



Hong Kong Science and Technology Parks Corporation

2021-2022 Annual Report



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INNOVATION STARTS HERE

In 2022, Hong Kong Science and Technology Parks Corporation (HKSTP) celebrated the Hong Kong Science Park's (Science Park) 20th anniversary of propelling success for innovation and technology (I&T) in Hong Kong. This was a landmark moment for HKSTP and for Hong Kong as the city's I&T ecosystem is stronger today than any other point in time. But this is just the beginning as Hong Kong begins a new chapter of economic growth powered by I&T.

This year saw a historic occasion as the HKSTP milestone coincided with the 25th anniversary of Hong Kong's return to the motherland, with President Xi Jinping's inspection of the Science Park a demonstration of the importance and acknowledgement placed on Hong Kong's I&T development and the expectation of Hong Kong contributing to the country's development in science and technology.

The mission ahead has never been more clear. With the full support of the Central Government and the Hong Kong Special Administrative Region (HKSAR) Government, HKSTP will strive to establish I&T as a pillar of growth for Hong Kong, while building Hong Kong into an international I&T hub and a launchpad for global growth at the heart of the Greater Bay Area (GBA).

HKSTP has mapped out a strategy of taking innovation success beyond borders and across generations. The strategy leverages the core strengths of Research, Innofacturing and Finance (RIF) to unleash Hong Kong's world class research and development (R&D) potential by turning ground-breaking ideas into market-ready products and services through innofacturing as a foundation for city-wide re-industrialisation. This enables rapid commercialisation by growing financing, funding and leveraging HKSTP's incubation expertise to ensure market success in Hong Kong, across GBA, Asia and the world.

The core foundations for the next chapter of growth are in place. HKSTP's research community has grown from strength to strength, with the number of enterprises surged to 1,100¹ as of 31 March 2022 powered by around 17,000 combined workforce of the Science Park and InnoCentre of which around 11,000 were R&D professionals. This is further bolstered by the government-funded InnoHK clusters at Science Park which will spearhead Hong Kong R&D and innovation in AI and robotics, and also healthcare and biomedical technology via extensive collaborations with global research institutions.

For Innofacturing, HKSTP has successfully re-positioned the iconic industrial estates in Tai Po, Yuen Long and Tseung Kwan O into INNOPARKs to realise the vision of "Innovated, Designed, and Made in Hong Kong" with eight guiding principles to drive the Innofacturing vision. The Government had invested over HK\$150 billion over the last five years into I&T and announced the setting up of a HK\$5 billion Strategic Tech Fund in 2022-23 Budget to invest in technology enterprises. The commitment by the government and the growing ecosystem have created a growing demand to invest in local I&T startups. In the past four years, there were over 220 investment cases within Science Park, raising a total of around HK\$70 billion. The fund size of the HKSTP Venture Fund (rebranded from Corporate Venture Fund) has reached HK\$600 million, where every HK\$1 invested by HKSTP has drawn an external investment of HK\$15 to support local startups at different stages of development.

With these elements in place, the next step is scaling up innovation to grasp market opportunity. Extensive commercialisation taken place at HKSTP is being leveraged to make use of Hong Kong's global launchpad role within the GBA. From drawing global ventures to the GBA and taking GBA ventures to Asia and the world, HKSTP has forged a unique co-incubation network of partners to enhance collaboration and growth opportunities.

I&T talent is a critical factor for Hong Kong's future success. HKSTP will attract and nurture more skilled talents from Mainland China and overseas for growing the city's I&T talent pipeline.

Through a wide range of value creation services to accelerate growth of technology startups and drive more I&T adoption across local corporates and industry, HKSTP is multiplying new job opportunities across the whole innovation journey. HKSTP's unique "Work. Live. Play. Learn." innovation culture is inspiring bright young minds to propel wider technology adoption for a better Hong Kong. To meet this goal, we have reimagined Hong Kong's largest I&T Career Expo into T2, the first-ever Innovation Tech x Talent month, with specific training, workshops and upskilling activities designed to help talent find I&T career paths and future-proof them with skills to capture regional I&T opportunities ahead.

HKSTP will leverage the unique advantages of Hong Kong with long-term R&D, Innofacturing, finance, investment and talent strategies to support the development of a diverse economy. As Hong Kong celebrates its 25th anniversary of returning to the motherland, HKSTP strives to help Hong Kong fully realise its I&T potential of being an international I&T centre, encourage young talent to build on our foundation in innovation and unveil a new chapter for Hong Kong together.

¹ The figure includes Science Park, InnoCentre and INNOPARKs

ACHIEVEMENTS AT A GLANCE

- Over 1,100 technology companies¹
- Over 17,000 working population²
- Over 11,000 R&D practitioners³
- 22 countries/regions of origin for Science Park companies
- Two home-grown unicorns – Lalamove & SmartMore
- Two overseas unicorns joined HKSTP's ecosystem – Geek+ & Nium
- One home-grown Hong Kong listed company – SenseTime
- Over 4.3 million square feet of lab & office space
- Over 360,000 utilised lab hours
- Over 860 incubatees graduated since inception of Incubation Programmes
- 80% of graduated incubatees still in business
- 568 startups supported
- HK\$33.74 billion of funding raised by Park companies
- Over 350 local and international awards received by Park companies
- Over 250 private and public sector partnerships
- Over 15,000 Science Park SPARK members

¹ The figure includes companies in Science Park, InnoCentre, and INNOPARKs

² The figure includes the working population in Science Park and InnoCentre

³ The figure includes the R&D practitioners in Science Park and InnoCentre

Achievements during 2021-22 unless otherwise stated.

VALUE CREATION

INNOVATION JOURNEY

INCUBATION & ACCELERATION

With the mission to expand Hong Kong's international I&T prowess, HKSTP shapes the careers and entrepreneurs of tomorrow, as well as advancing the city to be an international I&T hub.

From ideation, incubation to acceleration

HKSTP's pre-incubation and incubation programmes achieved a new record in 2021-2022 despite the pandemic. 224 startups graduated in 2021-2022, taking the total number of tech ventures supported to over 1,100 as of 31 March 2022, while over 40% of this year's incubation graduates became HKSTP partner companies. This cohort again demonstrated great diversity, with founders from Hong Kong, Mainland China, Singapore, Malaysia, the UK, Canada, Italy, Russia, France, Austria, Germany and Sweden.

Extending support and strengthening connections among Hong Kong startups

HKSTP Startups Alumni Association (SAA) was launched in November 2020 to engage with the graduated startups of HKSTP's incubation and acceleration programmes. SAA provides a platform for its members to connect with and contribute back to the next generation of pioneers through networking, mentorship and collaboration opportunities. As of March 2022, SAA had 364 graduates as members.

Vibrant mentor network with leading experts

Having a vibrant, veteran and dedicated group of mentors is a hallmark of best-in-class incubators. HKSTP's mentorship programme joins hands with industry leaders and experienced entrepreneurs to share valuable insights and advice on the challenges facing entrepreneurs during their startup journey. Over 100 mentors actively engaged with more than 300 startups during the year.

ELITE

The Elite Programme helps technology enterprises with strong growth potentials to further expand its business outside Hong Kong and eventually become a unicorn. Partner companies with successful application will receive HKSTP's funding support for R&D operating and capital expenditure, as well as rental subsidies.

Unleashing Hong Kong's I&T potential with global accreditation

- Last year, multiple Elite companies successfully expanded their footprint to new markets. For instance, CyptoBLK produced Asia's first NFT drama series together with its partners and FJ Dynamics entered the North American market through channel partnerships. Elite members also gained recognition in Hong Kong and globally -- Fano Labs was awarded the Global Fast Track Winner by InvestHK and Chain Technology won Deloitte Fast 10 Hong Kong and Technology Fast 50 China awards.
- A number of Biomedical Technology (BMT) companies in the Elite programme made significant progress in market expansion. ACT Genomics completed the acquisitions of another Elite member, Sanomics, as well as a UK-based specialist molecular diagnostic company to enter the European precision medicine market and launched the world's first fusion genechips. Phase Scientific developed INDICAID COVID-19 Rapid Antigen Test Kit, the first Greater China product to obtain emergency use authorisation from the US Food and Drug Administration (FDA). The product has been widely adopted in COVID-19 testing centres, hospitals, as well as government and private corporations in more than 30 countries worldwide.
- Elite companies continued to attract interest from local and international investors with good fundraising results of approximately HK\$1 billion in total from venture capital funds and corporate investors during the year. The fundraising rounds completed by GRST, JSAB, Meridian, CyptoBLK and FJ Dynamics received extensive media coverage and market attention.

UNICORN

HKSTP's efforts to nurture local tech startups have achieved significant success in 2021-22 as its first home-grown unicorn went public. The I&T ecosystem is becoming increasingly globalised as more overseas unicorns are attracted here to leverage opportunities in the GBA, and its partner companies venture beyond Hong Kong making a global impact.

Unicorn going public to gain confidence for city's I&T sector

Partner company and the city's first AI unicorn, SenseTime, successfully listed on the Hong Kong Stock Exchange in December 2021, in a major vote of confidence for the city's growing I&T sector. Since its establishment in Science Park in 2014, the company has expanded rapidly to become Asia's largest AI software company, employing over 5,000 people worldwide, among those 3,500 in R&D.

Increasing number of overseas unicorns

- Geek+, a global tech leader specialising in smart logistics, opened a global R&D centre at Science Park in July 2021 to accelerate the company's development of Artificial Intelligence and Robotics (AIR) technologies for the international logistics market as well as other Hong Kong industries. HKSTP is an investor in the company which holds over 300 patents.
- Global fintech unicorn, Nium, joined HKSTP's thriving fintech ecosystem in November 2021 by opening a new office at InnoCentre to tap into the huge GBA market for seamless payment services. Nium connects consumers, corporations and financial institutions to the world's payment infrastructure through a single API for fast, low-cost international transfers.

CORPORATE PARTNERSHIPS

HKSTP has collaborated with over 250 private and public partners to drive commercialisation and technology adoption. HKSTP joined forces with both industry and corporate partners in 2021-22, delivering valuable learning ground, knowledge exchange, innovation acceleration, testing and commercialisation support, providing advice and much more to its incubatees and partner companies.

Accelerating innovation through industry collaboration

- **HKSTP X FHKI (Federation of Hong Kong Industries)**
The joint R&D Hub programme in April 2021 gave FHKI's member companies access to HKSTP's I&T talents and expertise, communal labs, facilities and value-added services, as well as funding support to help industrialists accelerate their digital transformation and commercialisation of R&D-driven innovations. More than 60% of the R&D Hub has been filled since inception.
- **HKSTP X HSBC (The Hongkong and Shanghai Banking Corporation Limited)**
The strategic partnership continued in the SPRINTER 2 programme in August 2021, launching a new cohort focusing on accelerating innovation among small businesses and mid-cap corporations in Hong Kong's logistics, buildings and related services. The three-stage programme provided corporations with training and upskilling, and opportunities to co-create tailored business solutions with tech ventures.
- **HKSTP X Arrow (Arrow Asia Pac Limited)**
The joint GBA co-incubation programme in August 2021 supported regional expansion of startups with a new Open Lab at Songshan Lake Xbot Park in Dongguan, Guangdong.
- **HKSTP X CEEGL (China Everbright Environment Group Limited)**
The co-incubation programme in August 2021 offered startups various opportunities from CEEGL to foster business adoption in the Green Tech field.
- **HKSTP X Microsoft**
The joint programme launched a series of initiatives in August 2021 to empower high-potential startups in pursuit of innovation and global expansion. The initiatives were designed to help startups address the critical challenges of product development, go-to-market and access to technology.
- **HKSTP X CCG (Chinachem Group)**
The pilot-first accelerator programme "CCG Accel — Powered by HKSTP" in September 2021 announced the first cohort of 10 selected tech ventures that would test and develop 'proptech' innovations at the revitalised Central Market. This pioneering approach allowed tech ventures to install and test solutions in a real market environment, even at concept stage.

- HKSTP X HKEx (Hong Kong Exchanges and Clearing Limited)

This collaboration in September 2021 aimed to nurture more startup successes and bolster Hong Kong's potential as a global hub for world-class biotech and fintech ventures. HKSTP provided a team of biotech industry leaders and experts to assist in HKEx's review of biotech listing applications and help solidify its position as the world's number two biotech funding hub.
- HKSTP X Ant Group

In November 2021, the collaboration was announced to support local startups with new business insights and resources, including platform access for proof-of-concept testing and the possibility of equity investment.
- HKSTP X CR (China Resources Enterprise)

Transforming R&D outcomes into commercially viable products and attracting top-notch international talents to Hong Kong were the focus of this co-incubation partnership in December 2021. CR also planned to establish a cell laboratory for clinical trials to advance Hong Kong as a global hub for biotech development.
- HKSTP X Avnet (Avnet Technology Hong Kong Limited)

In December 2021, the co-incubation programme combined Avnet's design and technical expertise with HKSTP's extensive startup development experience to enrich the technical talent pool.
- HKSTP X Infineon (Infineon Technologies Hong Kong Limited)

The joint programme in March 2022 helped startups tap into the GBA's microelectronics sector and transform their innovative ideas into market-ready solutions.
- HKSTP X Hysan (Hysan Development Company Limited)

The Community Lab with an event venue and a meeting room was opened in 2022 at Lee Garden Five, Causeway Bay. The Last-mile Testing Programme offers tech ventures a real-world environment to test innovations. Shortlisted startups could receive guidance and support throughout their innovation journey, from examining proof-of-concept to launching their pioneering solutions in a fully operational testing ground.

Casting a wider net across the globe

- More than 200 corporate business and technology leaders joined the first-ever Corporate Innovation Summit hosted by HKSTP in May 2021 to spark innovation and collaboration. Thought leaders, including those from the Global Institute for Tomorrow, highlighted global trends and issues in macroeconomics, technology and sustainability. The Summit also kicked off HKSTP's successful bi-annual Global Matching 2021. The six-day event in the same month offered startups and technology ventures a platform to expand their business network and connect with potential corporate buyers and investors, in industry verticals ranging from healthcare and education to financial services, manufacturing and logistics, and tourism and hospitality. The event saw over 220 one-on-one matching meetings initiated by over 200 corporate buyers and regional investors. It gathered around 300 startups and technology ventures from 32 economies, with nearly 50% incorporated overseas.

FUNDING AND CAPITAL

Continually expanding funding pipelines for partner companies to accelerate growth, HKSTP not only leverages its own Venture Fund to draw in private investment, but has also established a network of over 1,000 investors to connect them to partner companies through a variety of investment matching initiatives.

Expanding the funding and investment landscape

- With the fund size of HK\$600 million, HKSTP Venture Fund continues to provide an unrivalled platform for more than 100 angel investors, venture capitalists and private equity firms to fund and nurture promising early-stage and growth-stage companies with game-changing ideas, leveraging private capital at a ratio of 1:15.
- Since its inception in 2015, HKSTP Venture Fund has invested a total of HK\$277.2 million in 22 technology companies. The fund in turn attracted more than HK\$4.3 billion of private sector investment for these companies, with approximately 70% of the co-investors from overseas. About half of HKSTP's portfolio companies were found outside Hong Kong, including the Silicon Valley in the US, the UK, Mainland China and Taiwan. HKSTP Venture Fund's portfolio covers a broad spectrum of sectors, including biomedical technology, fintech, semiconductor, green technology, smart mobility and industry 4.0.

- HKSTP Venture Fund was the cornerstone investor supporting the debut of Hong Kong home-grown AI software decacorn SenseTime Group Inc. on the HKEx.

