leveraging data to disrupt and transform traditional industries. Some of his previous investments include: Palantir, Coupang, Evernote, JD.com, and Zoom.

Kent is also an Executive Director of Sing Tao News Corporation, which maintains the highest circulation newspaper in Hong Kong as well as a presence in 4 continents.

Kent earned his M.B.A from Stanford Graduate School of Business and his B.A. from Duke University. He is an Honorary Trustee from Peking University. He also sits on multiple boards including Hong Kong Trade Development Council's Innovation & Technology Advisory Committee, Michelin Food Guides and the Robert Parker Wine Advocate.

Kent was selected for the Young Global Leaders by World Economic Forum in 2018.

MR. DENNIS HO CHIU PING (Appointed on 1 July 2018)

Partner
PricewaterhouseCoopers

Dennis is the Partner of PwC. He has over 25 years extensive experience in providing assurance and transaction-related services as well as in assisting companies in preparing for listing in Hong Kong, Singapore and other stock exchanges. Dennis is frequently involved in advising and assisting local, mainland-based and multinational companies on corporate restructuring, transactions, mergers and acquisitions.

Dennis has been promoting the development of accounting profession in Hong Kong. He was the President of Hong Kong Institute of Certified Public Accountants in 2015 and he actively participates in many professional committees and statutory bodies of the Government of HKSAR. He is a member of Human Capital Committee of Financial Services Development Council, HKTDC Mainland Business Advisory Committee, Insurance Appeals Tribunal, Securities and Futures Appeals Tribunal and Mandatory Provident Fund Schemes Appeal Board. He is also appointed by Minister of Finance of the People's Republic of China as the Advisor of the Government Accounting Standards Committee.

IR DR. HONOURABLE LO WAI KWOK, SBS, MH, JP, CEng, FHKIE, FIET, FIMechE, FHKEng, RPE (Retired on 30 June 2018)

Legislative Council Member

Ir Dr. Hon. Lo Wai Kwok is Member of the Legislative Council of the Hong Kong Special Administrative Region, representing the Engineering Functional Constituency. He is currently serving as Chairman of the Hong Kong Quality Assurance Agency, member of the Housing Authority, the Hospital Authority, and the West Kowloon Cultural District Authority. He was Sha Tin District Councilor for many years. His expertise and areas of service cover infrastructure, town planning, environment, housing, technology, industry, education and community service, etc.

Dr. Lo has over 30 years of experience in engineering, industrial management, technology innovation and market development. He has also worked as Asia-Pacific president of multinational technology group, and deputy chairman of listed electronics enterprise, and was awarded "Ten Outstanding Young Persons" and "Young Industrialist Awards of Hong Kong" in 1992. He was President of the Hong Kong Institution of Engineers in 2007/08. He is honorary fellow and visiting professor of a number of tertiary education institutes.

MR. THEODORE MA HENG

Managing Director
MaBelle Jewellery Co. Ltd

Mr. Theodore Ma is a Managing Director of MaBelle Jewellery Co. Ltd leading its overseas and online retailing business. Operating across 22 different online stores and platforms since 2004, MaBelle Jewellery has been serving customers in 76 countries and 400 cities around the world.

Mr. Ma is also the Co-founder of CoCoon, one of largest entrepreneurship communities in Hong Kong with over 1200 members and alumni. CoCoon helps to bridge the business innovation community with the startup community through hosting startup events, developing entrepreneurship education and angel investing. Through its signature monthly event, CoCoon Pitch Night, over 200 startups have been featured and collectively raised over HK\$1.7B of angel funding since 2013.

Mr. Ma earned his Masters in E-Commerce & Internet Computing from the University of Hong Kong and his BA in Communication with a minor in Computer Science from Stanford University. He is the Director of the Stanford Club of Hong Kong, Advisor of Our Hong Kong Foundation, Member of the HKTDC Jewellery Advisory Committee and Member of the Admission Panel of LEAP@HK Programme of the HKSTPC.

DR. KIM MAK KIN WAH, BBS, JP

President

Caritas Institute of Higher Education and Caritas Bianchi College of Careers

Kim is currently President of Caritas Institute of Higher Education and Caritas Bianchi College of Careers, leading the mission towards establishing St. Francis University. Kim holds the degrees of Ph.D. and M.Phil. from Cambridge University, MBA from City University London, and Bachelor of Engineering (1st Class Honours) from University of Western Australia. Kim also holds the professional qualifications of Chartered Engineer, Member of the Institution of Civil Engineers, and Member of the Institute of Marine Engineering, Science & Technology.

Kim won the Director of the Year Awards of the Institute of Directors in two consecutive years. He has a combination of success in establishing strategies and business models for corporations and NGOs, working with government, legislators and the media, and leading major projects in Europe, Australia, Hong Kong and Mainland China.

Active in community services, Kim has been awarded the Bronze Bauhinia Star, and is a Justice of Peace.

PROFESSOR MAK TAK WAH, OC, PhD, DSc(Hons), FRSC, FRS (Appointed on 1 July 2018)

Professor, Departments of Medical Biophysics and Immunology, University of Toronto

Director, Campbell Family Institute for Breast Cancer Research at Princess Margaret Cancer Centre, University Health Network, Canada

Professor, University of Hong Kong

Professor Tak Mak is internationally known for his work in the molecular biology of cancer and the immune system. He is a Professor in the Department of Medical Biophysics and the Department of Immunology at the University of Toronto; the Director of the Campbell Family Institute for Breast Cancer Research at the Princess Margaret Cancer Centre; and a Senior Scientist at the Ontario Cancer Institute; and a Clinical Professor in the Faculty of Medicine of The University of Hong Kong.

Professor Mak is a world leader in the genetics of immunology and cancer. In 1984, he led the group that discovered the T cell receptor, and his published work on the cloning of T cell antigen receptor genes has been cited over 1,400 times. Since this landmark discovery, Professor Mak has focused on elucidating the mechanisms underlying immune responses and tumorigenesis. He pioneered the use of genetically engineered mouse strains to identify genetic susceptibility factors associated with various immune disorders or different types of cancer. In particular, his team discovered that CTLA4 is a negative regulator of T cell activation (cited 3,000 times), paving the way for the development of anti-CTLA4 agents now in clinical use for autoimmune diseases.

Recognitions include:

- Officer of the Order of Canada
- Gairdner Foundation International Award (Canada)
- Foreign Associate of the National Academy of Sciences (USA)
- Fellow of the Royal Society (Canada)
- Fellow of the Royal Society (U.K.)
- King Faisal Prize for Medicine (Saudi Arabia)
- Sloan Prize of the GM Cancer Foundation (USA)
- Paul Ehrlich and Ludwig Darmstaedter Prize (Germany)
- Medicine Doctor Honoris Causa, Karolinska Institutet, Stockholm, Sweden
- Signal Transduction Society/Cell Communication and Signaling (STS/CCS) Honorary Medal 2016

THE HONOURABLE JIMMY NG WING KA, JP (Appointed on 1 July 2018)
Legislative Council Member Industrial (Second)

Honourable Jimmy NG Wing-ka is a member of the 6th Legislative Council who represents the Industrial (Second) Functional Constituency (2016 — 2020) and a legal practitioner. He also serves as a Council Member of the Hong Kong Polytechnic University.

Besides being the Chairman of Hong Kong-Taiwan Business Co-operation Committee (BCC), Hon. NG serves as a member of the Hong Kong Special Administrative Region (HKSAR) Election Committee, an observer of the Independent Police Complaints Council (IPCC), as well as a member of the Small and Medium Enterprises Committee (SMEC).

At the same time, Hon. NG is also a member of the Chongqing Chinese People's Political Consultative Conference (CPPCC), a council member of the China Peaceful Reunification Promotion Association, a committee member of the China Overseas Friendship Association and an Executive Vice President of the China Association for Promoting the Peaceful Reunification of Hong Kong. He currently serves as an independent non-executive director of Yanchang Petroleum International Limited, China Weaving Materials Holdings Limited and a Vice President and Secretary General of the Hong Kong Association of Friends of Maotai.

MR. JOSEPH NGAI, JP
Senior Partner and Managing Partner, Greater China
McKinsey & Company

Joe Ngai is currently a Senior Partner and the Managing Partner of McKinsey Greater China. He serves many of the region's leading banks, insurers and conglomerates on business transformation and digitalization. He is the co-author of two editions of "Life Insurance in Asia", and frequently speaks on financial, management, youth and social enterprise topics.

Joe serves on various Government advisory committees, including the Financial Services Development Council, the Hong Kong Scholarship for Excellence Scheme, and the Financial Infrastructure Sub-Committee of the Hong Kong Monetary Authority.

He is passionate about community service. He is currently the Chairman of DiamondCab, an award-winning social enterprise focusing on barrier-free taxi services, Director of Diocesan Boys' School Foundation, Regional Association President of Phillips Exeter Academy, and previously, President of Harvard Business School Association of Hong Kong.