Broadening investment support

- Venture Investment Connect, HKSTP's fundraising acceleration programme, brings together I&T companies and potential investors for intensive fundraising and business development consultation. Selected companies could join HKSTP delegations in local and overseas financing roadshows and exhibitions. In 2021-22, 21 technology companies raised HK\$928 million through the programme.
- PwC has been continuing its strategic partnership with HKSTP to run the second intake of Tech Raiser programme in July 2021. This six-month fundraising acceleration programme aims to nurture technology companies to enhance their fundraising readiness and to give companies access to PwC and HKSTP's wide network of investors and enterprises. In 2021-22, 11 technology companies from real estate, infrastructure, advance manufacturing, environmental sustainability and automobile, transportation & logistics fields were selected from over 110 applications for the programme.
- The Featured Companies Deal Sharing platform provides an avenue for technology companies to showcase their innovative solutions and attract investment from target investors such as angel funds and institutional investors. A total of 340 projects were shortlisted to present to investors in 2021-22.

Aiming higher with innovators and investors

- HKSTP's annual flagship event Elevator Pitch Competition (EPIC) returned for the sixth year in November 2021. More than 600 technology companies from 40 economies competed in the first-ever hybrid format. Some 160 contestants from 40 economies went into the semi-final, nearly 60% of whom were from overseas. The pitching competition recorded over 470,000 physical attendance and online views. Physical and virtual guests from various industries and territories explored a wealth of GBA and international business partnership and investment opportunities in the Investment & Business Matching and the Investment Conference of the week-long immersive programme.

INSTITUTE FOR TRANSLATIONAL RESEARCH (ITR)

The Institute for Translational Research (ITR) was launched in October 2021 to drive transformation in healthcare, by expediting the translation of innovative biomedical technologies, and to equip researchers and scientists with entrepreneurial skills to transform promising research into impactful innovation.

Promoting clinical translation

- Clinical Translational Catalyst (CTC) was launched in June 2021 to provide a one-of-a-kind platform to make Hong Kong and GBA the go-to destinations for translational research in the region. A highly specialised team was formed and a network of key stakeholders were engaged to provide advisory, funding support and educational events to the biomedical companies of HKSTP. Five highly promising projects were admitted in the pilot phase of CTC, including two regulatory affairs projects and three clinical trial projects. To underline Hong Kong's potential to play a more significant role as a leading international clinical research hub, a clinical trial consortium is in development.

Fostering clinical collaborations with local universities

- To coordinate expert advice to biomedical Science Park companies for formulating their clinical development strategies, and to develop the clinical translational consortium providing strategic input and advocacy on behalf of the Hong Kong clinical research community, HKSTP signed two MoUs separately in March 2022 to foster strategic collaboration with The University of Hong Kong Clinical Trials Centre (HKU-CTC) and The Chinese University of Hong Kong (CUHK), representing the Clinical Research Management Office and Phase 1 Clinical Trial Centre (CRMO & P1CTC).

Nurturing talents for technology translation

- ITR also aims to expedite the translation of biomedical technologies into real public benefits and establish Hong Kong as a hub for translational R&D. HKSTP's ITR chief joined the Hong Kong BioMedical Technology Development Advisory Panel, developed to provide thought leadership and advocacy for technology development, adoption and integration to improve health outcomes. The panel released a report in October 2021 that recommended technology translation become a core component of HKSTP's education and training system to cultivate more talents in technology translation to bring research outputs to life.

Enriching the biotech community by the star additions to HKSTP

- In the first quarter of 2021, Immuno Cure Holding (HK) Limited, an affiliated company of InnoHK, joined Science Park. Immuno Cure's proprietary technologies are the PD-1 based DNA Vaccine Platform and $\Delta 42PD1$ Immune Blockade Platform, both discovered in HKU. Immuno Cure obtained IND approval from NMPA for its first-in-class PD-1 based HIV therapeutic vaccine in May 2022; and recently commenced its First-in-Human clinical trial for PD-1 based COVID-19 prophylactic vaccine in Hong Kong. Immuno Cure completed a HK\$65 million seed funding in 2021.
- In June 2021, GenEditBio was founded and joined Science Park. GenEditBio owns a proprietary off-target detection technology platform and a proprietary CRISP-based gene editing tool to develop gene editing-based drugs for genetic diseases. With its robust R&D progress and team expansion during the year, GenEditBio has expanded its laboratory at Science Park to 2,500 square feet. Recently, it closed tens of millions of USD in the Angel and Pre-series A financing rounds.
- In September 2021, Innorna (HK) Company Limited joined Science Park. Innorna is a platform-based biotechnology company focusing on developing innovative mRNA and LNP technologies to produce therapeutic proteins rapidly and accurately in cells. Founded in 2019, Innorna was one of the 50 most innovative global companies named by MIT Technology Review in 2020. CB Insights listed Innorna as one of the top eight RNA biotech companies in China in May 2020. Up to now, Innorna has raised USD121 million in Series B round. Our corporate venture arm, HKSTP Venture Fund, is also one of the co-investors.
- In September 2021, APRINOIA Therapeutics Limited joined Science Park. APRINOIA is a clinical-stage biotech company focusing on the development of imaging-based diagnostics and the treatment of human neurological conditions. In 2021, APRINOIA completed Series C financing and raised US\$40 million. In April 2022, APRINOIA received IND clearance from the US Food and Drug Administration (FDA) to initiate its Phase I clinical trial for a novel therapeutic anti-tau monoclonal antibody.

- In October 2021, German-based biotech giant Miltenyi Biotec opened a Hong Kong subsidiary at Science Park to transfer its state-of-the-art technologies, products and services in cell and gene therapy to Hong Kong and the GBA. The company offers more than 17,000 products for research and clinical applications, and its technologies are used to treat 6,000 patients annually.

Improving healthcare with Science Park Innovations

- In June 2021, the "1st Rohto Forum for Regenerative Medicine" was held online in Hong Kong and Japan across various industries and academia. The HKSTP ITR team and TecONE conducted the webinar with Rohto Advanced Research Hong Kong Limited and Rohto Pharmaceutical Co., Ltd (Japan), attended by over 480 participants, including attendees joining from outside Hong Kong and Japan. The Forum invited excellent regenerative medicine research experts from Japan and Hong Kong to introduce their cutting-edge technologies and clinical research. This forum provided an opportunity for further communication and collaboration in regenerative medicine research and development between Japan and Hong Kong.
- Thirty-eight partner companies and incubatees represented HKSTP's Hub of Gerontech platform at the fifth Gerontech and Innovation Expo cum Summit (GIES) in November 2021 to showcase their innovations in health monitoring, screening and telemedicine, cognitive and rehabilitation training, anti-wandering systems and other elderly care solutions.
- HKSTP launched its first-of-its-kind MedTech Co-Create funding scheme in January 2022. It provides funding and advisory services to stimulate co-creations between two or more Park companies to develop impactful products, in line with the healthcare integration mega trend.
- HKSTP signed an official collaboration agreement with Boehringer Ingelheim Venture Fund (BIVF) in February 2022 to establish a co-incubation programme to develop, mentor and support early-stage biotech startups and university spin-offs focusing on infectious diseases and immunology.

STP PLATFORM

In today's world, intelligent application of data and methodology paves the way to success. Integration of data, know-how, tools and technologies creates the ultimate formula for next-gen innovation. The STP Platform launched in April 2021 aims to redefine innovation journeys, where scientific theories and technological development go beyond physical limitations. It drives sustained business growth in the data-driven era through fostering many-to-many data collaboration between data owners and data consumers, including industry-leading companies, government, academia and technology developers.

The STP Platform provides shared data infrastructure including high-performance server hosting and co-location, high-speed network connection and multiple cloud services in and outside Science Park. It creates common and transparent data-centric environments between industries, developers and researchers while protecting ownership and privacy, with real-time live testing grounds to install and experiment technologies or products within living environments. It offers modern and spacious workspaces comprising of AI Plug and Robotics Catalysing Centre and provides financial subsidies to eligible technology innovators of the I&T ecosystem. The STP Platform strives to bridge industry-leading corporations and tech startups in our community, unlocking every technology adoption possibility.

Showcasing data-driven support for innovation

- In April 2021, STP Platform hosted the first Experience Day to showcase successful technological use cases that had undergone the STP Platform's extensive evaluation process during their pilot phase. From an automated rodent detection application to disinfecting robots and a preview of AI-powered smart traffic management, the use cases were proof of the growing demand for and the benefits of the platform's suite of testing and services, showcasing how big data and data analytics enable innovation and data-driven decision making, as well as how to leverage the platform's suite of visualisation, simulation, testing and services to overcome the barriers of costs, time constraint and risks, and accelerate the lengthy journey from ideation to commercialisation.

Driving innovation with data-centric services

- On the PropTech Day in September 2021, STP Platform showcased how data-driven innovation and property-centric technology could accelerate digital transformation and smart city development. The one-day event brought together government officials, property owners, facility management and infrastructure development companies as well as technology providers. A number of market-ready applications and concepts that will facilitate smart city growth were featured. Highlights included Airport Authority Hong Kong and HKSTP presenting on digital twin technology potential in Hong Kong, plus the MoU on the Institute of Electrical and Electronics Engineers (IEEE) IoT Maturity Index.

Federated learning for BFSI and tech sectors

- The Banking, Financial Services & Insurance Accelerator 2021 (BFSI Accelerator) was organised in September 2021 in collaboration with 17 multinational corporate partners from banking, financial services and insurance industries, as well as 18 supporting organisations from around the world. The accelerator programme teamed up with BFSI partners to foster data collaboration across the industry, and addressed four key areas including operational efficiency, customer experience, wealth management, and regulation and compliance. Over 130 proposals were received from 30 global markets on how to solve real-world challenges faced by BFSI partners and help shape the future of Hong Kong's financial industry. Among 70 shortlisted proposals, five of them will be adopted or developed into proof-of-concept, and 14 tech ventures have been in discussion with BFSI partners to pursue wider adoption of 16 solutions from the proposals.

- Hong Kong's first-ever FinTech Virtual Lab was unveiled by HKSTP at Hong Kong FinTech Week in November 2021. Supported by the Hong Kong Monetary Authority, the Lab offers a Federated Learning Network for financial institutions, tech ventures and other data owners a secure way to build collaborative machine-learning models while enabling each company to keep data at their source. Participating companies benefited from more powerful AI models by aggregating the insights from each other's data, without the need to disclose their data and therefore safeguarding data privacy. This was the first Federated Learning Network proof-of-concept from HKSTP, with plans to introduce similar tools and environments for other industries in the near future. This was also the first time a Federated Learning Network for multiple banks has been set up in Hong Kong, ready to onboard more financial institutions and tech ventures. Bank of China (Hong Kong), Hang Seng Bank and HSBC were the first to pioneer this approach during the FinTech Virtual Lab's pilot. The initiative aims to speed up the R&D activities and enhance the quality of their products and services. It will play an important role in strengthening Hong Kong's position as Asia's FinTech hub.

Building a world-class AI cluster

- The world's most significant AI summit, the World Artificial Intelligence Conference (WAIC) based in Shanghai, had its first-ever satellite event held concurrently in Hong Kong in July 2021, reflecting the recognition of Hong Kong's fast-growing AI industry and Hong Kong as an international I&T hub in China. Organised by HKSTP, the satellite event had sessions with leading industry experts to promote the exchange of global AI innovation ideas, technologies, talent, applications and capital. WAIC has been successfully running since 2018 and is co-organised by the Ministry of Science and Technology of Mainland China, the Chinese Academy of Sciences and the Shanghai Municipal People's Government.

INNOHK RESEARCH CLUSTERS

Located at Science Park, the Government's flagship I&T initiative InnoHK brings together leading researchers from around the world to conduct world-class and impactful collaborative research in AI, robotics and healthcare technologies with local universities and research institutions.

Promising paths for the development of I&T in Hong Kong

- InnoHK includes two research clusters — Health@InnoHK and AIR@InnoHK, each has 14 funded R&D Centres.
 - o Health@InnoHK focuses on healthcare technologies and their ability to address global challenges such as pandemics and ageing populations, R&D Centres includes:
 - Hong Kong Center for Neurodegenerative Diseases
 - Laboratory for Synthetic Chemistry and Chemical Biology
 - Centre for Novostics
 - Microbiota I-Center
 - Advanced Biomedical Instrumentation Centre
 - Centre for Immunology & Infection
 - Centre for Virology, Vaccinology and Therapeutics
 - Centre for Eye and Vision Research
 - Hong Kong Centre for Cerebro-Cardiovascular Health Engineering
 - Centre for Chinese Herbal Medicine Drug Development
 - Centre for Regenerative Medicine and Health, Hong Kong Institute of Science & Innovation, Chinese Academy of Sciences
 - Centre for Oncology and Immunology
 - Centre for Translational Stem Cell Biology
 - Center for Neuromusculoskeletal Restorative Medicine

- o AIR@InnoHK focuses on artificial intelligence and robotics technologies, ranging from finance to advanced manufacturing, to help advance smart city development, R&D Centres includes:
 - Hong Kong Centre for Logistics Robotics
 - Multi-Scale Medical Robotics Center
 - Centre for Perceptual and Interactive Intelligence
 - Laboratory for Artificial Intelligence in Design
 - Hong Kong Center for Construction Robotics
 - Centre for Intelligent Multidimensional Data Analysis
 - Laboratory for AI-Powered Financial Technologies
 - Centre for Advances in Reliability and Safety
 - Hong Kong Quantum AI Lab
 - Centre for Transformative Garment Production
 - Laboratory of Data Discovery for Health
 - AI Chip Center for Emerging Smart Systems
 - Hong Kong Industrial Artificial Intelligence and Robotics Centre
 - Centre for Artificial Intelligence and Robotics, Hong Kong Institute of Science & Innovation, Chinese Academy of Sciences
- The 28 research laboratories rigorously selected for admission into the research clusters involve seven local universities and research institutes as well as over 30 institutions from 11 economies, bringing together about 2,000 local and overseas researchers to the Science Park and fostering closer collaboration among top-tier local, Mainland China and overseas researchers as well as enterprises.

TECONE

TecONE is HKSTP's one-stop information and support centre dedicated to support and facilitate technology enterprises to better use public funding programmes for further developing their research and business. It serves two key functions: a) manage a support centre called "TecONE" at Science Park; b) manage specific funding programmes under Innovation and Technology Fund (ITF) and HKSTP.

- TecONE provides information and consultation services to technology companies or people interested in Hong Kong's public funding and support programmes, specifically technology-related funding from the Government and HKSTP. In 2021-22, TecONE supported over 4,100 clients via phone calls, emails and face-to-face consultations.
- To nurture and bring together more technology talents and encourage them to pursue a career in innovation and scientific research, the Research Talent Hub for incubatees and I&T tenants of the HKSTPC and the Cyberport (RTH-SPC) under ITF provides funding support for HKSTP incubatees and tenants for engaging research talents. In 2021-22, with the support of TecONE, 228 technology companies applied for a total of HK\$173 million of government grants under the scheme, involving 366 research talents.
- To accelerate the development and commercialisation of new technology, Public Sector Trial Scheme for Incubatees & Graduate Tenants of the HKSTPC and the Cyberport under ITF provides funding support to HKSTP incubatees and graduate tenants for production of prototypes/ samples and conducting trials in the local public sector. In 2021-22, with the support of TecONE, eleven technology companies successfully applied for a total of HK\$9.5 million of government grants under the scheme.
- To connect technology companies with future talents, HKSTP provides funding support for HKSTP tenants to employ student interns. In 2021-22, 170 student interns and 78 technology companies benefitted under this initiative.
- To support fresh graduates impacted amid the COVID-19 pandemic, HKSTP launched the Graduate Trainee Programme in 2021-22 with funding from the Anti-epidemic Fund of the Government to incentivise HKSTP partner companies to create new trainee positions. The programme benefitted 179 fresh graduates and 119 technology companies.

INNOFACTURING TOMORROW

INNOPARKS

HKSTP is committed to bolstering the development of the entire I&T ecosystem from research to industry. Working in tandem with the Government's initiative to re-industrialise Hong Kong, HKSTP has integrated I&T into industrial development and repositioned the three industrial estates in Tai Po, Yuen Long and Tseung Kwan O as INNOPARKS to drive "Innofacturing" for the future.

INNOPARK is where we imagine, design and make possibilities happen. Committed to Innofacturing Tomorrow, HKSTP takes and builds on today's ideas to forge new paths for "Innovated, Designed, and Made in Hong Kong" creations to proudly take shape and change the world. HKSTP provides a place for innofacturing the future using data and technology, propelling success for Hong Kong's top skilled workers, startups, and I&T community.

- The INNOPARK repositioning was introduced in November 2021 together with the launch of the MARS Centre in Tai Po, which is specifically for making products precision, hygiene and quality throughout the production cycle. Tenants of MARS Centre include local and international innofacturers, primarily in the areas of producing medical accessory resilience supplies, medical equipment, materials and health products.
- The Advanced Manufacturing Centre (AMC) in Tseung Kwan O is another flagship development of INNOPARK. Launched in April 2022, it offers a high-spec, fully-serviced production base for high value-added and low volume but highly customised production, with comprehensive services for logistics, warehousing, cleanroom-enabled space, as well as a "ProShop" for communal prototyping and with low-volume assembly and production.

- The new INNOPARK concept and the launch of the MARS Centre and AMC reflect the eight principles that guide HKSTP's re-industrialisation strategy, including:
 1. Output as to economic value-add contribution
 2. Investment in CAPEX for equipment together with fit out or building construction
 3. High-skilled employment creation
 4. Product/Service Technology — Advanced technology content or novel application in the respective products or services
 5. Advanced process applied in the manufacturing of products or delivery of services
 6. R&D activities and capabilities
 7. Local consumption for stable supply chain
 8. Sustainability in terms of business, environment or resources
- At the INNOPARKS, local innovations are shaping new industries while long-standing operations have been empowered to innovate. For instance:
 - o Time Medical Systems, a rapidly growing local MedTech venture specialising in MRI system and diagnostic technology with a R&D facilities at Science Park, established the first local production line at MARS Centre in Tai Po producing MRI system.
 - o Luen Tai Hong, an established liquid egg manufacturer in Hong Kong, set up a smart production line in its 75,000-square-foot plant at MARS Centre in Tai Po and aiming to produce 60-70 tons of fresh egg liquid per day.
 - o Hong Kong Technology Venture Company Limited (HKTV) located in Tseung Kwan O INNOPARK developed an eCommerce fulfilment and distribution centre. It became the first enterprise in INNOPARK to apply successfully for repurposing in accordance with HKSTP's eight principles for the INNOPARKS, adding I&T elements to enhance business scale and production processes to meet local needs.

INFRASTRUCTURE ENHANCEMENT (BUILD & FILL)

HKSTP created new labs, co-creation and various purpose-designed facilities in the year 2021-22, while Hong Kong-Shenzhen Innovation and Technology Park Limited, a wholly-owned subsidiary of Hong Kong Science and Technology Parks Corporation, is progressing with the development of the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) at Lok Man Chau Loop. Upon its full development, the total gross floor area of HSITP will be three times of Science Park's.

- Sensor Lab 2.0 as the next phase of HKSTP's Sensor Packaging and Integration Laboratory (Sensor Lab), features 10,000 square feet of cleanroom space for developing smart sensors for healthcare markets, at shortened hardware development cycles and lower R&D costs. Sensor Lab's 2.0 expansion has commenced in April 2022.
- InnoCell, Science Park's unique co-living and co-creation space featuring a host of smart technologies, opened in April 2021. Specially-designed communal facilities, including 392 units of studios and suites for accommodation of 511 residents, installed via 418 modules, filled the 30,000-square feet award-winning facility. It is Hong Kong's first high-rise building built with the innovative Modular Integrated Construction (MiC) methodology.
- Following the addition of MARS Centre and AMC to the INNOPARKS in 2021 and 2022, the Microelectronics Centre (MEC) in Yuen Long INNOPARK is scheduled to be operational in 2024. The facility will feature flexibly designed cleanroom and dedicated waste treatment facilities to support the development and pilot production of new-generation microelectronics products.
- The Drug Safety Testing Center (DSC) at Science Park aims to provide Good Laboratory Practice (GLP) preclinical service to study the safety of promising therapeutics and medical devices for the filing of investigational new drugs (IND) and investigational devices with different regulatory authorities and subsequent clinical trials. By bringing world-class capabilities and infrastructure for local companies, DSC will speed up the development of cutting-edge drugs, therapeutics and medical devices while facilitating the growth of biomedical technology research and innovation in Hong Kong.
- Taking forward the development of HSITP at Lok Ma Chau Loop, the lead design consultancy for Batch 1A, which covers two wet-lab enabled buildings and a talent accommodation building (InnoCell), was awarded in June 2021 while the construction of the Foundation Works for Batch 1A commenced in December 2021 and is scheduled for completion in phases starting from end of 2024. The lead design consultancy for Building 1 (Iconic Building), which will provide R&D offices and dry labs, was also awarded in September 2021.

TALENT & CULTURE

NURTURING TALENTS

Talent is Hong Kong's innovation imperative. Bringing together different minds to make the biggest differences in the world, and creating once-in-a-generation opportunities for talents to be part of the technology future are HKSTP's goals for talent development.

HKSTP unveiled a new roadmap in October 2021 to elevate Hong Kong's world-class I&T status on delivering a wave of GBA opportunities, Innofactoring and next generation of innovators and tech pioneers. Unlocking potential for tech ventures and attracting foreign talents and investment are key elements of the roadmap.

HKSTP develops forward-looking learning and development programmes, tailored for talents ranging from university undergraduates to junior professionals across HKSTP's strategic technology areas, and establishes partnerships with key industry leaders and partner companies to provide talents with multiple I&T career pathways. Through diverse talent engagement programmes and opportunities, HKSTP has expanded its I&T ecosystem's world-class talent pool of local and overseas innovators and entrepreneurs.

Nurturing young talents with local universities

In 2021, HKSTP signed strategic MoUs with four leading Hong Kong universities, including:

- With the Hong Kong University of Science and Technology (HKUST) signed in August 2021 to ready for the establishment of Science Park and Guangzhou Nansha Co-incubation Base in Nansha connecting HKSTP and HKUST ecosystems across the region, and create a cross-boundary laboratory platform for accelerating microelectronics development.
- With The Hong Kong Polytechnic University (PolyU) signed in August 2021 to form a joint GBA-focused entrepreneurship programme for nurturing young R&D talents into Hong Kong's next-generation tech entrepreneurs and innovators, integrating HKSTP's ideation and pre-incubation framework with PolyU's expertise in entrepreneurship education and knowledge transfer.
- With The Chinese University of Hong Kong (CUHK) signed in October 2021 to develop programmes for incubating and accelerating development of I&T talents and high-potential tech startups, and facilitate technology transfer, corporate innovation and startup development in Shenzhen and the GBA, accelerating translation and commercialisation of research.

- With City University of Hong Kong (CityU) signed in November 2021 to launch collaborative programmes, through which HKSTP will provide seed funds and other support for startup teams selected by both parties through the ideation programme and incubation programme, and potential investment funding from both parties to CityU's HK Tech 300 startup projects.

Different Altogether

- HKSTP Lean Launcher is a 12-week experiential learning programme that promotes science-based entrepreneurship and equips researchers and scientists with an entrepreneurial mindset to translate research into products with impact. The programme was launched in October 2021, and eight research teams from InnoHK Centres took part in the market-driven and experiential training delivered in the format of thematic tracks and led by veteran trainers, industry practitioners and mentors who were domain experts.
- HKSTP InnoAcademy was launched in October 2020 to nurture, inspire and engage talents for HKSTP partner companies and Hong Kong's I&T development. Its signature programme Technology Leaders of Tomorrow (TLT) launched the second cohort in 2021 and selected 12 outstanding leaders to get onboard in August. They had a two-month internship at HKSTP, followed by a two-year full-time R&D role with one of the 10 top partner companies across areas such as artificial intelligence and robotics, biotech, fintech and smart city. The 12 TLT candidates, chosen from over 900 applicants, were talented university graduates, with qualifications ranging from bachelor's to doctoral degrees in science or engineering, from local and overseas universities including the University of Cambridge and Nanyang Technical University.
- HKSTP InnoAcademy also rolled out the Deep Tech Talents (DTT) Programme in May 2021 to upskill technology talents to address the growing demand for deep technology expertise in AI, data science and fintech. The programme collaborated with HKSTP's AI Plug to give the 260-plus participants in the two DTT cohorts of 2021-22 intensive and hands-on training on AI and deep learning. HKSTP partner companies offered more than 45 job and internship opportunities to outstanding participants.

- HKSTP is the Industry Convenor for the Technology for Good sector for PROcruit C, a talent matching and development initiative initiated by the Hong Kong Jockey Club Charities Trust in December 2020. The programme collaborates with over 100 employers from four major sectors to create 400 trainee positions for degree or sub-degree first-time job seekers, facilitating fresh graduates to seek jobs amid the pandemic. HKSTP placed 103 trainees in 2021 with 71 “technology for good” companies under this initiative.
- Through the HKSTP Summer Internship Programme, HKSTP places students with different departments of the Corporation according to students’ choice and through an AI assessment. In the summer of 2021, 18 interns from diverse backgrounds were recruited for this six-week programme with on-the-job training, learning circle, stayover at InnoCell, and Park companies visits and sharing for an early exposure to I&T career.

Curating tech career opportunities

- At the Hong Kong I&T Career Expo 2022, branded under T2 (Innovation Tech x Talent Month), more than 2,900 jobs were offered by 285 companies connecting people from 83 economies. More than 500 talents were trained in three future-skilled workshops and 100-plus HK I&T ambassadors pledged to inspire young talents during the month-long extended edition held from 10 March 2022.

Boosting new-generation creativity

- More than 30 local and overseas contestants used simulation technology to tackle traffic congestion in HKSTP’s Smart Transportation Challenge in April 2021. Contestants used data sets from partner organisations, including MTR Corporation and The Kowloon Motor Bus Company, to come up with ground-breaking and practical solutions to demonstrate their ideas through simulation with real data on how to forecast and improve traffic conditions within Science Park with potential application opportunities across the entire city. The top teams were offered proof-of-concept opportunities for implementation at Science Park.
- Thirteen teams from seven Hong Kong tertiary institutions demonstrated their skills in advanced engineering, programming and AI and computer vision technology in June at Robocon 2021. Each team created two robots, one Throwing Robot and one Defensive Robot, to battle against competing robots in a tactical ancient Chinese game of throwing arrows into pots. Outstanding performers were awarded with internships or job opportunities offered by the competition’s in-kind sponsors.

WORK. LIVE. PLAY. LEARN. CULTURE

By nurturing the “Work. Live. Play. Learn.” innovation culture in Science Park community, HKSTP seeks to build one big family sharing its vision and mission to co-create a better future for all through I&T.

- Following its opening in April 2021, InnoCell has become a hub that exemplifies the “Work. Live. Play. Learn.” culture, as well as smart-living accommodation. InnoCell offers a WORK Zone, a PLAY Zone and a RELAX Zone creating a positive vibe for the community to innovate and collaborate.
- Designed to unite all innovators within campuses operated by HKSTP, SPARK is the Corporation’s membership programme for fostering a dynamic innovation-inspired community and unleashing the full potential of Hong Kong’s I&T ecosystem. Members can build connections and find inspiration in the community to pursue boundary-breaking innovation.
- HKSTP continuously strive to enhance Park experience, by transforming the dining and retail experience at Science Park during the year, and curated more than 30 restaurants serving international and fusion cuisines in style, complemented by a host of fitness and wellness facilities for those working at Science Park to relax and recharge. The dine-in restaurants also serve the neighbourhoods of Science Park and have become a hotspot for weekend leisure.
- Visitors of Science Park can have an exceptional experience at the Experience Centre. Opened in May 2021, the 370-square-metre space takes visitors on an immersive and interactive journey across seven zones, featuring 300-plus tech components powering 30-plus multimedia exhibits to present Hong Kong’s innovation stories. The Experience Centre received over 4,000 visitors in its first year of operation.
- As an organising partner of Hong Kong’s first-ever City I&T Grand Challenge organised by the Innovation and Technology Commission (ITC), HKSTP rallied the community to develop I&T solutions supporting “environmental sustainability” and “social connectivity”. The initiative garnered more than 740 submissions from over 1,250 local and non-local contestants of all age groups. All participants enjoyed extensive training and guidance through online seminars, training workshops and visit activities. Participants from the primary school and secondary school categories also received mentorship from over 20 local university scholars. Winners of the university/tertiary institute and open groups were provided with trainings and sponsored for the prototype production for trial run in public organisations.

THE FUTURE — SUCCESS BEYOND BORDERS

Moving forward, HKSTP will capitalise on the opportunities presented by the National 14th Five-Year Plan and support tech ventures to go global and attract foreign investment, as well as enriching the talent pool and the I&T ecosystem in Hong Kong, the GBA and the world. This will open a new chapter of Hong Kong's future and ensure that Innovation, Technology and Industrialisation will be an important pillar of Hong Kong's future economy.

HKSTP targets to launch the Shenzhen Branch of Hong Kong Science Park to support GBA tech ventures to go global and attract foreign investment by phases from late 2022.

HONG KONG SCIENCE PARK EXPANSION

Anticipating growing demand for local R&D space and facilities from technology enterprises and research institutes, HKSTP has embarked on Stage 2 of the Science Park Expansion Programme (SPX2), which will be delivered in two batches. Batch 1 of works will add a gross floor area of about 13,100 square metres for wet laboratories. This project is set for completion in Q1 2025.

DRIVING RE-INDUSTRIALISATION

With new state-of-the-art facilities added to the INNOPARKs, HKSTP seeks to fuel re-industrialisation by Innofacturing.

The Advanced Manufacturing Centre (AMC) at Tseung Kwan O INNOPARK, was opened in April 2022 to unlock the potential of high value-added Innofacturing and help innofacturers accelerate their local R&D and production processes.

The Microelectronics Centre (MEC), which will be operational in 2024, offers purpose-built clean rooms and provide dedicated waste treatment facilities to support the development of next-generation microelectronics products, and help Hong Kong carve a niche in the high-demand semiconductors market.

Given the positive industry response for the purpose-built facilities, the Government has invited HKSTP to start planning for the construction of the second Advanced Manufacturing Centre.

NORTHERN METROPOLIS DEVELOPMENT STRATEGY

The Northern Metropolis Development Strategy envisaged in the 2021 Policy Address will develop a 300-square-kilometre (30,000 hectare) new metropolis that will eventually house a population of 2.5 million and offer 650,000 jobs, of which 150,000 will be I&T jobs. The planned HK-SZ One-hour Cross-boundary Commuting Network in the metropolis will create a more synergistic connection between Hong Kong and Shenzhen.

Within the Northern Metropolis, San Tin Technopole is envisioned to become an integrated community that attracts I&T talents to settle there for working and living. The 1,110-hectare area, which is expected to accommodate the total gross floor area of up to 16.5 times of Science Park's, will be in proximity from the Shenzhen Innovation and Technology Zone (Shenzhen I&T Zone), a convenient location for promoting I&T collaboration between Hong Kong and Shenzhen.

HSITP INNOLIFE HEALTHTECH HUB

HSITP at the Lok Ma Chau Loop is positioned to become the world's knowledge hub and I&T centre. Integrating the competitive advantages of both Hong Kong and Shenzhen, HSITP is expected to attract leading enterprises, research institutions and higher education institutes as well as top talents from all over the world and creating unprecedented opportunities for the I&T industry in Hong Kong, Shenzhen and the GBA. As a wholly owned subsidiary of HKSTP, the Hong Kong-Shenzhen Innovation and Technology Park Limited is vested with the responsibility to build the superstructure, operate, maintain and manage HSITP.

Also proposed in the 2021 Policy Address was the setting up of an InnoLife Healthtech Hub in HSITP at Lok Ma Chau Loop. The existing 14 life and health-related laboratories in the InnoHK research clusters and the eight State Key Laboratories in life and health disciplines were proposed to form the basis of the hub; leveraging the strengths of Hong Kong in life and health sciences given the emphasis of the 14th Five-Year Plan on frontier fields such as life and health disciplines.