Joe grew up in Hong Kong, where he studied at Diocesan Boys' School. He received his AB, JD and MBA from Harvard University.

MR. GAVIN POON KA MING, MPH (HK), MPhil (Cantab) (Appointed on 1 July 2018)
Medical Advisor
Novartis Pharmaceuticals (HK) Ltd.

Gavin Poon is currently a Medical Advisor at the Novartis Pharmaceuticals (HK) Ltd. Gavin grew up in Hong Kong, and has extensive experience in the life science industry from commercial to clinical development and medical affairs.

He is keen about the impact of policy making and translational medicine, and has obtained BSc, MPH (Health Economics, Policy and Management) from the University of Hong Kong and MPhil in Experimental Medicine from the University of Cambridge.

Being a digital enthusiast, Gavin loves to study how disruptive technology change industrial practice. He also serves as a member in the Committee on Innovation, Technology & Re-industrialisation and the Statistics Advisory Board of the Government.

PROFESSOR SHYY WEI (Retired on 30 June 2018)

Acting President
Executive Vice-President and Provost
The Hong Kong University of Science and Technology

Professor Wei Shyy (or SHYY Wei) is the Executive Vice-President and Provost of the Hong Kong University of Science and Technology (HKUST). He is concurrently the Acting President of HKUST with effect from 1 February 2018. Recently he has been appointed as the next President of HKUST with effect from 1 September 2018.

Professor Shyy obtained his BS degree from Tsing-Hua University, Taiwan, and his MSE and PhD degrees in Aerospace Engineering from University of Michigan. He was Research Scientist at the General Electric Research and Development Center in New York from 1983 to 1988. From 1988 to 2004, he was on the faculty of University of Florida. From 2005 to 2010, he was Clarence L. "Kelly" Johnson Collegiate Professor and Chairman of Department of Aerospace Engineering at University of Michigan.

Professor Shyy is a Fellow of American Institute of Aeronautics and Astronautics (AIAA) and American Society of Mechanical Engineers (ASME). Among his many awards are AIAA 2003 Pendray Aerospace Literature Award, ASME 2005 Heat Transfer Memorial Award, and Engineers' Council (Sherman Oaks, California) 2009 Distinguished Educator Award etc. He is also a member of Board of Governors of Technion — Israel Institute of Technology.

MR. RICHARD SUN PO YUEN, JP, Certified Public Accountant (Retired on 30 June 2018)

Partner
PricewaterhouseCoopers

Mr. Richard Sun is a partner of PricewaterhouseCoopers and has been with PricewaterhouseCoopers for over 25 years. Mr. Sun has extensive experience in auditing, initial public offering exercises, mergers and acquisitions, equity transactions and business advisory services. He has a broad range of Hong Kong and PRC based (H shares and red chips) clients.

Mr. Sun served as a member of the Listing Committee of the Hong Kong Stock Exchange from 2009-2014. He was previously a director of the Estate Agents Authority, where he was a member of the Disciplinary Committee and the Finance and Strategic Development Committee and previously a director of the Hong Kong Applied Science and Technology Research Institute Company Limited, where he was Chairman of the Audit Committee. He is also a past Chairman and Executive Committee member of the Association of Chartered Certified Accountants, Hong Kong where he continues as a member of the Community Services Committee.

PROFESSOR TANG XIAOOU (Appointed on 1 July 2018)

Founder of SenseTime
Professor of the Chinese University of Hong Kong

Prof. Tang Xiaoou is founder of SenseTime, a leading artificial intelligence (AI) company focused on computer vision and deep learning. Prof. Tang is considered one of the most influential AI scientists. He is a professor at the Department of Information Engineering at the Chinese University of Hong Kong. He serves as the Associate Director of the Shenzhen Institute of Advanced Technology of the Chinese Academy of Science. Previously, he was the Director of Visual Computing at Microsoft Research Asia from 2005 to 2008. In his academic and corporate roles, Professor Tang has taught and mentored many Ph.D. students and researchers in the areas of computer vision, pattern recognition, and video processing.

Professor Tang received the Best Paper Award at the IEEE Conference on Computer Vision and Pattern Recognition (CVPR) in 2009. His work on facial recognition became the first facial recognition algorithm to surpass human performance. The work was awarded the Outstanding Student Paper Award at one of the most prestigious AI conferences, the AAAI, in 2015. Professor Tang is also an IEEE fellow, a program chair of the IEEE International Conference on Computer Vision (ICCV) in 2009, and a general chair of the ICCV in 2019. He currently serves as the Editor-in-Chief of the International Journal of Computer Vision (IJCV), one of the two leading journals on computer vision.

Professor Tang received a Ph.D. degree from the Massachusetts Institute of Technology in 1996. He holds an M.S. degree from the University of Rochester and a B.S. degree from the University of Science and Technology of China.

MR. DENIS TSE TIK YANG (Appointed on 1 July 2018)

Founding Managing Partner
Asia-IO Holdings Limited

Mr. Denis Tse is the Founding Managing Partner of Asia-IO Holdings, a private equity manager specializing in Asia-nexus cross-border direct investment programs. Denis is previously Head of Private Investments — Asia for corporate pension manager Lockheed Martin Investment Management Company, where he was named “40 under 40” by *Chief Investment Officer* magazine. Prior to that Denis had a career in technology venture investing, and was the first Kauffman Fellow from an Asian venture capital firm. Denis has an honorary bachelor’s degree from Northwestern University and an MBA degree from INSEAD.

PROFESSOR TSUI LAP CHEE, GBM, GBS, JP

Founding President
The Academy of Sciences of Hong Kong

Professor Lap-Chee Tsui is the Founding President of the Academy of Sciences of Hong Kong. He is also President of Victor and William Fung Foundation, Hong Kong, and Director of Qiushi Academy for Advanced Studies and Master of the Residential College of International Campus, Zhejiang University, China. He is the 14th Vice Chancellor of The University of Hong Kong and, prior to which, he was Geneticist-in-Chief at the Hospital for Sick Children in Toronto and University Professor at University of Toronto, Canada.

Professor Tsui received his Bachelor and Master degrees from the Chinese University of Hong Kong and his PhD from University of Pittsburgh in 1979. He is world renowned for his research work in human genetics and genomics, notably the identification of the gene for Cystic Fibrosis in 1989 and, later, other human genetic diseases while conducting a comprehensive characterization of human chromosome 7.

Dr. Tsui has over 300 peer-reviewed scientific publications and 65 invited book chapters. He is the recipient of many national and international prizes, and a Fellow of Royal Society of Canada, Fellow of Royal Society of London, Fellow of Academia Sinica, Foreign Associate of the National Academy of Sciences USA, Foreign Member of the Chinese Academy of Sciences, and Laureate of the Canadian Medical Hall of Fame. He has received many awards over the years, including 15 honorary doctoral degrees from universities around the world, the Order of Canada, the Order of Ontario, Knight of the Légion d’Honneur of France.

MR. BILLY WONG WING HOO, BBS, JP, FICE, FHKIE, FIHT, FHKIHT, RPE (Retired on 30 June 2018)

General Manager, Construction Department
Henderson Land Development Company Limited

Mr. Billy Wong is presently Director of Henderson China Properties Ltd., Senior Vice President of Henderson (China) Investment Co. Ltd., and General Manager of the Construction Department of Henderson Land Development Co. Ltd.

Mr. Wong participated in many infrastructure projects in his career, including Water Supply from China — Stage III, Hillside Escalator to Mid-Level, Ting Kau Bridge, Runway and Airfield Works of Chek Lap Kok Airport, Strategic Scheme Sewage Disposal Phase I, etc.

Mr. Wong is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institute of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. He was appointed as a Justice of the Peace in 2005. He served as President of Hong Kong Construction Association, Chairman of Construction Industry Training Authority and Chairman of Construction Industry Training Board, he is currently Permanent Supervisor of Hong Kong Construction Association, Board Member of Hong Kong Airport Authority and Director of Hong Kong-Shenzhen Innovation and Technology Park Ltd.

BOARD COMMITTEES

BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE (BDAC)

The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP (Chairperson)

Professor SHYY Wei (Vice-Chairman)

Dr. Sunny CHAI Ngai Chiu, BBS

Ms. Cordelia CHUNG

Ir Dr. Honourable LO Wai Kwok, SBS, MH, JP

Dr. Kim MAK Kin Wah, BBS, JP

Mr. Joseph NGAI, JP

Mr. Billy WONG Wing Hoo, BBS, JP

Mr. CHEUK Wing Hing, JP

FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Mr. Raymond CHENG Siu Hong (Chairman)

Mr. Richard SUN Po Yuen, JP, Certified Public Accountant (Vice-Chairman)

Mr. Kent HO Ching Tak

The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP

Mr. Theodore MA Heng

Professor TSUI Lap Chee, GBM, GBS, JP

Mr. CHEUK Wing Hing, JP

PROJECTS AND FACILITIES COMMITTEE (PFC)

Mr. Billy WONG Wing Hoo, BBS, JP (Chairman)

Ir Dr. Honourable LO Wai Kwok, SBS, MH, JP (Vice Chairman)

Ms. Cordelia CHUNG

Dr. Kim MAK Kin Wah, BBS, JP

Mr. CHEUK Wing Hing, JP

AUDIT COMMITTEE (AC)

Mr. Richard SUN Po Yuen, JP, Certified Public Accountant (Chairman)

Mr. Raymond CHENG Siu Hong (Vice-Chairman)

Dr. Sunny CHAI Ngai Chiu, BBS

Mr. Theodore MA Heng

Mr. CHEUK Wing Hing, JP

SENIOR STAFF ADMINISTRATION COMMITTEE (SSAC)

The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP (Chairperson)

Mr. Raymond CHENG Siu Hong

Mr. Richard SUN Po Yuen, JP, Certified Public Accountant

Mr. Billy WONG Wing Hoo, BBS, JP

Mr. CHEUK Wing Hing, JP

Remarks:

The Honourable Mrs. Fanny LAW FAN Chiu Fun retired from BDAC, FAC and SSAC on 30 June 2018.

Dr. Sunny CHAI Ngai Chiu retired from AC on 7 August 2018.

Ir Dr. Honourable LO Wai Kwok retired from BDAC and PFC on 30 June 2018.

Professor SHYY Wei retired from BDAC on 30 June 2018.

Mr. Richard SUN Po Yuen retired from FAC, AC and SSAC on 30 June 2018.

Mr. Billy WONG Wing Hoo retired from BDAC, PFC and SSAC on 30 June 2018.

Updates with effect from 8 August 2018:

Dr. Sunny CHAI Ngai Chiu joined SSAC.

Mr. Herbert CHIA Pun Kok joined BDAC and PFC.

Mr. Donald CHOI Wun Hing joined PFC.

Ms. Cordelia Chung joined SSAC.

Mr. Dennis HO Chiu Ping joined FAC and AC.

The Honourable Jimmy NG Wing Ka joined BDAC and AC.

Mr. Joseph Ngai joined SSAC.

Mr. Gavin POON Ka Ming joined PFC and AC.

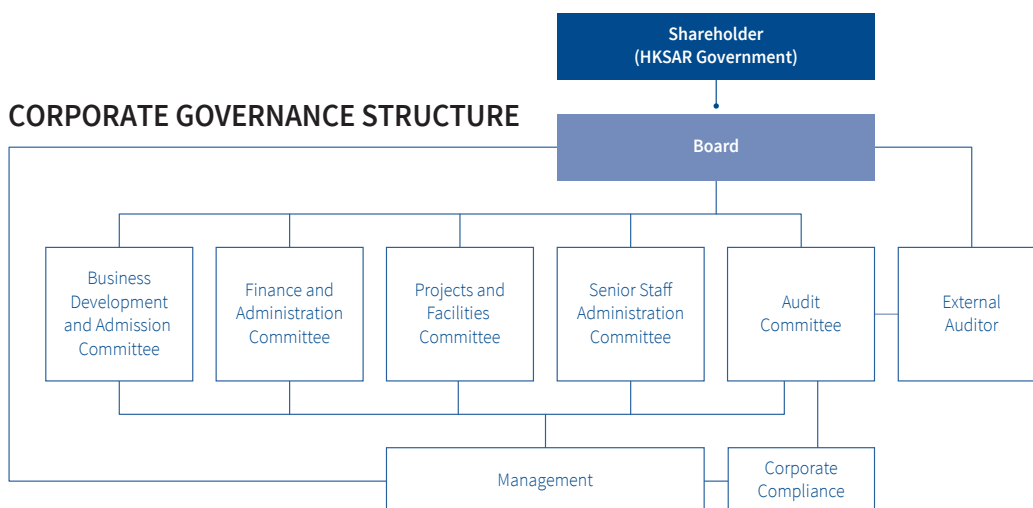
Professor TANG Xiaou joined BDAC.

Mr. Denis TSE Tik Yang joined BDAC and FAC.

CORPORATE GOVERNANCE REPORT

Our Corporation is a statutory body incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (the “HKSTP 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 (the “Listing Rules”) in so far as they are applicable in achieving the purposes as set out in the HKSTP 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.



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 2018, the Board comprised 14 Non-Executive Directors including the Chairperson and 13 Board Members. The Chairperson is appointed by the Chief Executive of the HKSAR Government, and the Board Members are appointed by the Financial Secretary. All Board Members are appointed without honorarium, generally for a term of two-year and subject to re-appointment upon expiry of their terms. Each Board Member has a duty to act in good faith in the best interests of the Corporation. Members are aware of their collective and individual responsibilities to the HKSAR Government, being the sole shareholder of the Corporation, for the manner in which affairs of the Corporation are managed, controlled and operated.

BOARD COMPOSITION

Board Members come from varied but relevant backgrounds with a wide range of skills, experiences and expertise, originating from academia, industry, biomedical technology, pharmaceuticals, artificial intelligence, finance, investment, trading, architect, property, legal and management consulting. One of our Board Members, the Permanent Secretary for Innovation and Technology, is a public officer. Biographical details of the Board Members are set out in the section headed “The Board” on pages 24 to 31 of the Annual Report.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

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

The non-executive Chairperson 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, she 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 Hong Kong Science Park (“Science Park”) to familiarise themselves with the objectives, business plan and operations of the Corporation.

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

KEEPING MEMBERS UP TO DATE

To keep abreast of the development of innovation and technology and to refresh knowledge and skills as to corporate governance, Board Members attended a talk on "Gates Foundation view on epidemic preparedness" during the Board Planning Day on 26 August 2017, as well as a briefing session on "Managing Conflict of Interest and Preventing Misconduct in Public Office" hosted by the Independent Commission Against Corruption on 16 December 2017.

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 HKSTP 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: that is, 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.

WHAT THE BOARD DOES

The Board of Directors formulates strategic direction, oversees implementation of strategic plan and board improvement process, and approves the annual budget, corporate key performance indicators, 10-year financial projection, as well as major development and redevelopment projects. It monitors the overall performance of the Corporation and ensures that effective controls are in place to manage potential risks. It also approves the appointment of external auditors and their remuneration during the

period under review. It met six (5 Board meetings plus Board Planning Day) times during the year with an average attendance rate of 76%.

The Chairperson 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 Chairperson 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 statement of the auditors of the Corporation about their reporting responsibilities is set out in the Independent Auditors' Report on page 47 of the Annual Report.

BOARD COMMITTEES

The Board oversees five standing Committees:

- Business Development and Admission Committee
- Finance and Administration Committee
- Projects and Facilities 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 36 of Annual Report.

BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE

The Business Development and Admission Committee (“BDAC”), chaired by Mrs. Fanny Law, reviews applications for admission as tenants and grantees into the Corporation’s premises. It approves and monitors business initiatives and marketing programmes in accordance with the strategic plans approved by the Board. The Committee also keeps under review the Corporation’s admission guidelines and terms, and recommends major changes to the Board for approval.

FINANCE AND ADMINISTRATION COMMITTEE

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

PROJECTS AND FACILITIES COMMITTEE

The Projects and Facilities Committee (“PFC”), chaired by Mr. Billy Wong, oversees and monitors the capital works projects, initiatives in respect of sustainability, 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.

AUDIT COMMITTEE

The Audit Committee (“AC”), chaired by Mr. Richard Sun, 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 Mrs. Fanny Law, comprises the Board’s Chairperson, all Committee Chairmen and the Government Member of the Board. This Committee is responsible for the selection of senior executives of the Corporation (first two tiers — CEO and Chief Officers) and setting performance targets and assessing performance of the senior executives on an annual basis. It recommends remuneration policies, determines appointment, remuneration package and variable remuneration awards, contract renewal and annual salary review for senior executives and consider HR 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

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

The Task Force for SPX1 and IE2.0 Projects, chaired by Mr. Billy Wong, the PFC Chairman, was established in July 2016 to steer the development of SPX1 and IE2.0 Projects, oversee and advise on the design, procurement, construction, site safety, cost control and facilities management of these capital projects and make recommendations to the PFC for consideration and approval. During the year, six meetings had been held with an average attendance rate of 83%.

COMMITTEES MONITORED BY THE FAC

The FAC monitored the Investment Committee and the Call Option Committee. Meetings of these committees are held on a need basis. The Investment Committee, chaired by the CEO, approves Corporate Venture Fund (“CVF”) investment and divestment decisions and oversees the operations of the CVF whereas the Call Option Committee, chaired by the CEO, decides on all matters relating to call option terms and exits. During the year, six Investment Committee meetings had been held with an average attendance rate of 83% but 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 HKSTP 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 2017 to 31 March 2018 is provided in the following table.