EXPANDING HK'S I&T ECOSYSTEM — GBA AND BEYOND

The GBA, with a population of over 86 million and a GDP of USD1,668.8 billion in 2020, offers abundant opportunities for international companies to tap into China's I&T potential, and for mainland Chinese companies to expand to the world.

Creating a thriving international I&T hub is critical to the development of the GBA. HKSTP is replicating its success formula and expanding its infrastructure and ecosystem deeper into the GBA. With HKSTP's future GBA campuses will serve as the springboard for global I&T companies, Mainland China companies can penetrate the international market via Hong Kong, whereas international ventures can embrace the abundant GBA market opportunities.

HKSTP will provide all-round support for I&T companies to scale up, by helping them reach out to capital markets, enter the global market and attract global talents, and enabling global technology collaboration.

With support from the Hong Kong and Shenzhen Governments, HKSTP has commenced the development of the Hong Kong Science Park Shenzhen Branch to boost I&T development in the GBA. Two six-storey buildings with a gross floor area of 31,000 square metres in the Futian bonded zone have been identified for the campus. Offices, laboratories, co-working spaces, MICE venues and park amenities will be introduced to serve the development of HKSTP's partner companies.

To support tech ventures to swiftly settle in Shenzhen and kick-start their GBA expansion plans prior to the completion of the Shenzhen Branch, HKSTP has launched its Futian Joint Office within the Cooperation Zone. It is a 320-square-metre centre equipped with meeting rooms and co-working spaces.

HKSTP launched GBA InnoAcademy and GBA InnoExpress in July 2022. They will serve as a resource centre, a training hub and an exchange platform for talents, and will nurture startups and support I&T enterprises in going global and attracting foreign investment. HKSTP will also work with Hong Kong universities to establish incubator networks on their GBA campuses for talent development and startup support.

ROADMAP AND FOOTPRINT

HONG KONG SCIENCE PARK

As the largest R&D community in Hong Kong, Science Park offers over 4.3 million square feet of gross floor area in 23 buildings, providing not only office space but also communal laboratories equipped with advanced equipment, software platforms and professional engineers to support R&D. The smart campus also serves as a living lab for testing innovation in a real-life environment. Stage 2 of the Science Park expansion programme is underway and will deliver Building 12W-A that will house more laboratories and facilities by 2024 - 2025.

INNOPARKS

In November 2021, the three industrial estates in the HKSTP portfolio have been repositioned into INNOPARKs, marking a new chapter of re-industrialisation and a new era of economic growth and I&T opportunities.

- Tai Po INNOPARK — primarily occupied by manufacturers in food processing and other industrial production. The refurbishment of the multi-storey Precision Manufacturing Centre (PMC) was completed in 2017 and is now fully occupied by tenants involved in precise engineering and assembly, new material manufacturing, environmentally friendly yarn production, tooling, advanced indoor hydroponics and other industries. The MARS Centre commenced operation in June 2021 and leased to manufacturers of medical accessory resilience supplies, medical-related equipment, materials, health products as well as other precision manufacturing.
- Tseung Kwan O INNOPARK — primarily occupied by operators in the information and communications technology (ICT) and multimedia industries including data centres. The Data Technology Hub (DT Hub), officially launched in January 2021, serves as a dedicated base for ICT and data-centric businesses. The Advanced Manufacturing Centre (AMC), slated to launch in April 2022, offers a high-spec fully-serviced production base for advanced manufacturing.
- Yuen Long INNOPARK — caters for a wide range of industries including pharmaceutical and biomedical production. The Microelectronics Centre (MEC), which will be operational in 2024, offers purpose-built clean rooms and provides dedicated waste treatment facilities to support the development of next-generation microelectronics products.

INNOCELL

Opened in April 2021, InnoCell brings together a talented community with a shared passion for innovation, to exchange ideas and pursue the next I&T breakthroughs. Using integrated smart living technologies, InnoCell offers diversified communal and private living spaces as well as co-working spaces and themed areas for fostering connections, setting new standards for a smarter lifestyle that goes beyond living and working.

INNOCENTRE

Established in 2006, InnoCentre has evolved into a fintech hub for supporting the development of fintech and digital e-commerce, and nurturing startups. Within the six-storey building in a prime location, the FinTech Centre was launched in January 2021 to provide a focal point for financial innovation co-creation. InnoCentre is also home to Lion Rock 72, a downtown hub where budding innovative talents from universities can gather to enjoy HKSTP's pre-incubation and soft-landing support. It also serves as another co-working centre for startups under its Incubation Programmes.

HKSTP@WHEELLOCK GALLERY

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

HONG KONG-SHENZHEN INNOVATION AND TECHNOLOGY PARK

HSITP at Lok Ma Chau Loop is positioned to become the world's knowledge hub and I&T centre, supported by relevant higher education, cultural and creative industries and ancillary facilities. Integrating the competitive advantages of both Hong Kong and Shenzhen, HSITP is expected to attract leading enterprises, R&D institutions and higher education institutes as well as top talent from all over the world and creating unprecedented opportunities for the I&T industry in Hong Kong, Shenzhen and the GBA. As a wholly owned subsidiary of HKSTP, Hong Kong-Shenzhen Innovation and Technology Park Limited is vested with the responsibility to develop, operate, maintain and manage HSITP.

THE CORPORATION

CORPORATE INFORMATION

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Tseung Kwan O INNOPARK
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Yuen Long INNOPARK
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PRINCIPAL BANKER

Standard Chartered Bank (Hong Kong) Limited

SOLICITORS

Deacons
Lau, Horton & Wise LLP
Mayer Brown
Morgan, Lewis & Bockius
Wilkinson & Grist
Withers
Zhong Lun Law Firm LLP

AUDITOR

BDO Limited

THE BOARD

The list of directors during the financial year and up to the date of this Annual Report was set out in page 40 of this Annual Report under the Directors' Report.

BOARD COMMITTEES

BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE (BDAC)

Dr. Sunny CHAI Ngai Chiu, BBS, JP (Chairman)
Ms. Cordelia CHUNG (Vice-Chairman)
Mr. Herbert CHIA Pun Kok, JP
Dr. Stephanie MA Kwai Yee
Ms. Angel NG Yin Yee
Mr. Joseph NGAI, JP
Mr. Gavin POON Ka Ming
The Honourable Elizabeth Quat, BBS, JP
Permanent Secretary for Innovation, Technology and Industry

FINANCE AND ADMINISTRATION COMMITTEE (FAC)

Mr. Dennis HO Chiu Ping (Chairman)
Mr. CHEN Shuang, JP
Mr. Donald CHOI Wun Hing, JP
Mr. Kent HO Ching Tak
Mr. Daryl NG Win Kong, SBS, JP
Permanent Secretary for Innovation, Technology and Industry

PROJECTS AND FACILITIES COMMITTEE (PFC)

Mr. Donald CHOI Wun Hing, JP (Chairman)
Dr. Kim MAK Kin Wah, BBS, JP (Vice-Chairman)
Ms. Cordelia CHUNG
Dr. Stephanie MA Kwai Yee
Mr. Daryl NG Win Kong, SBS, JP
Mr. Gavin POON Ka Ming
The Honourable Elizabeth QUAT, BBS, JP
Permanent Secretary for Innovation, Technology and Industry

INVESTMENT COMMITTEE (IC)

Ms. Cordelia CHUNG (Chairman)
Mr. CHEN Shuang, JP
Mr. Dennis HO Chiu Ping
Mr. Kent HO Ching Tak
The Honourable Elizabeth QUAT, BBS, JP
Permanent Secretary for Innovation, Technology and Industry

AUDIT COMMITTEE (AC)

The Honourable Jimmy NG Wing Ka, BBS, JP (Chairman)
Mr. Herbert CHIA Pun Kok, JP
Mr. Dennis HO Chiu Ping
Dr. Kim MAK Kin Wah, BBS, JP
Permanent Secretary for Innovation, Technology and Industry

SENIOR STAFF ADMINISTRATION COMMITTEE (SSAC)

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

Remarks:

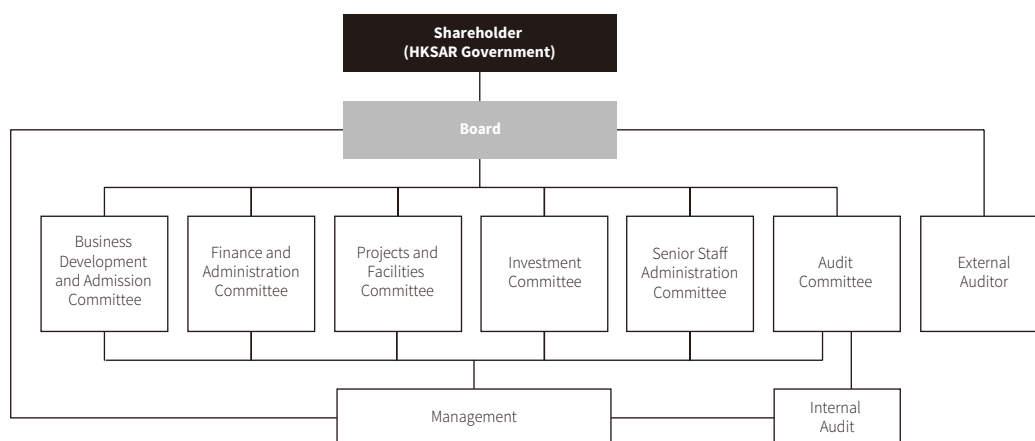
Mr. Denis TSE Tik Yang resigned from the BDAC, FAC and IC with effect on 11 August 2021.
Mr. Gavin POON Ka Ming retired from BDAC and PFC on 30 June 2022.
Mr. Joseph NGAI retired from BDAC and SSAC on 30 June 2022.
Permanent Secretary for Innovation and Technology was re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022
Updates with effect from 12 August 2022:
Mr. Conrad CHAN Che Chung joined IC and AC
Mr. Donald CHOI Wun Hing joined SSAC
Dr. Samson TAM Wai Ho joined PFC and IC
Ms. Phoebe TSE Siu Ling joined BDAC and FAC

CORPORATE GOVERNANCE REPORT

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

commercial principles. The Corporation has made reference to the Corporate Governance Code and Corporate Governance Report (renamed as Corporate Governance Code with effect from 1 January 2022) contained in Appendix 14 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “CG Code”) in so far as they are applicable in achieving the purposes as set out in the HKSTPC Ordinance. We believe transparency, accountability, fairness and ethics are the foundation on which we build trust and work with all our stakeholders for the benefits of Hong Kong.

CORPORATE GOVERNANCE STRUCTURE



THE BOARD

The Board is the governing body of the Corporation. It is responsible for formulating overall values, strategic directions and policies of the Corporation and overseeing management of the business to ensure that the purposes, values and strategies of the Corporation align with its culture.

The Board adopts an open and inclusive culture in the conduct of its affairs that is conducive to constructive views and healthy debate among Board Members and HKSTP’s management team. The Board also upholds a strong sense of civic responsibility and public accountability over the manner in which funds are applied by HKSTP so as to ensure that they are properly expended for the ultimate goal of benefitting the I&T ecosystem of Hong Kong and, in turn, the Greater Bay Area (“GBA”). The Board also places great emphasis on HKSTP taking a leading role in promoting and implementing environmentally sustainable practices with the ultimate goal of achieving net zero in the near future.

As at 31 March 2022, the Board comprised 16 non-executive directors including the Chairman and 15 Board Members, of which 5 Board seats were held by female. The Chairman is appointed by the Chief Executive of the HKSAR Government, and the Board Members are appointed by the Financial Secretary. All Board Members are appointed without honorarium, generally for a two-year term 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 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, finance, investment, trading, property and management consulting. All Board Members are independent and non-executive directors which ensure that independent views and inputs are available to the Board. One of our Board Members, the Permanent Secretary for Innovation and Technology (re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022), is a public officer. Biographical details of the Board Members are contained on the website of the Corporation (<http://www.hkstp.org>).

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

INDUCTION PROGRAMME

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

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

KEEPING MEMBERS UP TO DATE

To keep Members abreast of the updated knowledge and skills as to corporate governance, a Board training session on “Judiciary Review” hosted by Mayer Brown was arranged for the Board on 24 March 2022 to share the jurisdiction, grounds and court proceedings for cases of judiciary review.

DECLARATION OF INTERESTS

Board Members are required to declare their proprietorships, partnerships and/or directorships of local and overseas public and/or private companies, as well as paid jobs, offices, trades, professions or vocations and interests in shareholdings in any public or private companies on an annual basis. They are also required to inform the Company Secretary within 14 days of any changes. A register of Board Members’ declarations of interest is made available for public inspection upon request.

CONFLICT OF INTEREST

The HKSTPC Ordinance under which the Corporation was incorporated requires Members to declare their direct or indirect interests in any contracts or proposals considered by the Board or its Committees. Those with any conflict of interest must withdraw from the approval process. Board Members are made aware that they should avoid entering into any business contract with the Corporation in their personal capacity as a matter of principle. Also, they should not be personally involved in the bidding process or in the supply of goods or paid services. Where it is unavoidable that a Member will bid for a contract with the Corporation in his or her personal capacity, he or she should adhere to the guidelines on managing possible conflict of interest stipulated in the Guide to Handle Corporate Governance Matters of the Corporation. To further enhance governance within the Corporation, guidelines on managing conflict of interest and preventing misconduct in public office issued by the Hong Kong Independent Commission Against Corruption was also shared with the Board.

WHAT THE BOARD DOES

The Board of Directors formulates strategic direction, oversees implementation of strategic plan and approves the annual budget, corporate key performance indicators, 10-year financial projection, as well as major development and redevelopment projects. It monitors the overall performance of the Corporation and ensures that effective controls are in place to manage potential risks. It also approves the appointment of external auditors and their remuneration during the period under review. It met six times during the year with an average attendance rate of 86%.

The Chairman maintains close contact with the Secretary for Innovation and Technology (re-titled as Secretary for Innovation, Technology and Industry with effect from 1 July 2022), the Permanent Secretary for Innovation and Technology (re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022), the Commissioner for Innovation and Technology as representatives of the sole shareholder of the Corporation, and the Chairmen of the Board Committees, as well as meeting regularly with the CEO and the management team to review strategic issues, business plans and future development.

COMPANY SECRETARY AND PROFESSIONAL ADVICE

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

RESPONSIBILITY FOR ACCOUNTS

The Directors acknowledge their responsibility for ensuring that the preparation of the annual accounts of the Corporation is in accordance with statutory requirements and applicable accounting standards. The Directors are assisted by the Finance and Administration Committee and the Audit Committee in discharging their responsibilities for overseeing the Corporation's financial reporting process. The statement of the auditors of the Corporation about their reporting responsibilities is set out in the Independent Auditors' Report on page 42 of the Report of Directors and Financial Statements.

BOARD COMMITTEES

The Board oversees six standing Committees:

- Business Development and Admission Committee
- Finance and Administration Committee
- Projects and Facilities Committee
- Investment Committee
- Audit Committee
- Senior Staff Administration Committee

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

Attendance records of each individual member of the Board of Directors are shown on page 26 of this Report.

BUSINESS DEVELOPMENT AND ADMISSION COMMITTEE

The Business Development and Admission Committee ("BDAC"), chaired by Dr. Sunny Chai, provides advice and guidance to the Corporation on its overall business strategies in fulfilling the purposes of the Corporation under HKSTPC Ordinance.

FINANCE AND ADMINISTRATION COMMITTEE

The Finance and Administration Committee ("FAC"), chaired by Mr. Dennis Ho, monitors and oversees the finance and administrative aspects of the Corporation's operations and make appropriate recommendations to the Board. It mainly focuses on reviewing and providing advice and guidance and approving the finance and administrative aspect of the relevant business initiative being presented. This includes, but not limited to impact on the Corporation's budget, cash flow, long-term financial projection, headcount, information technology security and operational efficiency.