BOARD MEMBERS	MEETINGS					
	Board of Directors	BDAC	FAC	PFC	AC	SSAC
The Hon. Mrs. Fanny LAW FAN Chiu Fun	6/6	6/6	4/4	-	-	3/3
Permanent Secretary for Innovation and Technology [#] or his alternates	6/6	6/6	4/4	4/4	3/3	3/3
Dr. Sunny CHAI Ngai Chiu	5/6	5/6	-	-	3/3	-
Mr. Owen CHAN Sze Wai (Retired with effect from 4 May 2017)	0/0	0/0	-	-	-	-
Mr. Raymond CHENG Siu Hong	6/6	-	4/4	-	3/3	3/3
Ms. Cordelia CHUNG (Appointed on 1 July 2017) (Joined BDAC and PFC on 15 August 2017)	4/4	4/4	-	3/3	-	-
Mr. Kent HO (Appointed on 1 July 2017) (Joined FAC on 15 August 2017)	3/4	-	3/3	-	-	-
Miss Nisa LEUNG Wing Yu (Retired with effect from 30 June 2017)	2/2	-	-	-	0/1	-
Ir Dr. Hon. LO Wai Kwok	5/6	3/6	-	2/4	-	-
Mr. Theodore MA Heng (Retired from BDAC on 14 August 2017 and joined AC on 15 August 2017)	5/6	0/2	2/4	-	0/1	-
Dr. Kim MAK (Appointed on 1 July 2017) (Joined BDAC and PFC on 15 August 2017)	4/4	2/4	-	2/3	-	-
Mr. Joseph NGAI	4/6	1/6	-	-	-	-
Professor SHYY Wei	0/6	4/6	-	-	-	-
Mr. Richard SUN Po Yuen	3/6	-	3/4	-	3/3	3/3
Professor Paul TAM Kwong Hang (Retired with effect from 30 June 2017)	2/2	-	-	1/1	-	-
Professor TSUI Lap Chee	5/6	-	4/4	-	-	-
Mr. Billy WONG Wing Hoo	5/6	5/6	-	4/4	-	3/3
Professor WONG Wing Shing (Retired with effect from 30 June 2017)	0/2	1/1	-	-	-	-
Ms. Winnie YEUNG Cheung Wah (Retired with effect from 30 June 2017)	1/2	-	-	-	-	-
Professor Albert YU Cheung Hoi (Retired with effect from 30 June 2017)	1/2	0/1	-	1/1	-	-
Average Attendance Rate	76%	69%	89%	85%	86%	100%

Remark:

[#]Two of the Board meetings and all the Committee meetings including BDAC, FAC, PFC, AC and SSAC were attended by the alternates of Permanent Secretary for Innovation and Technology on his behalf.

MANAGEMENT AND STAFF

Under the leadership of the CEO, Management and staff are responsible for managing the Corporation's day-to-day operations and implementing strategies as determined by the Board. They must comply with the Corporation's Employee Code of Conduct and apply prudent commercial principles as required under the HKSTP 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, handling of confidential information and preservation of secrecy, intellectual property, outside business or employment, financial issues, operational and administrative transactions, and intellectual property. Staff members are reminded every six months on the importance of compliance. The ICAC is invited to give briefing on the prevention of bribery and conflict of interest to employees on a regular basis. The last briefing session for new employees was conducted in November 2017 and a refresher session for existing employees was conducted in February 2018.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

identified risks. Independent verification of the effectiveness of controls is performed by the corporate compliance function.

Risk management is an integral component of the Corporation's corporate governance. The Corporation has put in place a risk management framework. Details of the risk management framework, the key risks and the key mitigations are described in the Risk Management Report on pages 41 to 42.

During 2017/18, 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 was the Corporation's external auditor. It plays an important role in reviewing the truth and fairness of the financial statements as

well as enhancing the system of internal controls of the Corporation. 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.

The auditor's remuneration in respect of audit provided to the Corporation was HK\$520,948 for the year ended 31 March 2018. No non-audit services provided to the Corporation for the year ended 31 March 2018.

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 approval authorities were approved by the Board in March 2018 to further enhance operational efficiency while maintaining appropriate control.

CORPORATE GOVERNANCE PRACTICES

Section 7 of the HKSTP 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 HKSTP 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 34 of the Annual Report for details of events participated by the directors during 2017/18.
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 2017/18, 6% of the total number of meeting papers was dispatched less than 3 days before the meetings, which mainly included papers that were strictly confidential in nature and involving emergency incidents. Management would abide by the timeliness of paper distribution as far as applicable to provide the Board with reasonable time to review papers in advance of 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 67 of the Annual Report.

The attendance of Directors at meetings is reported on page 36 of the Annual Report.

COMMUNICATION

We maintain continuous and transparent communication with all our stakeholders. Multiple channels were used to ensure easy and direct communications, including engagement through annual media luncheon, press interviews and conferences as well as participation in a wide range of local and overseas exhibitions and conferences. Information about our value added services, offerings, latest news and events are available on the corporate website for easy public access and search.

SOCIAL MEDIA

Given the rapid establishment of digital communication, we continue to enrich our content on Facebook and LinkedIn to facilitate engagement with the public. Such content covers a wide range of flagship marketing activities held at the Park, highlights of insights and technology trends from industry conferences, science workshops for parents and students, as well as information on innovations and success stories from our start-up community. The number of Facebook fans increased 15% and number of followers on LinkedIn increased 45% over the past year, thereby extending our reach to the community.

CARING COMPANY

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

SPONSORSHIP

During the year, the Corporation provided venue sponsorship for 25 events organised to promote STEM as well as innovation and technology to the younger generation. These events included the annual "InnoCarnival" organised by Innovation and Technology Commission to arouse public's interests in innovation and technology through hands-on and fun-filled experience; "Hong Kong Student Science Project Competition" organised by The Hong Kong Federation of Youth Groups to foster young people's interests in innovation and technology, and to develop their creativity and scientific mind-set in intellectual and career interests in science and technology; "Hong Kong University Student Innovation and Entrepreneurship Competition 2017" held by Hong Kong New Generation Cultural Association Science Innovation Centre in nurturing the innovative ideas and entrepreneurial skills among the university students in Hong Kong.

STAFF ENRICHMENT

The Corporation provides a wide range of training programmes to enhance the knowledge and capabilities of employees. Apart from personal effectiveness training, there are new workshops like "Key Account Management for managing CRM", "EQ workshops" and "Communication workshops using psychometric tools" to refresh new skills. Besides, a series of courses are organised to develop the leadership capabilities of middle to senior-level managers such as the SMART Supervisory Certificate Program. The core elements of the program include managing self, motivating people, developing teams and situational leadership. The first Leadership Development Program is launched to develop future leaders adopting unconventional learning opportunities like mentorship, breakthrough thinking and entrepreneurship, executive conferences and overseas training.

The Corporation continues the promotion of work-life balance and enhance collaboration among employees through employee-led interest groups and engagement activities by its Sports & Recreation Club. In addition, the Corporation encourages employees to take part in charity events like Dress Casual Day and Skip Lunch Day as well as voluntary services led by the HKSTP Volunteer Group. They supported a variety of community services such as sports day for mentally & physically disabled people, home visits for the elderly, and enrichment program to HK Wetland Park for children from low-income families, etc.

Furthermore, the Corporation offers Internship Programme to arouse the career interest of university students in I&T industry and enable them to explore their career in this industry.

SUSTAINABLE DEVELOPMENT

HKSTP published its fourth Sustainability Report in December 2017, covering its aspirations and progress in the areas of environment, health and safety, employee welfare and community engagement. Produced in accordance with both the Hong Kong Exchanges and Clearing Limited (HKEx) “ESG Reporting Guide”, the report was distributed in e-format via the Corporation’s website and via e-circular to all Partner Companies at the Science Park.

SAFETY, HEALTH AND ENVIRONMENTAL (“SHE”) GOVERNANCE

Health, safety 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. Day-to-day implementation is coordinated by SHE Sub-Working Groups which focus on general and laboratory SHE matters and report to a Central SHE Working Group.

Simple-to-follow procedures and guidelines are in place for our employees and also — where relevant — to our occupants, contractors and service providers. In all, SHE orientation and awareness training delivered to HKSTP staff amounted to over 440 person-hours during 2017-18, with zero work days lost due to staff injuries throughout the whole year.

INTERNATIONAL MANAGEMENT STANDARDS

HKSTP maintained the third-party certification of its six ISO management systems during 2017/18, with zero non-conformities raised:

- ISO 9001 — quality management
- ISO 14001 — environmental management
- ISO/IEC 17025 — competence of testing and calibration laboratories
- OHSAS 18001 — occupational health & safety (“OH&S”) management
- ISO 27001 — information security management
- ISO 50001 — energy management

Twelve more incubatees and incubation graduates joined the Hong Kong Quality Start-up Recognition Scheme to promote quality management under HKSTP’s partnership with HKQAA.

SUSTAINABILITY HIGHLIGHTS FOR 2017/18

HKSTP continued as signatory to the Environment Bureau’s Energy Saving Buildings (“eSB”) programme throughout the year in addition to its participation in other waste reduction and OH&S charters. Key achievements during 2017/18 included:

- over 11 tonnes of food waste from Science Park F&B outlets diverted from landfill, and recycled into animal feed;
- 15,207m³ of condensate and rainwater recycled for site irrigation and cleansing;
- a 9% reduction in office paper (from 7.4 to 6.7 A4 reams per person on average), through various IT workflow enhancements and digital signatures;
- “Excellent” indoor air quality (“IAQ”) certification achieved by all thirteen Phase 1 & 2 buildings submitted for assessment;
- zero OH&S injuries to HKSTP staff, and less than one case per month affecting Facilities Management Office staff and contractors;
- zero reportable injuries associated with the construction projects at Science Park and Tseung Kwan O Industrial Estates, with independent safety audits completed each month;
- zero laboratory related injuries reported, with annual inspections of 86 tenant/incubatee laboratories and introduction of new Safety Guidelines for co-working spaces;
- continued implementation of HKSTP’s *Food Safety & Hygiene* programme by Science Park and InnoCentre food & beverage outlets; and
- phasing out of the use of single use plastic water bottles (of 1 litre volume or less) to reduce waste at HKSTP events and, from February 2018, Science Park vending machines.

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 2018, 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 different levels of government to solicit support in government policy, market adoption, education and training, investment, etc. Conduct marketing activities globally, regionally and in mainland China to attract quality R&D companies Plan and execute on \$10 billion funding from the government to attract and support companies, in view to build an elite core of companies to attract the critical mass of companies and talents

Principal Risks	Description	Key Mitigations
Safety, Health and Environmental (SHE) Risk	The risk of not being able to prevent health and safety hazards and protect our environment	<ul style="list-style-type: none"> • Maintain the third-party certification of occupational, safety and health (OHSAS 18001), environmental management (ISO 14001) and HKSTP's laboratories quality management (ISO 9001) to help us systematically to identify, evaluate and manage SHE risks • SHE policies and procedures and compliance audits are in place for our tenants, staff members, contractors, visitors and laboratory users • Implement SHE risk control evaluation for laboratory tenants and conduct annual laboratory walkthrough and safety inspection to all tenant laboratories • Monitor food hygiene standards at our food and beverage outlets
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 • 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 a close relationship with the press and the media • Communicate honestly and effectively with the public when handling negative publicity • Continue to review and improve the issue/crisis communication
Legal and Regulatory Risk	Serious loss resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations.	<ul style="list-style-type: none"> • Legal advice sought on business activities and new initiatives • Monitoring programmes are in place • 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

**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 2018.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Corporation and its subsidiaries (the "Group") for the year ended 31 March 2018 and the financial position of the Group as at that date are set out in the financial statements on pages 51 to 80.

Property, plant and equipment

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

Construction in progress

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

Industrial Estates

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

SHARE CAPITAL

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

DIRECTORS

All directors were appointed and re-appointed in accordance with sections 1(1), 1(2) and 1(3)(b) 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			
The Honourable Mrs. Fanny LAW FAN Chiu Fun, GBM, GBS, JP* (Retired on 30 June 2018)	2014*	2016	
Dr. Sunny CHAI Ngai Chiu, BBS#	2018#		
Members			
Mr. CHEUK Wing Hing, JP^ (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)	–	–	–
Mr. Raymond CHENG Siu Hong	2013	2015	2017
Mr. Herbert CHIA Pun Kok	2018		
Mr. Donald CHOI Wun Hing, BFA, BArch, BSc, MA, MBA, MAIBC, MRAIC, RAIA, HKIA, HKIUD, PRC Class 1 Registered Architect Qualification, Registered Architect, Authorised Person	2018		
Ms. Cordelia CHUNG	2017		
Mr. Kent HO Ching Tak	2017		
Mr. Dennis HO Chiu Ping	2018		
Ir Dr. Honourable LO Wai Kwok, SBS, MH, JP, CEng, FHKIE, FIET, FIMechE, FHKEng, RPE (Retired on 30 June 2018)	2012	2014	2016
Mr. Theodore MA Heng	2014	2016	2018
Dr. Kim MAK Kin Wah, BBS, JP	2017		
Professor MAK Tak Wah, OC, PhD, DSc(Hons), FRSC, FRS	2018		
The Honourable Jimmy NG Wing Ka, JP	2018		
Mr. Joseph NGAI, JP	2016	2018	
Mr. Gavin POON Ka Ming, MPH (HK), MPhil (Cantab)	2018		
Professor SHYY Wei (Retired on 30 June 2018)	2012	2014	2016
Mr. Richard SUN Po Yuen, JP, Certified Public Accountant (Retired on 30 June 2018)	2012	2014	2016
Professor TANG Xiaoou	2018		
Mr. Denis TSE Tik Yang	2018		
Professor TSUI Lap Chee, GBM, GBS, JP	2014	2016	2018
Mr. Billy WONG Wing Hoo, BBS, JP, FICE, FHKIE, FIHT, FHKIHT, RPE (Retired on 30 June 2018)	2012	2014	2016

Remarks:

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

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 public officer was appointed by the Financial Secretary of the Government of the Hong Kong Special Administrative Region on an ex-officio basis with effect from 20 November 2015 in accordance with sections 1(1)(b) and (2) of Schedule 2 to the Ordinance.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

AUDITORS

KPMG was re-appointed as auditors of the Corporation for the year ended 31 March 2018.

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

On behalf of the board

Dr. Sunny CHAI Ngai Chiu, BBS

Chairperson

Hong Kong

12 September 2018

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 51 to 80, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of 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 2018 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 2018, the Group held property, plant and equipment located in Hong Kong with carrying amounts totalling HK\$8,920 million which represented 43% 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 2018, 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 property valuation specialists; • comparing the actual operating results for the current year with management’s forecast operating results in its recoverability assessment for 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
12 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
Income			
Gross rental income	5(a)	665,723,691	571,844,761
Property management fee, air-conditioning and support facility income		212,785,773	192,583,520
Income from technology support centres		18,079,397	21,373,869
Consent fee and other income		73,546,523	94,065,662
Miscellaneous income		1,690,088	1,831,844
Increase in fair value of financial assets at fair value through profit or loss		10,145,600	-
		981,971,072	881,699,656
Expenditure			
Expenses for property management and technology support centres	6(a)	(295,683,272)	(273,132,563)
Administrative and operating expenses		(244,128,555)	(204,312,227)
Marketing and promotion expenses		(37,246,395)	(42,710,356)
Incubation support and technology transfer expenses		(33,828,429)	(21,517,918)
		(610,886,651)	(541,673,064)
		371,084,421	340,026,592
Operating surplus before interest and depreciation			
Interest income	5(b)	163,994,993	54,330,186
Interest expenses	6(b)	(51,464,621)	(38,787,374)
		483,614,793	355,569,404
Surplus before depreciation			
Depreciation	11	(413,009,157)	(389,544,063)
Deferred income		76,292,256	76,292,257
		146,897,892	42,317,598
Surplus for the year			
Other comprehensive income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale investments: changes in fair value recognised during the year		2,060,269	-
		148,958,161	42,317,598

The notes on pages 56 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
Non-current assets			
Property, plant and equipment	11	8,919,911,178	9,135,623,177
Construction in progress	12	857,376,509	280,730,260
Industrial Estates	13	336,132,068	254,120,679
Available-for-sale investments	14	34,396,502	18,581,688
Financial assets at fair value through profit or loss		10,145,600	–
Bank deposits with original maturities of more than three months	16	–	1,829,719,719
Total non-current assets		10,157,961,857	11,518,775,523
Current assets			
Accounts receivable, prepayments, deposits and other receivables	15	116,435,119	50,483,430
Bank deposits with original maturities of more than three months	16	10,555,389,960	8,214,355,157
Cash and cash equivalents	17(a)	146,845,532	430,529,702
Total current assets		10,818,670,611	8,695,368,289
Current liabilities			
Accrued charges and other payables	18	599,576,840	432,359,252
Deposits and rental received in advance	19	345,716,217	326,229,670
Government loans	20	87,282,689	94,833,551
Total current liabilities		1,032,575,746	853,422,473
Net current assets		9,786,094,865	7,841,945,816

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

at 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
Total assets less current liabilities		19,944,056,722	19,360,721,339
Non-current liabilities			
Deferred income	22	1,976,855,961	1,947,697,249
Government loans	20	796,987,456	391,908,002
Medium term notes	21	1,706,565,537	1,706,426,481
Total non-current liabilities		4,480,408,954	4,046,031,732
NET ASSETS		15,463,647,768	15,314,689,607
EQUITY			
Issued capital	23	15,210,397,594	15,210,397,594
Reserves		253,250,174	104,292,013
TOTAL EQUITY		15,463,647,768	15,314,689,607