PROJECTS AND FACILITIES COMMITTEE

The Projects and Facilities Committee ("PFC"), chaired by Mr. Donald Choi, oversees and monitors the capital works projects, policies and initiatives in respect of safety, health and environment and facilities management services. It approves or recommends to the Board on capital works related matters (including new development, re-development) to be undertaken by the Corporation and the modality for facilities management services, including but not limited to master development plan, programme and design, development budget, facilities provisions, procurement strategy and award of contracts for capital works, facilities management and related consultancy services.

INVESTMENT COMMITTEE

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

AUDIT COMMITTEE

The Audit Committee ("AC"), chaired by The Hon. Jimmy Ng, oversees the internal audit 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 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 to ensure compliance with recognised standards and achieving continuous improvement. It met with the external auditors and Senior Director, Internal Audit without Management's presence and conducted a self-evaluation of its effectiveness and concluded that its performance was effective.

SENIOR STAFF ADMINISTRATION COMMITTEE

The Senior Staff Administration Committee ("SSAC"), chaired by Dr. Sunny Chai, oversees human resources related issues of executive level staff which includes CEO and Chief Officers of the Corporation. It is responsible for the selection, appointment, contract renewal and termination, annual performance and remuneration package review and disciplinary actions of the relevant staff. Another key function of SSAC is to provide recommendations on appointment, remuneration package, contract renewal and termination of CEO to the Board for review and approval. In addition, it considers appeals from all executive staff, Human Resources policy changes of other staff members; and any other topics as defined by the Board.

TASK FORCE FOR SPECIFIC PROJECTS

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

SUB-COMMITTEES

Two sub-committees including the Corporate Venture Fund Investment Committee ("CVF-IC") and the Equity Committee were established under the purview of IC. Meetings of these committees are held on a need basis. The CVF-IC, chaired by the CEO, approves Corporate Venture Fund ("CVF") investments and divestments and oversees the operations of the CVF whereas the Equity Committee, chaired by the CEO, decides on all matters in relation to the issuance of any call options and any other financial instruments with respect to Acceleratee. During the year, nine CVF-IC meetings had been held with an average attendance rate of 94% and the Equity Committee approved matters via paper circulation.

MEETING PROCEDURES

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

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

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 and make contributions to the Corporation that are commensurate with their role and Board responsibilities.

A summary of meeting attendance of Board Members in meetings of the Board and Committees for the financial year from 1 April 2021 to 31 March 2022 is provided in the following table.

BOARD MEMBERS	MEETINGS	Board of Directors	BDAC	FAC	PFC	IC	AC	SSAC
Dr. Sunny CHAI Ngai Chiu		6/6	6/6	-	-	-	-	3/3
Permanent Secretary for Innovation and Technology ¹ or her alternates (re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022)		6/6	6/6	5/5	5/5	4/4	4/4	3/3
Mr. CHEN Shuang		4/6	-	2/5	-	2/4	-	-
Mr. Herbert CHIA Pun Kok		6/6	6/6	-	-	-	4/4	-
Mr. Donald CHOI Wun Hing		4/6	-	4/5	5/5	-	-	-
Ms. Cordelia CHUNG		5/6	6/6	-	4/5	4/4	-	3/3
Mr. Dennis HO Chiu Ping		6/6	-	5/5	-	3/4	4/4	3/3
Mr. Kent HO Ching Tak		6/6	-	3/5	-	3/4	-	-
Dr. Stephanie MA Kwai Yee		4/6	5/6	-	4/5	-	-	-
Dr. Kim MAK Kin Wah		5/6	-	-	4/5	-	3/4	-
Mr. Daryl NG Win Kong		6/6	-	4/5	2/5	-	-	-
Ms. Angel NG Yin Yee		4/6	5/6	-	-	-	-	3/3
The Hon. Jimmy NG Wing Ka		6/6	-	-	-	-	4/4	-
Mr. Joseph NGAI		5/6	3/6	-	-	-	-	3/3
Mr. Gavin POON Ka Ming		4/6	3/6	-	2/5	-	-	-
Mr. Denis TSE Tik Yang (Resigned with effect from 11 August 2021)		2/2	1/2	0/1	-	1/1	-	-
Hon Elizabeth QUAT (Appointed on 1 July 2021) (Joined BDAC and IC on 6 July 2021) (Joined PFC on 8 July 2021)		4/4	5/5	-	4/4	3/3	-	-
Average Attendance Rate		86%	84%	74%	77%	83%	95%	100%

¹ All the Committee meetings including BDAC, FAC, PFC, IC, AC and SSAC were attended by the alternates of Permanent Secretary for Innovation and Technology (re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022) on her behalf.

MANAGEMENT AND STAFF

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

ETHICAL BEHAVIOUR AND CULTURE

The ethical behaviour of the Corporation is well defined in the Employee Code of Conduct, which is reviewed on a regular basis. It covers issues such as prevention of bribery, conflict of interest, acceptance of gifts and advantages, misconduct in public office, handling of confidential information and preservation of secrecy, outside engagement, financial issues, operational and administrative transactions, and intellectual property. All new employees are requested to acknowledge their understanding of the Employee Code of Conduct upon their commencement of duty, while all existing staff members are reminded on the importance of the Employee Code of Conduct on an annual basis or as when required.

The Corporation regularly organizes relevant ethical training for employees. ICAC is invited to give briefing on the prevention of bribery and conflict of interest to employees. Four ICAC briefing sessions "Anti-corruption Seminar for General Staff" & "Anti-corruption Seminar for Managerial Staff" were conducted in January 2022 for new and existing employees.

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 internal audit 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 internal audit 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 35 to 37.

During 2021/22, 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.

INTERNAL AUDIT

The internal audit function was established as part of the on-going commitment on the part of the Board and Management to improve the Corporation's corporate governance. The internal audit 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 sound risk management and internal control systems are maintained and operated by Management.

Using risk-based methodology, internal audit 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 internal audit 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

The Board of Directors appointed BDO Limited (“BDO”) as the external auditor of the Corporation and its subsidiaries (the “Group”) for the financial years 2020/21 to 2022/23 on 14 December 2020, succeeding KPMG after its 5-year tenure with the Group. The external auditor plays an important role in reviewing the truth and fairness of the financial statements as well as ensuring the financial statements are free from material misstatements. 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 auditor the scope and appropriate fees for any non-audit services requested by the Corporation. The Audit Committee and Management are responsible for ensuring that the external auditor is not engaged by the Corporation on any other assignments that may compromise the external auditor’s independence.

For the year ended 31 March 2022, the auditor’s remuneration in respect of audit service provided for the Corporation and its subsidiaries was HK\$1,441,000 and non-audit service was HK\$12,000.

DELEGATION OF AUTHORITY

The authority of the Board and the levels of authority delegated to the Committees and the Management are clearly defined and documented in the Schedule of Delegated Authorities (“SDA”). An annual review of SDA was conducted and some changes in the approval authorities were made to reflect the matters approved by Board/Committees to further enhance operational efficiency while maintaining appropriate control. The updated SDA was approved by the Board in June 2021.

CORPORATE GOVERNANCE PRACTICES

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

Principles of Good Corporate Governance/Code provisions/ Mandatory Disclosure Requirements	Reason for deviation and corresponding measure
<p>Part 2 – C.1.4</p> <p>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.</p> <p>Note: Directors should provide a record of the training they received to the issuer.</p>	<p>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 provided relevant information or 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 paragraphs “Keeping Members Up to Date” and “Conflict of Interest” on page 23 of this Report for details of relevant information provided by the Corporation, as well as events participated by the directors during 2021/22.</p>
<p>Part 1 – Section B</p> <p>To provide transparency, 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:</p> <p>how each director, by name, complied with C.1.4.</p>	

Principles of Good Corporate Governance/Code provisions/ Mandatory Disclosure Requirements	Reason for deviation and corresponding measure
Part 2 – C.5.8	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).
Part 2 – D.2	For board and committee meetings held during 2021/22, 24% of the total number of meeting papers was dispatched less than 3 days before the meetings. Management would abide by the timeliness of paper distribution as far as applicable to provide the Board with reasonable time to review papers prior to the meetings.
Part 2 – D.2.2	The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide in Appendix 27 to the Exchange Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.
Part 2 – D.2.3 (a)(b)	The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit, and financial reporting functions, as well as those relating to the issuer's ESG performance and reporting.
Part 2 – D.2.3 (a)(b)	The board's annual review should, in particular, consider: (a) the changes, since the last annual review, in the nature and extent of significant risks (including ESG risks), and the issuer's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems, and where applicable, the work of its internal audit function and other assurance providers.
	In order to align with Hong Kong's carbon neutrality goal by 2050, the Board endorsed Management to embark on the journey of Sustainability by: (1) consulting experts on the possible pathways, (2) evaluating the current condition and determining the baseline of HKSTP, (3) setting long-term and near-term targets in compliance and taking leading role in adoption of Sustainability measures and technologies, (4) identifying any mitigation measures to address any potential risk in compliance. From governance perspective, in near term, Management will tap into the expertise of existing committees (including PFC, BDAC and IC) to provide guidance and oversight for ensuring that HKSTP will be able to achieve their targets. In longer term, a Sustainability Committee will be formed to take this role. Internally, a Sustainability Team will be formed which will be led by the Head of Sustainability. The Sustainability Team will coordinate all sustainability work amongst different teams and report to the Board and the Sustainability Taskforce which will mobilize relevant resources for execution. First report is targeted to be submitted to the Board for review at its meeting in December 2022.

TRANSPARENCY

The Corporation reports annually to the Permanent Secretary for Innovation and Technology (re-titled as Permanent Secretary for Innovation, Technology and Industry with effect from 1 July 2022) 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 pages 65-66 of the Report of the Directors and Financial Statements.

The attendance of Directors at meetings is reported on page 26 of this Report.

CORPORATE COMMUNICATION AND PUBLIC AFFAIRS

Continuous and transparent communication with our stakeholders, during unprecedented times when volatility is prevailing around the world, remains a top priority of the Corporation. Apart from frequent updates of the latest development of the Corporation, we ensure important information, such as financial relief measures and pandemic preventive measures, reaches our community in an open and timely manner via email, website and mobile app. Media focus and public attention were drawn to milestone development of infrastructure at the INNOPARKs and InnoCell, emphasising the Corporation's undertaking in furthering visions of reindustrialisation and our "Work. Live. Play. Learn" innovation culture.

While we continue to host key events including corporate events, press conferences and park companies' product/solution launches, and participate in third-party exhibitions and conferences, we move most of our signature events and activities online to make sure our stakeholders can stay engaged and interact with each other even during the time when the Government mandates the practice of social distancing.

In November 2021, our annual flagship match event Elevator Pitch Competition (EPiC) returned for the sixth year. A total of over 160 contestants entered the semi-final round, with nearly 60% from overseas. We also reimagined Hong Kong's largest I&T career expo into T2, the first-ever innovation tech x talent month in March 2022, offering a record high number of more than 2,900 jobs in innovation and technology. Our Chairman, Chief Executive Officer and the senior management also made themselves available online and offline for public occasions and industry forums, to keep evangelising the Corporation in its efforts to drive Hong Kong into an international innovation and technology hub.

DIGITAL AND SOCIAL MEDIA

In celebration of the 20th Anniversary ("20A") in 2022, we kicked off the "Innovation Starts Here" brand campaign on 19 October 2021 and rebranded the three Industrial Estates to "INNOPARK" with the campaign idea of "Innofacturing Tomorrow" in November 2021. Aiming to build advocacy of Hong Kong and HKSTP, integrated marketing campaigns including thematic videos, dynamic digital advertising and social media with evolving content, media partnerships, high-impact ambience (Innovation Pins installations, HKDI x HKSTP Spiritrum Art Tech collaboration) and revamped corporate website had been rolled out from October 2021 till August 2022.

We participated in the WRLDCTY 2021 (World City Festival) – the world's largest cities festival hosted by Hong Kong and 7 other international cities celebrating urban culture and innovation with a global community of urban visionaries, globalists, policy makers, business leaders and culture makers – with the global premiere of our "Innovative Starts Here" thematic video on 28 October 2021. Together with Brand Hong Kong, HKSTP reinforced Hong Kong's position as a leading world city and celebrated Hong Kong through the lens of culture, community, technology and sustainability and showcased how our vibrant I&T ecosystem is driving global start-ups, innovators and investors to shape the cities of the future empowered by I&T.

We continue to build engaging content promoting the pioneering spirit of Hong Kong and HKSTP, signature events, partner companies to ecosystem stories, industry news to facilitate communications with our target stakeholders via social and digital channels, namely HKSTP's corporate website, LinkedIn, YouTube, Facebook and Instagram.

We updated HKSTP App with new features including AR navigation to enable visitors to explore over 170 landmarks, food and beverage outlets at ease; the introduction of the latest and greatest point-of-interests like the HKSTP Experience Centre, Innovation Pin installation and Spiritrum Art Tech at Atrium Link; and location-based promotion offers. Together with the "Connection" feature which bridges more than 17,000 innovators in the community, HKSTP paved the way to cultivate a collaborative culture; enhance community engagement and, more importantly, optimize visitors' experience at the Park.

CARING COMPANY

Being a responsible corporate citizen, we are committed to embracing corporate social responsibility through giving, mentoring and caring for the employees and the environment. This is the fourteen consecutive years that the Corporation has been recognised as a Caring organisation under the Hong Kong Council of Social Service Caring Company scheme and is accredited to be one of the “10 Years Plus Caring Organization”. The Corporation is dedicated to driving different kinds of social responsibility initiatives to build a sustainable society together.

HUMAN RESOURCES DEVELOPMENT AND COLLABORATION

The Corporation recognises that our people is the foundation of our success and we are committed to helping our staff members develop their competencies and career at the Corporation. The development objectives are to achieving operational excellence to stretching individual’s ability to excel the leadership potentials for building the Hong Kong Innovation & Technology Ecosystem. The training programmes we have arranged included Negotiation and Influencing Skills, Effective Presentation Skills, Career & Growth Workshop, Leadership Fundamental Workshop, and Effective Delegation and Empowerment Workshop. A development programme tailored for our young generation were launched in July 2021 to groom future leaders. 9 regular knowledge sharing sessions Lunch & Learn were organised to expand the learning horizon in a more relaxing manner. To enhance the resiliency of our staff to cope with the stress of pandemic, a series of webinar around the topics of mental health and mental strength were held in January to March 2022.

The Corporation also emphasize staff communications and engagement as a means to keep the staff members moving towards the common objectives and work as a team collaboratively. Quarterly Town Hall is arranged to share the Corporation’s directions, appreciate success and exchange interesting stories. “CEO Message to All Staff” is also sent on a monthly basis to cascade key messages from the Management. In addition, engagement activities such as festive celebrations, work-life balance week, interest classes were organised on a regular basis to boost staff morale and team spirits.

The Corporation also offers programmes to nurture and arouse the career interest of university and post-graduate students in the innovation and technology industry and prepare them to excel themselves in the ecosystem and the industry.

The Technology Leaders of Tomorrow (“TLT”) programme offers STEM graduates an 8-week HKSTP internship and innovation training, then take on a R&D graduate role with one of HKSTP’s leading partner companies.

The Summer Internship programme offers University students an internship programme at HKSTP in July and August. During the internship months, the corporation also offers innovation and technology themed interactive workshops, sharing sessions and group activities to help build up a talent community.

In support to HKSTP partner companies, the Corporation offers recruitment-based HR advisory and support to assist partner companies to better attract and recruit innovation and technology talent.

SAFETY, HEALTH AND ENVIRONMENT (“SHE”)

Safety, health and environmental protection are of paramount importance to the Corporation. Management adopts a risk-based approach to identify potential health, safety and environmental risks and establish effective control measures to mitigate the consequences of the risks.