Approved and authorised for issue by the board of directors on 12 September 2018

Dr. Sunny CHAI Ngai Chiu, BBS

Chairperson

Mr. Raymond CHENG Siu Hong

Director

The notes on pages 56 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Issued capital	Accumulated surplus	Fair value Reserve	Total equity
	\$	\$	\$	\$
At 1 April 2016	5,734,397,594	61,974,415	–	5,796,372,009
Changes in equity for 2017:				
Issuance of shares	9,476,000,000	–	–	9,476,000,000
Surplus and total comprehensive income for the year	–	42,317,598	–	42,317,598
At 31 March 2017 and 1 April 2017	15,210,397,594	104,292,013	–	15,314,689,607
Changes in equity for 2018:				
Surplus for the year	–	146,897,892	–	146,897,892
Other comprehensive income	–	–	2,060,269	2,060,269
Total comprehensive income for the year	–	146,897,892	2,060,269	148,958,161
At 31 March 2018	15,210,397,594	251,189,905	2,060,269	15,463,647,768

The notes on pages 56 to 80 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2018
(Expressed in Hong Kong dollars)

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Surplus for the year		146,897,892	42,317,598
Adjustments for:			
Depreciation	11	413,009,157	389,544,063
Deferred income recognised		(76,292,256)	(76,292,257)
Interest expenses	6(b)	51,464,621	38,787,374
Interest income	5(b)	(163,994,993)	(54,330,186)
Increase in fair value of financial assets at fair value through profit or loss		(10,145,600)	-
(Gain)/loss on disposal of items of property, plant and equipment	7	(724,005)	195,364
		360,214,816	340,221,956
Increase in Industrial Estates		(58,388,697)	(28,743,993)
(Increase)/decrease in accounts receivable, prepayments, deposits and other receivables		(11,736,384)	4,241,871
Increase/(decrease) in accrued charges and other payables		2,939,957	(12,184,438)
Increase in deposits and rental received in advance		19,486,547	66,330,858
Net cash flows generated from operating activities		312,516,239	369,866,254
Cash flows from investing activities			
Payment for the purchase of items of property, plant and equipment		(15,008,687)	(30,293,874)
Construction cost paid in respect of construction in progress		(617,741,853)	(245,223,508)
Increase in available-for-sale investments		(13,754,545)	(17,581,688)
Increase in bank deposits with original maturities of more than three months when acquired		(511,315,084)	(9,095,194,020)
Interest received		109,779,688	28,605,845
Proceeds from disposal of items of property, plant and equipment		-	1,287,268
Net cash flows used in investing activities		(1,048,040,481)	(9,358,399,977)
Cash flows from financing activities			
Proceeds from issuance of new shares		-	9,476,000,000
Interest paid	17(c)	(51,139,488)	(53,108,018)
Proceeds from new government loans	17(c)	600,000,000	-
Repayment of government loans	17(c)	(97,020,440)	(95,604,560)
Net cash flows generated from financing activities		451,840,072	9,327,287,422
Net (decrease)/increase in cash and cash equivalents		(283,684,170)	338,753,699
Cash and cash equivalents at the beginning of the year		430,529,702	91,776,003
Cash and cash equivalents at the end of the year	17(a)	146,845,532	430,529,702

The notes on pages 56 to 80 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 8/F, Bio-Informatics Centre, No. 2 Science Park West 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 2018 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:

- financial instruments classified as available-for-sale (see note 2.4(c)); and
- financial assets at fair value through profit or loss (see note 2.4(s)).

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 17(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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 profit or loss. 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.

In the Corporation's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(h)).

(c) Available-for-sale equity securities

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

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

When the investments are derecognised or impaired (see note 2.4(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

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

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

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

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

Science Park

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

InnoCentre

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

Industrial Estates buildings

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

Estate centre building

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Construction in progress

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

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

(f) Industrial Estates

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

(g) Leased assets

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

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

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

(ii) *Operating lease charges*

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

(h) Impairment of assets

(i) *Impairment of investments in equity securities and receivables*

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (continued)

(i) *Impairment of investments in equity securities and receivables (continued)*

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

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

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

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

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

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

(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;
- Industrial Estates; and
- investments in subsidiaries in the Corporation's statement of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (continued)

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

— 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 profit or loss 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 profit or loss in the year in which the reversals are recognised.

(i) Surrendered premises held for re-grant

Surrendered premises held for re-grant are land and factories situated in the Industrial Estates held for the purpose of re-grant for a premium and accordingly no amortisation has been provided on these assets.

Surrendered premises held for re-grant are stated at the lower of cost and net realisable value.

(j) Accounts receivable

Accounts receivable is initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2.4(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(l) 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

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

(o) 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 profit or loss 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 profit or loss 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 profit or loss over the loan period to match with the interest expenses of the relevant loans.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Corporation 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)

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Rental income receivable under operating leases is recognised in profit or loss 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 profit or loss as an integral part of the aggregate net lease payments receivable;
- (ii) management fee, air-conditioning and support facility income is recognised when the services are rendered to the tenants;
- (iii) income from technology support centres including (i) equipment leasing and service fee income, is recognised when the services are rendered to the tenants; and (ii) procurement sales income is recognised when the laboratories materials are delivered and accepted by the tenants;
- (iv) consent fee income from grantees of the Group in relation to the premises granted to them is recognised when the transfer of title of the premises from the grantees to other parties are completed;
- (v) recognition of deferred income in profit or loss arising from assets granted by the Government and a third party is recognised over the unexpired terms of the leases of the related assets and in accordance with the depreciation policies of the related assets; and
- (vi) interest income is recognised as it accrues using the effective interest method.

(r) 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.

(s) 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 profit or loss.

(t) 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;

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties (continued)

- (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.

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 at least on an annual basis. This requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from its use. Discount rate of 5.5% (2017: 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 2018, the net carrying amount of the property, plant and equipment was \$8,919,911,178 (2017: \$9,135,623,177) after taking into account the accumulated impairment provision of \$136,034,512 recognised in respect of certain property, plant and equipment.

(b) Impairment of accounts receivable

Accounts receivable represent rental income receivable from tenants. Where there is objective evidence of recoverability matter, the Group takes into consideration the estimation of future cash flows. The amount of allowance for doubtful debts is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at 31 March 2018 and 2017, the carrying amounts of accounts receivable were \$11,457,990 (net of allowance for doubtful debts of \$49,705) and \$7,541,882 (net of allowance for doubtful debts of \$86,986), respectively (note 15).

4 OPERATING SEGMENT INFORMATION

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

(a) Science Park

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4 OPERATING SEGMENT INFORMATION (CONTINUED)

(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.

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

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

	2018			
	Science Park	InnoCentre	Industrial Estates	Total
	\$	\$	\$	\$
Income	811,669,525	58,666,965	111,634,582	981,971,072
Expenditure	(555,225,947)	(31,967,100)	(23,693,604)	(610,886,651)
Operating surplus before interest and depreciation	256,443,578	26,699,865	87,940,978	371,084,421
Net interest income	14,139,268	198	98,390,906	112,530,372
Surplus before depreciation	270,582,846	26,700,063	186,331,884	483,614,793
Depreciation, net of deferred income	(314,980,002)	(17,761,712)	(3,975,187)	(336,716,901)
(Deficit)/surplus for the year	(44,397,156)	8,938,351	182,356,697	146,897,892

	2017			
	Science Park	InnoCentre	Industrial Estates	Total
	\$	\$	\$	\$
Income	698,458,616	57,620,408	125,620,632	881,699,656
Expenditure	(494,673,018)	(33,919,508)	(13,080,538)	(541,673,064)
Operating surplus before interest and depreciation	203,785,598	23,700,900	112,540,094	340,026,592
Net interest (expenses)/income	(12,907,923)	253	28,450,482	15,542,812
Surplus before depreciation	190,877,675	23,701,153	140,990,576	355,569,404
Depreciation, net of deferred income	(292,518,421)	(17,224,145)	(3,509,240)	(313,251,806)
(Deficit)/surplus for the year	(101,640,746)	6,477,008	137,481,336	42,317,598

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5 GROSS RENTAL 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) Interest income

	2018	2017
	\$	\$
Interest income on		
— bank deposits	163,994,993	54,306,838
— land premia receivables	-	23,348
	163,994,993	54,330,186

6 EXPENSES FOR PROPERTY MANAGEMENT AND TECHNOLOGY SUPPORT CENTRES AND INTEREST EXPENSES

(a) Expenses for property management and technology support centres

Amount includes expenses for property management of \$266,624,618 (2017: \$242,800,557) and expenses for technology support centres of \$29,058,654 (2017: \$30,332,006). Included in expenses for property management were salaries and other benefits of \$61,762,400 (2017: \$60,153,133) and contribution to defined contribution retirement scheme of \$2,523,169 (2017: \$2,620,811) that the management companies paid to its staff and employees.

(b) Interest expenses

	2018	2017
	\$	\$
Interest expenses on medium term notes	45,529,051	45,525,662
Interest expenses on government loans	5,935,570	7,593,663
	51,464,621	53,119,325
Less: Interest capitalised to Construction in progress	-	(14,331,951)
	51,464,621	38,787,374

For the year ended 31 March 2017, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 2.02% per annum, which was calculated based on interest expense incurred on average loan balance used to settle construction cost. No interest was capitalised during the year ended 31 March 2018.

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:

	2018	2017
	\$	\$
Auditors' remuneration	520,948	460,908
Employee benefit expenses (excluding staff costs of property management, as set out in note 6(a)):		
— Wages and salaries	184,536,927	169,186,901
— Retirement scheme contribution	11,745,984	9,571,716
Operating lease charges: machinery and equipment	2,926,036	4,316,727
(Gain)/loss on disposal of items of property, plant and equipment	(724,005)	195,364

8 DIRECTORS' EMOLUMENTS

No directors received any fees or emoluments in respect of their services rendered to the Group during the year (2017: 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:

	2018	2017
	\$	\$
Salaries and other benefits	11,829,695	12,189,414
Performance related incentive payments	2,935,919	2,935,208
Retirement benefit scheme contributions	902,910	1,087,939
	15,668,524	16,212,561

The remuneration of the CEO for the year is \$4,681,376 (salary and other benefits: \$3,601,376; 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 is as follows:

	2018	2017
\$2,500,001 to \$3,000,000	4	2
\$3,000,001 to \$3,500,000	-	1
\$3,500,001 to \$4,000,000	-	1
\$4,000,001 to \$4,500,000	-	1
\$4,500,001 to \$5,000,000	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 2018 and 2017.

11 PROPERTY, PLANT AND EQUIPMENT

	Properties*								Total
	Science Park	InnoCentre	Industrial Estates buildings	Estate centre building	Laboratories equipment and facilities	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:									
At 1 April 2016	9,639,193,726	204,970,122	44,270,399	938,009	349,244,026	572,731,151	147,449,683	3,116,941	10,961,914,057
Additions	18,502,317	-	-	-	152,965	3,969,305	7,622,747	46,540	30,293,874
Disposals	(4,650,514)	-	-	-	(4,953,522)	(1,832,148)	(1,223,956)	-	(12,660,140)
Transfer from Construction in progress	1,311,643,379	-	-	-	28,722,763	35,753,504	6,061,606	-	1,382,181,252
At 31 March 2017	10,964,688,908	204,970,122	44,270,399	938,009	373,166,232	610,621,812	159,910,080	3,163,481	12,361,729,043
At 1 April 2017	10,964,688,908	204,970,122	44,270,399	938,009	373,166,232	610,621,812	159,910,080	3,163,481	12,361,729,043
Additions	-	-	-	-	3,257,250	3,514,808	8,289,664	790,491	15,852,213
Disposals	(191,926)	-	-	-	(30,501,675)	(101,100)	(1,707,039)	(469,547)	(32,971,287)
Transfer from Construction in progress	9,693,294	-	85,447,335	-	40,726,302	30,542,898	15,154,637	-	181,564,466
At 31 March 2018	10,974,190,276	204,970,122	129,717,734	938,009	386,648,109	644,578,418	181,647,342	3,484,425	12,526,174,435
Accumulated depreciation and impairment provision:									
At 1 April 2016	1,892,988,206	69,534,218	28,548,728	378,778	348,355,668	398,061,821	107,963,593	1,908,299	2,847,739,311
Charge for the year	295,131,745	4,670,204	2,213,520	25,420	4,444,738	65,758,449	16,685,180	614,807	389,544,063
Written back on disposals	(3,404,041)	-	-	-	(4,953,522)	(1,608,148)	(1,211,797)	-	(11,177,508)
At 31 March 2017	2,184,715,910	74,204,422	30,762,248	404,198	347,846,884	462,212,122	123,436,976	2,523,106	3,226,105,866
At 1 April 2017	2,184,715,910	74,204,422	30,762,248	404,198	347,846,884	462,212,122	123,436,976	2,523,106	3,226,105,866
Charge for the year	314,501,523	4,670,204	2,837,039	25,420	15,822,189	56,550,828	17,976,827	625,127	413,009,157
Written back on disposals	(191,926)	-	-	-	(30,498,294)	(2,808)	(1,689,191)	(469,547)	(32,851,766)
At 31 March 2018	2,499,025,507	78,874,626	33,599,287	429,618	333,170,779	518,760,142	139,724,612	2,678,686	3,606,263,257
Net book value:									
At 31 March 2018	8,475,164,769	126,095,496	96,118,447	508,391	53,477,330	125,818,276	41,922,730	805,739	8,919,911,178
At 31 March 2017	8,779,972,998	130,765,700	13,508,151	533,811	25,319,348	148,409,690	36,473,104	640,375	9,135,623,177

* These properties are held for rental

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) At 31 March 2018, the Group's leasehold properties with aggregate carrying amount of \$8,697,887,103 (2017: \$8,924,780,660) are situated in Hong Kong and held under medium term leases.
- (b) In the opinion of the directors, the fair value of the Group's properties held for rental cannot be reliably measured as there are no active market prices for similar properties.

12 CONSTRUCTION IN PROGRESS

	2018	2017
	\$	\$
Carrying amount at the beginning of the year	280,730,260	1,403,963,516
Additions	758,210,715	306,814,475
Transfer to property, plant and equipment	(181,564,466)	(1,382,181,252)
Transfer to Industrial Estates	-	(47,866,479)
Carrying amount at the end of the year	857,376,509	280,730,260

At 31 March 2018, Construction in progress, including expansion of Phase 1, is being constructed for the purpose of leasing for rental and providing infrastructure to tenants for innovation and technology development.

13 INDUSTRIAL ESTATES

	2018	2017
	\$	\$
Carrying amount at the beginning of the year	254,120,679	166,370,424
Additions	82,011,389	39,883,776
Transfer from construction in progress	-	47,866,479
Carrying amount at the end of the year	336,132,068	254,120,679

14 AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	\$	\$
Investments in equity instruments		
— Unlisted	27,392,733	18,581,688
— Listed in overseas	7,003,769	-
	34,396,502	18,581,688

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

15 ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Accounts receivable	11,507,695	7,628,868
Less: allowance for doubtful debts (note 15(b))	(49,705)	(86,986)
	11,457,990	7,541,882
Prepayments	8,295,502	6,399,225
Deposits and other receivables	96,681,627	36,542,323
	104,977,129	42,941,548
	116,435,119	50,483,430

(a) The Group allows an average credit period of 14 days to its tenants, extending up to 30 days. Before accepting any new tenant, the Group will internally assess 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 2018, the balance of accounts receivable covered by collateral amounted to \$930,772 (2017: \$4,118,240). Except for receivables from Industrial Estates' grantees and tenants, the Group does not hold any collateral or other credit enhancements over these balances.

(b) The movement in the allowance for doubtful debts during the year is as follows:

	2018	2017
	\$	\$
At the beginning of the year	86,986	86,986
Uncollectible amounts written off	(37,281)	-
At the end of the year	49,705	86,986

Included in the above allowance for doubtful debts of accounts receivable are provisions for individually irrecoverable accounts receivable of \$49,705 (2017: \$86,986) with carrying amounts before provisions of \$49,705 (2017: \$86,986).

(c) The ageing analysis of accounts receivable that are neither individually nor collectively considered to be irrecoverable are as follows:

	2018	2017
	\$	\$
Neither past due nor impaired	4,789,892	1,876,430
1-60 days past due	6,188,247	1,967,083
61-90 days past due	75,689	101,836
91-120 days past due	10,076	21,796
Over 120 days past due	394,086	3,574,737
	11,457,990	7,541,882

Receivables that were neither past due nor irrecoverable relate to a large number of diversified tenants for whom there was no recent history of default.

Receivables that were past due but not irrecoverable related to a number of independent tenants that have a good track record with the Group. Based on past experience, the directors are of the opinion that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

16 BANK DEPOSITS WITH ORIGINAL MATURITIES OF MORE THAN THREE MONTHS

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

As at 31 March 2018, these bank deposits carried interest at the average interest rate of 1.65% (2017: 1.57%) per annum.

17 CASH AND CASH EQUIVALENTS

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

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

(b) **Non-cash transaction**

During the year ended 31 March 2018, the Group had disposed of several laboratories equipment and facilities at a total consideration of \$843,526 which was partially offset against the acquisition costs of certain new laboratories equipment and facilities.

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

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

	Medium term notes	Interest payable	Government loans	Total
	\$	\$	\$	\$
As at 1 April 2017	1,706,426,481	10,044,311	486,741,553	2,203,212,345
Changes from financing cash flows:				
Proceeds from new government loans	–	–	600,000,000	600,000,000
Repayment of government loans	–	–	(97,020,440)	(97,020,440)
Interest paid	–	(51,139,488)	–	(51,139,488)
Total changes from financing cash flows	–	(51,139,488)	502,979,560	451,840,072
Other changes:				
Recognition of deferred income	–	–	(107,447,628)	(107,447,628)
Amortisation of deferred income	–	–	1,996,660	1,996,660
Interest expenses (note 6(b))	139,056	51,325,565	–	51,464,621
Total other changes	139,056	51,325,565	(105,450,968)	(53,986,347)
As at 31 March 2018	1,706,565,537	10,230,388	884,270,145	2,601,066,070

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18 ACCRUED CHARGES AND OTHER PAYABLES

	2018	2017
	\$	\$
Accrued charges	498,653,825	386,657,485
Other payables	100,923,015	45,701,767
	599,576,840	432,359,252

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 \$227,931,435 (2017: \$125,406,175) are expected to be settled after one year. The remaining balances are expected to be settled within one year.