OCCUPATIONAL HEALTH AND SAFETY

To ensure workplace safety, we continue to improve our safety inspection and audits program which covers workplaces of HKSTP offices, co-working facilities, service contractors, public areas of Science Park, InnoCell and InnoCentre, and construction sites of new development projects. We have completed the annual safety audit on the SHE performance of the Corporation in accordance with ISO45001 and ISO14001. We have also completed 213 risk assessments for prolonged computer users according to the Display Screen Equipment (“DSE”) regulation.

To ensure the workers’ health, we continue to conduct indoor air quality (IAQ) and drinking water quality monitoring in Buildings 5E and 19W staff offices according to the IAQ Certification Scheme of EPD and HK Drinking Water Test Standards respectively.

To enhance the safety management in INNOPARKS, together with the Re-Industrialization team, a consultant company has engaged to review the safety governance of the current and future park operations.

SHE Handbook is a paramount document that is legally bound to the tenant's lease agreement, we have converted the SHE Handbook from pdf format to html format recently. SHE handbook can now be updated as frequently as needed and tenants can access the updated version and search for relevant information more conveniently.

HEALTH AND SAFETY TRAINING AND PROMOTION

To raise employees' SHE awareness, various types of training are provided constantly to HKSTP staff. A new e-learning platform with 3 Display Screen Equipment modules is developed and offered to all computer users to learn and understand healthy workstations and correct working posture. 158 SHE induction training is arranged in the fiscal year 2021/22 for all newly joined staff to ensure they are familiar with occupational and health issues and their roles in maintaining health and safety in the Corporation. We have launched a SHE online quiz with different safety and health topics quarterly. This online quiz has attracted much staff attention and participation. SHE team has also organized three rounds of CPR & AED training, 45 staff has passed CPR & AED examination and been awarded the certificates. SHE Team also organized additional workshops and seminars on topics of public health and environmental protection annually.

LABORATORY AND RESEARCH SAFETY

We have conducted 265 safety assessments for R&D projects completed in the Science Park laboratories. Though affected by the 4th and 5th waves of COVID-19 epidemic outbreaks in Hong Kong, our team worked diligently to carry out laboratory safety inspections whenever the social distancing measure was allowed and completed 135 safety inspections in the laboratories at Science Park.

Safety training and promotion are the most essential means of enhancing laboratory safety awareness across the science park community. In the preceding year, the LRS team has conducted a series of webinars on laboratory safety, including "Laboratory Safety 101@Science Park", "Chemical Safety 101", and "Biological Safety 101". These training activities received excellent responses from laboratory tenants with more than 250 participants. To promote laboratory safety culture, we have attempted different channels to reach out to laboratory workers, such as a safety newsletter which is published quarterly on SHE Website, and self-designed posters on laboratory safety displayed in laboratory areas to improve laboratory safety awareness.

The 28 InnoHK centers have already been established at Science Park. To facilitate their safe laboratory operations, the LRS team, in collaboration with the Corporate Development Division, arranged two rounds of "Lab Group Meetup" for InnoHK centers in July and November 2021. The first round focused on the laboratory safety requirements, while the second round on hazardous waste collection at the Science Park. Shortly after the second meetup event, the LRS team initiated the coordinated chemical waste collection for the InnoHK centers. Recently this waste collection program expanded to cover all laboratory tenants at the Science Park every 3 weeks.

The Dangerous Goods Inventory Management System (DGIMS) was officially launched in 2021 to enhance the monitoring of central Dangerous Goods (DG) stores usage and gas cylinder in-out records for park company DG users. The information collected from DGIMS will be used for the compliance preparation of the amended DG ordinances which came into effect on 31 March 2022.

SUSTAINABILITY REPORT

Sustainability has become a driver at HKSTP, and its importance continues to grow. The HKSTP Management strives for integrating sustainability into HKSTP's strategies. In March 2022, the Board of Directors (the Board) endorsed the Management's proposal of the strategic goal of sustainability and assigned our Project and Facilities Committee and Business Development & Admission Committee to oversee the development and provide advice before forming a Sustainability Committee in the longer term. The strategic goal is to align HKSTP's strategies with Hong Kong's carbon neutrality goal by 2050, contribute to a sustainable Hong Kong and build an enabling ecosystem for climate solutions. With the Board's endorsement, the Management has started the process of developing HKSTP's sustainability roadmap and the governance structure that enable the whole organisation, from operations to building developments and facilities management, to properly embrace sustainability.

In January 2022, HKSTP appointed Dr. Christine Loh, former Under-Secretary for the Environment of the Government, to advise the Board and Management on strategic thought leadership on sustainability and climate change issues. HKSTP has added a director with responsibility on sustainability to the management team. A team is being established to spearhead the development of sustainability strategic priorities and the translation of sustainability strategies into actions for all business units to deliver positive outcomes. Our sustainability team reports to the CEO, and an internal sustainability taskforce comprising senior management team heads of relevant departments has been formed. The taskforce closely monitors sustainability issues and related opportunities to enhance HKSTP's performance.

HKSTP seeks to meet the needs of our partnering companies, add value for innovators, provide fulfilling careers for entrepreneurs, and contribute to a vibrant local innovation and technology landscape.

We openly and actively engage with the industry players and stakeholders who have a common sustainability and climate vision with us. Understanding their opinions, priorities and values helps us to better formulate our sustainability strategies which would benefit the whole innovation and technology ecosystem, especially on low carbon transition for Hong Kong and beyond. Over 20 meetings and panel discussions with a variety of stakeholders and sustainability professionals were conducted in Q1 2022. Useful insights and feedback on our sustainability pathways were collected during these open dialogues, and they have strengthened our sustainability vision.

SUSTAINABLE BUILDING DEVELOPMENT

HKSTP is dedicated to adopting best practices in designing and constructing sustainable building development. We have been committed to achieving a Gold rating or above in the BEAM Plus New Buildings certification programme for all of our new capital works in Science Park and INNOPARKs. From 2021 and onwards, we have obtained or targeted to obtain the green building certifications for the following new sustainable projects:

Projects	Rating for Green Building Certification
InnoCell in Hong Kong Science Park	Final Platinum Rating under BEAM Plus NB V1.2 (Obtained in 2021)
Building 17W and 19W in Hong Kong Science Park	Final Gold Rating under BEAM Plus NB V1.2 (Obtained in 2021)
Data Technology Hub in Tseung Kwan O INNOPARK	Final Gold Rating under BEAM Plus NB V1.2 (Obtained in 2021)
Advanced Manufacturing Centre in Tseung Kwan O INNOPARK	Final Gold Rating under BEAM Plus NB V1.2 (Targeted to obtain in 2023)
Microelectronic Centre in Yuen Long INNOPARK	Final Gold Rating under BEAM Plus NB V1.2 (Targeted to obtain in 2024)
Building 12W-A in Hong Kong Science Park	Final Gold Rating under BEAM Plus NB V2.0 (Targeted to obtain in 2026)

HKSTP is also delighted that InnoCell, the first high-rise building built with the Modular Integrated Construction (MiC) technology in Hong Kong providing co-living and co-creation space with sustainable lifestyle, won a **Grand Award** as well as Special Citation on UN Sustainable Development Goals (UN SDGs) in the biennial **Green Building Award (GBA) 2021**. This remarkable achievement celebrates our steadfast efforts in mitigating climate change through holistic sustainable approaches.

To promote next-generation built environment in our decarbonisation journey, HKSTP will continue to demonstrate our strong commitment on upcoming developments, in alignment with the Corporation's sustainable policy and target, by improving emissions, waste reductions and energy efficiency, and adopting integrated design and innovative construction methods and all green initiatives towards sustainability goals and carbon neutrality.

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 bi-annual basis.

Effectiveness of Risk Management System

The Management reports to the Audit Committee on a bi-annual basis on the performance and effectiveness of the risk management system. Additionally, the Audit Committee receives assurance from Internal Audit Division that the risk management system has functioned effectively. For the year ended 31 March 2022, the Audit Committee, with delegated authority from the Board, evaluated the effectiveness and adequacy of the risk management system and concluded that it was effective and adequate.

PRINCIPAL RISKS

There are some principal risks which are inherent to the Corporation. For these inherent risks we have controls, processes and procedures in place as a matter of course which serve to mitigate each risk to either minimise the likelihood of the event occurring and/or

minimise the impact if it does occur. The risks listed below are the principal risks of various types to which we are exposed and are not exhaustive. They will necessarily evolve over time due to the dynamic nature of our business.

Principal Risks	Description	Key Mitigations
Strategic Risk	The risk of being not able to strengthen Hong Kong's position as the hub for innovation and technology	<ul style="list-style-type: none"> Proactively engage key stakeholders at different levels to solicit support in the areas concerning policy, market adoption, investment, education and training Actively conduct promotional activities locally and globally, as well as in Mainland China markets to attract quality R&D companies Plan and execute funding and resources to attract and support R&D companies, in view of developing a core of high quality R&D companies to strengthen the innovation & technology ecosystem and attract talents Define and execute stricter focuses with specific sub-sectors and list of targeted companies to build stronger portfolio
Occupational Health and Safety Risk	The risk of not being able to identify, evaluate and control of health and safety hazards in all workplaces including offices, laboratories, and construction sites	<ul style="list-style-type: none"> Health and Safety policies and governance structures are reviewed regularly Safety audit programme is in place to cover high risk workplaces such as laboratories operated by HKSTP, tenants or contractors For research safety, safety assessment for research space is in place to identify potential health and safety hazards associated with research activities prior to operation to ensure mitigation measures are planned accordingly
COVID-19 Pandemic Risk	The risk of not being able to operate due to the outbreak of Covid-19	<ul style="list-style-type: none"> Observe all good practices as enacted by the WHO and HK Center for Health Prevention Establish a crisis management team to provide guidance and oversee the actions taken to prevent the outbreak of the disease on the premises of HKSTP

Principal Risks	Description	Key Mitigations
Information Security Risk	Inadequate processes and procedures leading to security breaches and loss of critical data	<ul style="list-style-type: none"> • Procedures and measures are in place to prevent security breaches • Constantly on the alert of new cyber threats and take immediate measures to address them • Conduct mandatory information security awareness training for staff members to raise their awareness of common security breach tactics and safe computing practices on a regular basis • Conduct simulated phishing email tests regularly to test users' vigilances against phishing email • Appoint professional security consultants to assess system vulnerability and implement solution to address any security issues
Operational Risk	Inadequate or failed internal processes which pose a material impact to the reputation and operation of HKSTP	<ul style="list-style-type: none"> • Policies and procedures and monitoring programmes are in place to address various operational and fraud risks • Compliance audits are conducted
Reputational Risk	Negative publicity due to allegations/negative articles in the press or social media	<ul style="list-style-type: none"> • Maintain close working relationships with the press and media • Effective communications with the public when handling negative publicity • Regular reviews and improvement for issue/crisis communications
Legal and Regulatory Risk	Incurring liabilities resulting from breach of or non-compliance with applicable laws, regulations or contractual obligations	<ul style="list-style-type: none"> • Legal advice sought prior to embarking on business activities and new initiatives • Compliance audits are conducted
Financial Risk	The risk of not being able to achieve financial self-sustainability with the current business model	<ul style="list-style-type: none"> • Develop budget and long-term financial projection with an aim in achieving financial self-sustainability • Use a rolling forecast to monitor the financial result and manage any potential financial exposure • 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 2022.

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 principal subsidiaries are set out in note 30 to the financial statements.

RESULTS

The results of the Corporation and its subsidiaries (the "Group") for the year ended 31 March 2022 and the financial position of the Group as at that date are set out in the financial statements on pages 46 to 84.

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.

INNOPARKs (previously known as Industrial Estates)

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

SHARE CAPITAL

Details of the share capital of the Corporation are set out in note 24 to the financial statements.

DIRECTORS

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

DIRECTORS' REPORT

DIRECTORS (CONTINUED)

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

Name	First appointed in July for a term of 2 years	Re-appointed in July for a term of 2 years	Further re-appointed in July for a term of 2 years
Chairperson			
Dr. Sunny CHAI Ngai Chiu, BBS, JP*	2018*	2020	2022
Government Member[#]			
Permanent Secretary for Innovation, Technology and Industry [^] <i>(with Commissioner for Innovation and Technology, Deputy Commissioner for Innovation and Technology or Assistant Commissioner for Innovation and Technology as alternate member)</i>			
<i>Incumbent:</i>			
Ms. Annie CHOI Suk Han, GBS, JP <i>(Retired on 19 July 2022)</i>	–	–	–
Mr. Eddie MAK Tak Wai, JP <i>(With effect from 20 July 2022)</i>	–	–	–
Members			
Mr. Conrad CHAN Che Chung <i>(With effect from 1 July 2022)</i>	2022		
Mr. CHEN Shuang, JP	2020	2022	
Mr. Herbert CHIA Pun Kok, JP	2018	2020	2022
Mr. Donald CHOI Wun Hing, JP	2018	2020	2022
Ms. Cordelia CHUNG	2017	2019	2021
Mr. Kent HO Ching Tak	2017	2019	2021
Mr. Dennis HO Chiu Ping	2018	2020	2022
Dr. Stephanie MA Kwai Yee	2020	2022	
Dr. Kim MAK Kin Wah, BBS, JP	2017	2019	2021
Ms. Angel NG Yin Yee	2019	2021	
Mr. Daryl NG Win Kong, SBS, JP	2020	2022	
The Honourable Jimmy NG Wing Ka, BBS, JP	2018	2020	2022
Mr. Joseph NGAI, JP <i>(Retired on 30 June 2022)</i>	2016	2018	2020
Mr. Gavin POON Ka Ming <i>(Retired on 30 June 2022)</i>	2018	2020	
The Honourable Elizabeth QUAT, BBS, JP	2021		
Dr. Samson TAM Wai Ho, JP <i>(With effect from 1 July 2022)</i>	2022		
Mr. Denis TSE Tik Yang <i>(Resigned on 11 August 2021)</i>	2018	2020	
Ms. Phoebe TSE Siu Ling <i>(With effect from 1 July 2022)</i>	2022		

Remarks:

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

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

^ The Innovation and Technology Bureau was re-titled as the Innovation, Technology and Industry Bureau with effect from 1 July 2022.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS

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

AUDITORS

The appointment of BDO Limited as auditors of the Corporation for a term of 3 years was approved by the Board of Directors on 14 December 2020. The consolidated financial statements for the year ended 31 March 2022 have been audited by BDO Limited.

On behalf of the board

Dr. Sunny CHAI Ngai Chiu, BBS, JP

Chairman

Hong Kong,

29 September 2022

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Board of Directors Of Hong Kong Science and Technology Parks Corporation

(香港科技園公司)

(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 (together the "Group") set out on pages 46 to 84, which comprise the consolidated statement of financial position as at 31 March 2022, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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 ("HKSA") 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 attributable to Science Park segment

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

As at 31 March 2022, the Group held property, plant and equipment attributable to Science Park Segment located in Hong Kong with carrying amounts totalling HK\$10,998 million, which represented 40% of the Group's total assets at that date.

The Science Park segment of the Group sustained a deficit for the year ended 31 March 2022, 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.

The recoverable amounts of property, plant and equipment were assessed by management based on the value in use which is 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 and the discount rate applied.

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.

Our response:

Our procedures in relation to assessing the recoverability of the carrying value of property, plant and equipment included:

- 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;
- evaluating the key estimates and assumptions adopted in the discounted cash flow forecast, including future occupancy rates, rental growth rates and the discount rate applied, by comparing these against historical results and publicly available market information;
- comparing the actual operating results for the current year with management's forecast operating results in its recoverability assessment made in the previous year in order to assess the historical accuracy of management's forecasting process, discussing with management significant variances identified and considering the impact of these variances on the discounted cash flow forecast for the current year; and
- performing sensitivity analyses by making adjustments to the future occupancy rates and rental growth rates to assess the impact on the conclusions reached by management in its recoverability assessment and considering the risk of possible management bias in the recoverability assessment exercise.

INDEPENDENT AUDITOR’S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Corporation’s annual report but does not include 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.