20 GOVERNMENT LOANS

Government loans are repayable as follows:

	2018	2017
	\$	\$
Current		
Amount due within one year	87,282,689	94,833,551
Non-current		
Amount due within second year	88,633,918	96,074,914
Amount due within third year	89,758,644	97,332,192
Amount due within fourth year	90,896,102	98,605,588
Amount due after four years	527,698,792	99,895,308
Amount due over one year	796,987,456	391,908,002
	884,270,145	486,741,553

Government loans are obtained from the Government in 2008 and 2018 for the construction of the Science Park Phase 2 and Phase 3 respectively.

Government loans are unsecured and interest bearing at the "no-gain-no-loss" floating interest rate of the Government of 1.13% (2017: 1.28%) per annum during the year. The loan for Science Park Phase 2 is repayable to the Government by 15 annual instalments until 2022.

The loan for Science Park Phase 3 is repayable to the Government by 6 annual instalments starting from 2025 to 2030.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

21 MEDIUM TERM NOTES

	2018	2017
	\$	\$
Medium term notes ("MTN")	1,706,565,537	1,706,426,481

5-year term notes of \$855,000,000 and 10-year term notes of \$852,000,000 were issued in July 2014 for the construction of the Science Park Phase 3, with direct transaction costs of \$935,500.

MTN are guaranteed by the Government and bear interest at the fixed interest rate at 2.12% and 3.20% for 5-year term notes and 10-year term notes, respectively, per annum. The 5-year term and 10-year term MTN are repayable on 11 July 2019 and 11 July 2024, respectively.

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 consolidated statement of comprehensive income to match the charges of depreciation of the relevant assets granted.

23 ISSUED CAPITAL

	2018		2017	
	No. of shares	\$	No. of shares	\$
Authorised, issued and fully paid:				
At 1 April	15,210,397,594	15,210,397,594	5,734,397,594	5,734,397,594
Issuance of new shares	-	-	9,476,000,000	9,476,000,000
At 31 March	15,210,397,594	15,210,397,594	15,210,397,594	15,210,397,594

The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The Corporation's initial capital of \$1,836,397,594 represented the net assets of the three entities vested in the Corporation on that day in accordance with section 17 of the Ordinance. Subsequently, over the prior years, additional 3,898,000,000 ordinary shares of \$1 each were issued at par in six lots to the Government for cash.

During the year ended 31 March 2017, additional 9,476,000,000 ordinary shares of \$1 each were issued at par to the Government for cash.

At the end of the reporting period, the entire amount of 15,210,397,594 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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24 OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 March 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018	2017
	\$	\$
Within one year	705,739,505	537,498,380
In the second to fifth years inclusive	798,018,498	712,086,534
After five years	10,023,645	14,725,946
	1,513,781,648	1,264,310,860

(b) As lessee

The Group leases certain of its laboratories equipment under operating lease arrangements. Leases for equipment are negotiated for terms of one year.

At 31 March 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	\$	\$
Within one year	801,747	874,805

25 COMMITMENTS

At 31 March 2018, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	\$	\$
Contracted, but not provided for:		
— construction of the Science Park	2,278,576,567	225,462,805
— others	247,494,858	70,436,644
	2,526,071,425	295,899,449
Authorised, but not contracted for:		
— construction of the Science Park	2,089,477,665	4,628,614,773
— development projects in Industrial Estates	7,878,786,442	8,167,133,440
— others	6,525,460	3,273,348
	9,974,789,567	12,799,021,561

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS

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

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

	Note	2018 \$	2017 \$
The Government:			
Interest expenses on government loans	(i)	5,935,570	7,593,663
Financial guarantee received on MTN issued	(ii)	1,707,000,000	1,707,000,000
The Government's controlled-entities:			
Rental income	(iii)	36,760,241	30,984,629
Management fee and air-conditioning income	(iv)	13,901,611	12,654,536
Equipment rental and procurement sales income	(v)	4,203,392	4,762,043

Notes:

- (i) Interest expenses on the government loans were charged at the 'no-gain-no-loss' floating interest rate of the Government.
- (ii) MTN issued were guaranteed by the Government (note 21).
- (iii) Rental income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.
- (iv) Management fee and air-conditioning income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.
- (v) Equipment rental and procurement sales income from the Government's controlled entities was determined according to terms similar to those offered to the Group's third party tenants.

(b) Outstanding balance with the Government

The Government has agreed to make available a loan facility of up to \$1,643,000,000 to the Group to be repaid by annual instalments according to the repayment schedules issued by the Government and interest bearing at the Government's 'no-gain-no-loss' interest rate (note 20). The Group has additionally drawn down a loan of \$600,000,000 during the year for the construction of Science Park Phase 3 (2017: Nil). At 31 March 2018, the outstanding balance of the government loan amounted to \$999,704,413 (2017: \$496,724,853).

(c) No directors received any remunerations in respect of their services rendered to the Group during the year (2017: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Interest rate risk

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

Sensitivity analysis

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

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's surplus for the year ended 31 March 2018 would decrease/increase by \$9,997,044 (2017: \$4,967,249).

(b) Credit risk

The Group provided services only to recognised and creditworthy third parties. It is the Group's policy that all tenants who wish to obtain credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

With respect to credit risk of the Group's other financial assets which mainly comprise cash and cash equivalents and bank deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments at the end of the reporting period.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(c) Liquidity risk

In the management of 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.

	2018					
	On demand or less than 3 months	Within 1 year	2-5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount
	\$	\$	\$	\$	\$	\$
Accrued charges and other payables	589,752,727	9,824,113	-	-	599,576,840	599,576,840
Deposits and rental received in advance	72,080,392	45,704,390	226,556,173	1,375,262	345,716,217	345,716,217
Government loans	-	102,769,928	308,309,783	669,909,955	1,080,989,666	884,270,145
Medium term notes	-	45,389,995	973,119,215	892,858,654	1,911,367,864	1,706,565,537
	661,833,119	203,688,426	1,507,985,171	1,564,143,871	3,937,650,587	3,536,128,739
	2017					
	On demand or less than 3 months	Within 1 year	2-5 years	Over 5 years	Total Undiscounted cash flows	Carrying amount
	\$	\$	\$	\$	\$	\$
Accrued charges and other payables	422,535,132	9,824,120	-	-	432,359,252	432,359,252
Deposits and rental received in advance	70,173,732	130,649,763	120,214,800	5,191,375	326,229,670	326,229,670
Government loans	-	103,198,223	412,792,894	-	515,991,117	486,741,553
Medium term notes	-	45,390,000	991,245,210	920,122,654	1,956,757,864	1,706,426,481
	492,708,864	289,062,106	1,524,252,904	925,314,029	3,231,337,903	2,951,756,956

(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 2018 and 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(e) Fair value measurement

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.

	2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Available-for-sale investments				
— Listed	7,003,769	-	-	7,003,769
— Unlisted	-	21,146,733	6,246,000	27,392,733
Financial assets at fair value through profit or loss	-	2,291,000	7,854,600	10,145,600
	7,003,769	23,437,733	14,100,600	44,542,102

During the year ended 31 March 2018, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, <i>Financial instruments</i>	1 January 2018
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 9, *Financial instruments*

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(a) *Classification and measurement*

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group plans to elect this designation option for any of the investments held on 1 April 2018 and will recognise any fair value changes in respect of these investments in other comprehensive income as they arise. 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 retained earnings. It is not recycled through profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

HKFRS 9, Financial instruments (Continued)

(b) Impairment

The new impairment model in HKFRS 9 replaces the “incurred loss” model in HKAS 39 with an “expected credit loss” model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group’s trade receivables and other financial assets. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at 1 April 2017, accumulated impairment loss at that date would not significantly increase as compared with that recognised under HKAS 39.

29 LIST OF SUBSIDIARIES

At 31 March 2018, 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 a HSITP at the Lok Ma Chau Loop
CVF ONE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF TWO Limited	Hong Kong	\$1,000	100%	Investment holding
CVF THREE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FOUR Limited	Hong Kong	\$1,000	100%	Investment holding
CVF FIVE Limited	Hong Kong	\$1,000	100%	Investment holding
CVF SIX Limited	Hong Kong	\$1,000	100%	Investment holding
CVF SEVEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF EIGHT Limited	Hong Kong	\$1,000	100%	Inactive
CVF NINE Limited	Hong Kong	\$1,000	100%	Inactive
CVF TEN Limited	Hong Kong	\$1,000	100%	Inactive
CVF ELEVEN Limited	Hong Kong	\$1,000	100%	Inactive

30 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 September 2018.