DIRECTORS’ RESPONSIBILITIES 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 Hong Kong Financial Reporting Standards 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 also responsible for overseeing the Group’s financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 the terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

BDO Limited

Certified Public Accountants

Yu Tsui Fong

Practising Certificate Number P05440

Hong Kong, 29 September 2022

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Income			
Gross rental income	5(a)	896,600	784,247
Property management fee, air-conditioning and support facility income		279,734	258,663
Income from INNOPARKs		135,470	4,802
Increase in fair value of financial assets at fair value through profit or loss		89,341	24,612
Income from technology support centres and communal facilities		13,330	17,516
Miscellaneous income		13,939	10,004
		1,428,414	1,099,844
Expenditure			
Operating and administrative expenses		(499,053)	(479,826)
Expenses for property management, technology support centres and communal facilities	6(a)	(481,615)	(445,033)
Incubation and tenant support expenses		(283,233)	(180,441)
Marketing and promotion expenses		(48,465)	(44,402)
		(1,312,366)	(1,149,702)
Operating surplus/(deficit) before interest and depreciation			
		116,048	(49,858)
Interest income	5(b)	42,404	156,872
Interest expenses	6(b)	(54)	(32)
Surplus before depreciation			
		158,398	106,982
Depreciation	11	(854,005)	(647,273)
Deferred income		56,168	56,168
Deficit for the year			
	7	(639,439)	(484,123)
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income: changes in fair value recognised during the year		107,168	4,906
Deficit and total comprehensive income for the year			
		(532,271)	(479,217)

The notes on pages 52 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Non-current assets			
Property, plant and equipment	11	12,955,766	12,401,202
Construction in progress	12	5,935,017	3,953,020
INNOPARKs	13	349,209	349,209
Other financial assets	14	407,003	187,593
Financial assets at fair value through profit or loss		148,685	59,377
Total non-current assets		19,795,680	16,950,401
Current assets			
Accounts receivable, prepayments, deposits and other receivables	15	315,768	194,591
Bank deposits with original maturities of more than three months	16	6,220,465	10,228,519
Cash and cash equivalents	17(a)	881,572	227,418
Total current assets		7,417,805	10,650,528
Current liabilities			
Accrued charges and other payables	18	1,164,188	1,305,223
Deposits and rental received in advance	19	874,543	436,132
Government loans	20	–	90,954
Lease liabilities	23	3,724	1,696
Total current liabilities		2,042,455	1,834,005
Net current assets		5,375,350	8,816,523

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2022

(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000
Total assets less current liabilities		25,171,030	25,766,924
Non-current liabilities			
Deferred income	22	1,676,149	1,743,040
Government loans	20	527,699	527,699
Medium term notes	21	851,880	851,830
Lease liabilities	23	3,581	363
Total non-current liabilities		3,059,309	3,122,932
NET ASSETS		22,111,721	22,643,992
EQUITY			
Issued capital	24	22,770,398	22,770,398
Reserves		(658,677)	(126,406)
TOTAL EQUITY		22,111,721	22,643,992

Approved and authorised for issue by the board of directors on 29 September 2022.

Dr. Sunny CHAI Ngai Chiu, BBS, JP
Chairperson

Mr. Dennis HO Chiu Ping
Director

The notes on pages 52 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Issued capital	Accumulated Surplus/ (deficit)	Fair value reserve (non-recycling)	Total equity
	\$'000	\$'000	\$'000	\$'000
At 1 April 2020	20,770,398	358,200	(5,389)	21,123,209
Changes in equity for 2021:				
Issuance of shares (note 24)	2,000,000	–	–	2,000,000
Deficit for the year	–	(484,123)	–	(484,123)
Other comprehensive income				
Changes in fair value recognised during the year	–	–	4,906	4,906
Total comprehensive income for the year	–	(484,123)	4,906	(479,217)
Transfer within equity upon disposal of other financial assets	–	(4,075)	4,075	–
At 31 March 2021 and 1 April 2021	22,770,398	(129,998)	3,592	22,643,992
Changes in equity for 2022:				
Deficit for the year	–	(639,439)	–	(639,439)
Other comprehensive income				
Changes in fair value recognised during the year	–	–	107,168	107,168
Total comprehensive income for the year	–	(639,439)	107,168	(532,271)
Transfer within equity upon disposal of other financial assets	–	(5,470)	5,470	–
At 31 March 2022	22,770,398	(774,907)	116,230	22,111,721

The notes on pages 52 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000 (Re-presented)
Cash flows from operating activities			
Deficit for the year		(639,439)	(484,123)
Adjustments for:			
Depreciation	11	854,005	647,273
Interest expenses	6(b)	54	32
Gain on disposal of items of property, plant and equipment	7	(6,919)	(987)
Interest income	5(b)	(42,404)	(156,872)
Other deferred income recognised		(56,168)	(56,168)
Increase in fair value of financial assets at fair value through profit or loss		(89,341)	(24,612)
		19,788	(75,457)
<i>Changes in operating assets and liabilities:</i>			
Increase in deposits and rental received in advance		438,411	60,229
(Decrease)/Increase in accrued charges and other payables		(15,901)	227,439
Increase in accounts receivable, prepayments, deposits and other receivables		(137,393)	(59,131)
		304,905	153,080
Cash flows from investing activities			
Withdrawal of bank deposits with original maturities of more than three months when acquired		13,167,109	15,451,544
Interest received		58,620	186,955
Proceed from disposal of items of property, plant and equipment		15,049	1,060
Proceed from disposal of other financial assets		542	7,541
Proceed from disposal of financial assets at fair value through profit or loss		33	-
Increase in other financial assets		(112,784)	(124,224)
Payment for the purchase of items of property, plant and equipment		(143,870)	(37,696)
Payment for construction in progress		(3,342,615)	(3,106,706)
Placement of bank deposits with original maturities of more than three months when acquired		(9,159,055)	(14,818,696)
		483,029	(2,440,222)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March 2022
(Expressed in Hong Kong dollars)

	Note	2022 \$'000	2021 \$'000 (Re-presented)
Cash flows from financing activities			
Repayment of government loans	17(b)	(101,677)	(100,565)
Interest paid	17(b)	(28,477)	(29,380)
Capital element of lease rentals paid	17(b)	(3,572)	(2,208)
Interest element of lease rentals paid	17(b)	(54)	(32)
Proceeds from issuance of new shares	24	-	2,000,000
Net cash (used in)/generated from financing activities		(133,780)	1,867,815
Net increase/(decrease) in cash and cash equivalents		654,154	(419,327)
Cash and cash equivalents at the beginning of the year		227,418	646,745
Cash and cash equivalents at the end of the year	17(a)	881,572	227,418

The notes on pages 52 to 84 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

1. GENERAL INFORMATION

The Hong Kong Science and Technology Parks Corporation (the “Corporation”) was incorporated under the Hong Kong Science and Technology Parks Corporation Ordinance (the “Ordinance”). The Corporation was incorporated on 7 May 2001 by vesting of all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation. The address of the principal place of business of the Corporation is 5/F, Building 5E, 5 Science Park East Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

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

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

2.1. STATEMENT OF COMPLIANCE

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

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

2.2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2022 comprise the Corporation and its subsidiaries.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.3. ADOPTION OF NEW OR REVISED HKFRSs – EFFECTIVE 1 APRIL 2021

The Group has adopted the following new or revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 April 2021.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendment to HKFRS 16	Covid – 19 – Related Rent Concessions beyond 30 June 2021

The new or amended HKFRSs that are effective from 1 April 2021 did not have any significant impact on the Group's accounting policies.

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.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

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

(c) Other financial assets

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in income statement. For an explanation of how the Group determines fair value of financial instruments, see note 28(e).

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

(d) Property, plant and equipment and depreciation

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

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

-	Science Park	Over the shorter of unexpired terms of the leases or 2% to 6 $\frac{2}{3}$ %*
-	InnoCentre	Over the unexpired terms of the leases
-	INNOPARKs buildings	Over the shorter of unexpired terms of the leases or 2% to 6 $\frac{2}{3}$ %*
-	Estate centre building	Over the unexpired terms of the leases
-	Other properties leased for own use	Over the unexpired terms of the leases
-	Laboratories equipment and facilities	Over the shorter of lease term or 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 INNOPARKs buildings. The remaining premises and others are depreciated over the unexpired terms of the leases.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Science Park

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

InnoCentre

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

INNOPARKs buildings

INNOPARKs buildings are developed at the three INNOPARKs in Tai Po, Tseung Kwan O and Yuen Long for innovation and technology-driven industrial production. They are held to earn rental income and provide ancillary services for tenants in the ordinary course of business. The properties are shown at actual cost which includes all direct costs together with direct and indirect overheads applicable to the construction, less accumulated depreciation and accumulated impairment losses (see note 2.4(h)(ii)).

Estate centre building

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

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

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

(e) Construction in progress

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

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

(f) INNOPARKs

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

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

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

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

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

In the consolidated statement of financial position, the Group presents right-of-use assets of leased properties within “property, plant and equipment” and right-of-use assets of pieces of land under “INNOPARKS” and presents all lease liabilities separately.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

Measurement of ECLs

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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

(ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress; and
- INNOPARKs.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(i) Accounts receivable

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Interest-bearing borrowings

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

(k) Accounts payable

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

(l) Cash and cash equivalents

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

(m) Employee benefits

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

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

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

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

(n) Government grants

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions and contingent liabilities

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

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

(p) Revenue and other income

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

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

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

- (i) rental income receivable under operating leases is recognised in income statement in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in income statement as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned;
- (ii) INNOPARKs income in relation to the premises or change of uses of the premises of INNOPARKs granted to the grantees is recognised when the transactions are completed;
- (iii) management fee, air-conditioning and support facility income is recognised when the services are rendered to the tenants;
- (iv) income from technology support centres and communal facilities including (i) equipment leasing and service fee income which is recognised when the services are rendered to the tenants; (ii) procurement sales income which is recognised when the laboratories materials are delivered and accepted by the tenants; and (iii) rental income from leasing communal office or laboratory is recognised in equal instalments over the periods covered by lease terms;
- (v) deferred income arising from assets granted by the Government is recognised over the unexpired terms of the leases of the related assets in accordance with the depreciation policies of the related assets;
- (vi) interest income is recognised as it accrues using the effective interest method; and
- (vii) dividends
 - dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
 - dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowing costs

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

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

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

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

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Impairment of property, plant and equipment

The Group determines whether the property, plant and equipment is impaired, particularly in assessing whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence. This requires an estimation of the value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from its use. Where the actual future cash flows are less than expected, material impairment provision may arise. As at 31 March 2022, the net carrying amount of the property, plant and equipment was HK\$12,955,766,000 (2021: HK\$12,401,202,000) after taking into account the accumulated impairment provision of HK\$132,903,000 made in previous year in respect of certain property, plant and equipment.

4. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results. For management purposes, the Group is organised into business units based on its services and has three reportable operating segments as follows:

(a) Science Park

The Science Park segment refers to Hong Kong Science Park in Pak Shek Kok and Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop (the "Loop"), which provides all services in connection with development of Hong Kong into a regional hub for innovation and technology and also covers value added services and comprehensive incubation programmes for technology start-ups to accelerate their growth.

(b) InnoCentre

The InnoCentre segment refers to innovation support in relation to fintech, ecommerce and creative design development in Hong Kong.

(c) INNOPARKS

The INNOPARKS segment refers to the three INNOPARKS in Tai Po, Yuen Long and Tseung Kwan O. With the repositioning from Industrial Estates to INNOPARKS in 2021, INNOPARKS aim at driving "innofactoring" with the focuses on new innovation and technology industries with emphasis on innovative product technology, advanced manufacturing processes, high-skill employment, efforts in research and development, supporting local consumptions, environmental and business sustainability, as well as the companies' output and investment in capital expenditure.

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

	2022			
	Science			
	Park	InnoCentre	INNOPARKs	Total
	\$'000	\$'000	\$'000	\$'000
Items excluding Government Funded Initiatives				
Income	1,170,404	51,175	248,446	1,470,025
Expenditure	(863,651)	(21,696)	(67,960)	(953,307)
Operating surplus before interest and depreciation	306,753	29,479	180,486	516,718
Depreciation, net of deferred income	(755,997)	(15,222)	(8,430)	(779,649)
Reportable segment (deficit)/surplus for the year	(449,244)	14,257	172,056	(262,931)
Net interest income				42,350
<i>Government Funded Initiatives</i>				
– Rental income concession				(41,611)
– Total expenses				(377,247)
Deficit for the year				(639,439)

Total cost of facilities under Government Funded Initiatives as at 31 March 2022 was approximately HK\$915 million (2021: approximately HK\$532 million).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	2021			
	Science Park \$'000 (re-presented)	InnoCentre \$'000 (re-presented)	INNOPARKs \$'000 (re-presented)	Total \$'000 (re-presented)
Items excluding Government Funded Initiatives				
Income	973,869	48,526	89,560	1,111,955
Expenditure	(813,087)	(34,328)	(44,129)	(891,544)
Operating surplus before interest and depreciation	160,782	14,198	45,431	220,411
Depreciation, net of deferred income	(500,667)	(4,670)	(12,005)	(517,342)
Reportable segment (deficit)/surplus for the year	(339,885)	9,528	33,426	(296,931)
Net interest income				156,840
<i>Government Funded Initiatives</i>				
– Rental income concession				(12,111)
– Total expenses				(331,921)
Deficit for the year				(484,123)

5. GROSS RENTAL INCOME AND INTEREST INCOME

(a) Gross rental income

The amount represented gross rental income in respect of Science Park, InnoCentre and properties situated in INNOPARKs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

5. GROSS RENTAL INCOME AND INTEREST INCOME (CONTINUED)

(b) Interest income

	2022	2021
	\$'000	\$'000
Interest income on bank deposits	42,404	156,872

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

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

Amount included expenses for property management of HK\$453,118,000 (2021: HK\$410,318,000) and expenses for technology support centres and communal facilities of HK\$28,497,000 (2021: HK\$34,715,000). Included in expenses for property management were salaries and other benefits of HK\$114,429,000 (2021: HK\$115,789,000) and contribution to defined contribution retirement scheme of HK\$3,974,000 (2021: HK\$5,058,000) that the management companies paid to their staff.

(b) Interest expenses

	2022	2021
	\$'000	\$'000
Interest expenses on medium term notes	27,264	27,264
Interest expenses on government loans	8,984	9,034
Interest expense on lease liabilities	54	32
	36,302	36,330
Less: interest expense capitalised into construction in progress (Note)	(36,248)	(36,298)
	54	32

Note: The borrowing costs were capitalised at rates of 1.1% to 3.2% (2021: 1.1% to 3.2%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

7. DEFICIT FOR THE YEAR

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

	2022	2021
	\$'000	\$'000
Employee benefit expenses (excluding staff costs of property management, as set out in note 6(a)):		
– Wages and salaries	355,938	328,362
– Retirement scheme contribution	16,268	17,521
Auditors' remuneration	1,441	1,002
Gain on disposal of items of property, plant and equipment	(6,919)	(987)

8. DIRECTORS' EMOLUMENTS

No directors received any fees or emoluments in respect of their services rendered to the Group during the year (2021: 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:

	2022	2021
	\$'000	\$'000
Salaries and other benefits	13,893	13,535
Performance related incentive payments	3,020	2,892
Retirement benefit scheme contributions	1,118	949
	18,031	17,376

The remuneration of the CEO for the year was HK\$5,349,000 (salary and other benefits: HK\$3,963,000; performance related incentive payments: HK\$990,000; retirement benefit scheme contributions: HK\$396,000) (2021: HK\$5,182,000 (salary and other benefits: HK\$3,961,000; performance related incentive payments: HK\$990,000; retirement benefit scheme contributions: HK\$231,000)).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

9. FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

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

	2022	2021
HK\$2,500,001 to HK\$3,000,000	1	2
HK\$3,000,001 to HK\$3,500,000	3	2
HK\$5,000,001 to HK\$5,500,000	1	1
	5	5

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 2022 and 2021.

The Group has not recognised deferred tax assets in respect of subsidiaries' cumulative unused tax losses of HK\$164,465,000 (2021: HK\$126,245,000) as it is not probable that future taxable profits against which the losses can be utilised will be available. The tax losses do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

11. PROPERTY, PLANT AND EQUIPMENT

	Properties*			Other properties leased for own use	Estate centre building	Laboratories equipment and facilities	Leasehold improvements	Furniture, fittings and equipment	Motor vehicles	Total						
	Science Park	InnoCentre	INNOPARKS buildings													
	\$'000	\$'000	\$'000								\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:																
At 1 April 2020	13,181,645	204,970	130,939	4,214	938	421,059	787,930	192,449	3,537	14,927,681						
Additions	4,212	-	-	1,493	-	9,511	7,124	16,849	-	39,189						
Disposals	-	-	-	-	-	(39,464)	(312)	(2,123)	-	(41,899)						
Transfer from Construction in progress	829,451	-	1,360,502	-	-	3,790	303,279	29,208	-	2,526,230						
Reclassification	-	-	-	-	-	-	(11)	11	-	-						
At 31 March 2021 and 1 April 2021	14,015,308	204,970	1,491,441	5,707	938	394,896	1,098,010	236,394	3,537	17,451,201						
Additions	88,893	-	428	8,818	-	23,873	12,844	17,831	-	152,687						
Disposals	(9,595)	-	-	-	-	(62,770)	(28)	(4,266)	-	(76,659)						
Transfer from construction in progress	472,577	-	470,443	-	-	330	290,298	30,364	-	1,264,012						
At 31 March 2022	14,567,183	204,970	1,962,312	14,525	938	356,329	1,401,124	280,323	3,537	18,791,241						
Accumulated depreciation and impairment provision:																
At 1 April 2020	3,106,008	88,216	49,583	1,443	479	379,458	649,545	166,772	3,048	4,444,552						
Charge for the year	391,574	4,670	42,224	1,961	25	21,532	161,657	23,359	271	647,273						
Written back on disposals	-	-	-	-	-	(39,449)	(309)	(2,068)	-	(41,826)						
Reclassification	-	-	(450)	-	-	-	(1,411)	1,861	-	-						
At 31 March 2021 and 1 April 2021	3,497,582	92,886	91,357	3,404	504	361,541	809,482	189,924	3,319	5,049,999						
Charge for the year	424,193	4,670	83,663	3,283	25	14,376	289,871	33,760	164	854,005						
Written back on disposals	(1,810)	-	-	-	-	(62,518)	(28)	(4,173)	-	(68,529)						
At 31 March 2022	3,919,965	97,556	175,020	6,687	529	313,399	1,099,325	219,511	3,483	5,835,475						
Net book value:																
At 31 March 2022	10,647,218	107,414	1,787,292	7,838	409	42,930	301,799	60,812	54	12,955,766						
At 31 March 2021	10,517,726	112,084	1,400,084	2,303	434	33,355	288,528	46,470	218	12,401,202						

* 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)

Right-of-use assets

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

	2022	2021
	\$'000	\$'000
Ownership interests in leasehold land and properties held for own use with remaining lease term of:		
– within 50 years	12,542,333	12,030,328
Other property leased for own use with remaining lease term of:		
– within 3 years	7,838	2,303
	12,550,171	12,032,631

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

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

	2022	2021
	\$'000	\$'000
Depreciation charge of right-of-use assets:		
– Ownership interests in leasehold land and buildings	512,551	438,493
– Other properties leased for own use	3,283	1,961
Interest on lease liabilities (note 6(b))	54	32

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

12. CONSTRUCTION IN PROGRESS

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the year	3,953,020	3,186,920
Additions	3,209,761	3,156,129
Capitalised interest (note 6(b))	36,248	36,298
Transfer from INNOPARKS	-	100,000
Transfer to property, plant and equipment	(1,264,012)	(2,526,230)
Reclassification	-	(97)
Carrying amount at the end of the year	5,935,017	3,953,020

As at 31 March 2022, Construction in progress, including enhancement work in Hong Kong Science Park, Advanced Manufacturing Centre and Micro-Electronics Centre, are projects for the purpose of leasing and providing tenants with infrastructure to drive innovation and technology development.

13. INNOPARKS

	2022	2021
	\$'000	\$'000
Carrying amount at the beginning of the year	349,209	449,209
Transfer to construction in progress	-	(100,000)
Carrying amount at the end of the year	349,209	349,209

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

14. OTHER FINANCIAL ASSETS

	2022	2021
Note	\$'000	\$'000
Equity securities designated at FVOCI (non-recycling):		
– Unlisted	(i) 344,716	187,593
– Listed in Hong Kong	(ii) 62,287	–
	407,003	187,593

Notes:

- (i) The unlisted equity securities represent investments in start-up companies. Those companies are engaged in various industries mainly including software and application, biotech, healthcare technology, artificial intelligence solution, logistics and computing services. The Group designated the investments in unlisted equity securities at FVOCI (non-recycling) as those investments are held for strategic purposes. No dividends were received on those investments during the year (2021: Nil).
- (ii) The listed equity securities represent investments listed in Hong Kong Stock Exchange. The Group designated the investments in listed equity securities at FVOCI (non-recycling) as those investments are held for strategic purposes. No dividends were received on those investments during the year.

15. ACCOUNTS RECEIVABLE, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	\$'000	\$'000
Accounts receivable, net of loss allowance	18,303	21,384
Prepayments	25,351	15,822
Deposits and other receivables	272,114	157,385
	315,768	194,591

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

For receivables due from grantees of INNOPARKS, 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 2022, the balance of accounts receivable covered by collateral amounted to HK\$1,165,000 (2021: HK\$715,000). Except for receivables from INNOPARKS' grantees and tenants, the Group does not hold any collateral or other credit enhancements over these balances.

Further details on the Group's credit policy and credit risk arising from account receivables are set out in note 28(b).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

As at 31 March 2022 and 2021, all bank deposits had remaining maturities within one year. These bank deposits carried interest at the average interest rate of 0.74% (2021: 0.83%) 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) 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 consolidated statement of cash flows as cash flows from financing activities.

	Medium term notes	Government loans	Interest payable	Lease liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 April 2021	851,830	618,653	27,463	2,059	1,500,005
Changes from financing cash flows:					
Repayment of government loans	–	(101,677)	–	–	(101,677)
Capital element of lease rentals paid	–	–	–	(3,572)	(3,572)
Interest element of lease rentals paid	–	–	–	(54)	(54)
Interest paid	–	–	(28,477)	–	(28,477)
Total changes from financing cash flows	–	(101,677)	(28,477)	(3,626)	(133,780)
Other changes:					
Increase in lease liabilities from entering into new lease during the year	–	–	–	8,818	8,818
Amortisation of deferred income	–	10,723	–	–	10,723
Interest expenses (note 6(b))	–	–	–	54	54
Interest expense capitalised (note 6(b))	50	–	36,198	–	36,248
Total other changes	50	10,723	36,198	8,872	55,843
As at 31 March 2022	851,880	527,699	35,184	7,305	1,422,068

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

17. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Medium term notes	Government loans	Interest payable	Lease liabilities	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 April 2020	851,784	708,495	20,591	2,774	1,583,644
Changes from financing cash flows:					
Repayment of government loans	-	(100,565)	-	-	(100,565)
Capital element of lease rentals paid	-	-	-	(2,208)	(2,208)
Interest element of lease rentals paid	-	-	-	(32)	(32)
Interest paid	-	-	(29,380)	-	(29,380)
Total changes from financing cash flows	-	(100,565)	(29,380)	(2,240)	(132,185)
Other changes:					
Increase in lease liabilities from entering into new lease during the year	-	-	-	1,493	1,493
Amortisation of deferred income	-	10,723	-	-	10,723
Interest expenses (note 6(b))	-	-	-	32	32
Interest expense capitalised (note 6(b))	46	-	36,252	-	36,298
Total other changes	46	10,723	36,252	1,525	48,546
As at 31 March 2021	851,830	618,653	27,463	2,059	1,500,005

(c) Total cash outflow for leases

	2022	2021
	\$'000	\$'000
Within financing cash flows and relating to lease rentals paid	3,626	2,239

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

18. ACCRUED CHARGES AND OTHER PAYABLES

	2022	2021
	\$'000	\$'000
Accrued charges	1,096,390	1,225,394
Other payables	67,798	79,829
	1,164,188	1,305,223

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 HK\$198,177,000 (2021: HK\$189,089,000) are expected to be settled after one year. The remaining balances including HK\$366,600,000 deposits associated with the grant of certain premises of INNOPARKS, which are expected to be settled within one year.

20. GOVERNMENT LOANS

Government loans are repayable as follows:

	2022	2021
	\$'000	\$'000
Current		
Amount due within one year	-	90,954
Non-current		
Amount due over one year	527,699	527,699
	527,699	618,653

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

20. GOVERNMENT LOANS (CONTINUED)

The balance can be further analysed as follows:

	2022	2021
	\$'000	\$'000
Balance at effective interest rate	527,699	618,653
Unamortised deferred income	72,301	83,024
Total outstanding balance with the Government	600,000	701,677

Government loans are obtained from the Government in 2008 and 2018 for the construction of Hong Kong Science Park Phase 2 and Phase 3 respectively. These loans are unsecured and bearing interest at the “no-gain-no-loss” floating interest rate of the Government which is ranged from 1.11% to 1.27% (2021: 1.11%) per annum during the year. The loan for Hong Kong Science Park Phase 2 is repayable to the Government by 15 annual instalments until 2022. The loan for Hong Kong Science Park Phase 3 is repayable to the Government by 6 annual instalments starting from 2025.

21. MEDIUM TERM NOTES

	2022	2021
	\$'000	\$'000
Non-current		
Amount due over one year	851,880	851,830

10-year medium term notes (“MTN”) of HK\$852,000,000 were issued in July 2014 for the construction of Hong Kong Science Park Phase 3, with direct transaction costs of HK\$467,000.

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

22. DEFERRED INCOME

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

NOTES TO THE FINANCIAL STATEMENTS

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23. LEASE LIABILITIES

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

	2022		2021	
	Present value of minimum lease payments \$'000	Total minimum lease payments \$'000	Present value of minimum lease payments \$'000	Total minimum lease payments \$'000
Within 1 year	3,724	3,795	1,696	1,709
After 1 year but within 2 years	2,335	2,366	363	364
After 2 years but within 5 years	1,246	1,253	-	-
	3,581	3,619	363	364
	7,305	7,414	2,059	2,073
Less: total future interest expense		(109)		(14)
Present value of lease liabilities		7,305		2,059

24. ISSUED CAPITAL

	2022		2021	
	No. of shares ('000)	HK\$'000	No. of shares ('000)	HK\$'000
Authorised, issued and fully paid:				
At 1 April	22,770,398	22,770,398	20,770,398	20,770,398
Issuance of new shares	-	-	2,000,000	2,000,000
At 31 March	22,770,398	22,770,398	22,770,398	22,770,398

The Corporation was incorporated on 7 May 2001 by vesting all rights, obligations, assets and liabilities of Provisional Hong Kong Science Park Company Limited, Hong Kong Industrial Estates Corporation and Hong Kong Industrial Technology Centre Corporation.

The Corporation's initial capital of HK\$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 20,934,000,000 ordinary shares of HK\$1 each were issued at par to the Government for cash.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

24. ISSUED CAPITAL (CONTINUED)

At the end of the reporting period, the entire amount of 22,770,397,594 shares of HK\$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.

On 5 February 2021, Finance Committee of the Legislative Council approved the injection of HK\$18,135,000,000 as equity to the Corporation to support Hong Kong – Shenzhen Innovation and Technology Park Limited, a subsidiary of the Corporation, to commence its park development in the Loop. The equity injection from the Government is effected in tranches. The first tranche of equity of HK\$1,586,000,000 was injected by the Government in June 2022. The authorised share capital was increased from HK\$22,770,397,594 to HK\$24,356,397,594 and 1,586,000,000 shares at par value of HK\$1 each were issued accordingly.

25. OPERATING LEASE ARRANGEMENTS

As lessor

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

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

	2022	2021
	\$'000	\$'000
Within one year	1,023,835	865,719
After 1 year but within 2 years	647,501	539,400
After 2 years but within 3 years	373,182	255,211
After 3 years but within 4 years	173,096	143,319
After 4 years but within 5 years	111,666	77,823
After 5 years	348,675	62,832
	2,677,955	1,944,304

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

26. COMMITMENTS

At 31 March 2022, the Group had the following capital commitments at the end of the reporting period:

	2022	2021
	\$'000	\$'000
Authorised, but not contracted for:		
– construction of the Science Park, the Loop and their ancillary facilities	19,476,973	7,266,884
– development projects in INNOPARKs	1,817,103	3,650,831
	21,294,076	10,917,715
Contracted, but not provided for:		
– development projects in INNOPARKs	2,797,639	3,080,949
– construction of the Science Park, the Loop and their ancillary facilities	1,683,515	1,057,940
	4,481,154	4,138,889

27. MATERIAL RELATED PARTY TRANSACTIONS

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

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

	2022	2021
Note	\$'000	\$'000
With the Government:		
Financial guarantee received on MTN issued	21 852,000	852,000
Interest expenses on government loans	6(b), 20 8,984	9,034
With the Government's controlled-entities:		
Rental income	(i) 75,939	63,907
Management fee and air-conditioning income	(i) 25,331	24,763
Equipment rental and procurement sales income	(i) 1,414	9,254

Note:

- (i) All these income from the Government's controlled entities were determined according to terms similar to those offered to the Group's third party tenants.

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(Expressed in Hong Kong dollars unless otherwise indicated)

27. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The Government granted a loan of HK\$600,000,000 to the Group to be repaid by annual instalments according to the repayment schedules issued by the Government. The loan bears interest at the Government's 'no-gain-no-loss' interest rate (note 20).

(c) No directors received any remunerations in respect of their services rendered to the Group during the year (2021: Nil).

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

(a) Interest rate risk

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

Sensitivity analysis

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

If interest rate had been 100 basis points higher/lower and all other variables were held constant, the Group's deficit for the year ended 31 March 2022 would increase/decrease by HK\$6,000,000 (2021: HK\$7,016,000).

(b) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(c) Liquidity risk

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

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

	2022					
	On demand				Total	Carrying amount
	or less than	Within 4-12		Over 5	Undiscounted	
	3 months	months	1-5 years	years	cash flows	
\$'000	\$'000	\$'000	\$'000	\$'000		
Accrued charges and other payables	1,164,188	-	-	-	1,164,188	1,164,188
Deposits	88,061	146,688	176,557	21,621	432,927	432,927
Government loans	-	-	243,104	486,208	729,312	527,699
Medium term notes	-	27,264	906,603	-	933,867	851,880
Lease liabilities	938	2,857	3,619	-	7,414	7,305
	1,253,187	176,809	1,329,883	507,829	3,267,708	2,983,999

	2021					
	On demand				Total	Carrying amount
	or less than	Within 4-12		Over 5	Undiscounted	
	3 months	months	1-5 years	years	cash flows	
\$'000	\$'000	\$'000	\$'000	\$'000		
Accrued charges and other payables	1,305,223	-	-	-	1,305,223	1,305,223
Deposits	114,960	64,219	181,146	7,943	368,268	368,268
Government loans	-	102,802	114,363	571,816	788,981	618,653
Medium term notes	-	33,165	914,222	-	947,387	851,830
Lease liabilities	302	1,407	364	-	2,073	2,059
	1,420,485	201,593	1,210,095	579,759	3,411,932	3,146,033

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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

(d) Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or raising additional debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 2021.

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

(e) Fair value measurement

Financial assets measured at fair value

Fair value hierarchy

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

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

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(Expressed in Hong Kong dollars unless otherwise indicated)

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

(e) Fair value measurement (Continued)

	2022			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other financial assets				
– Listed	62,287	–	–	62,287
– Unlisted	–	276,276	68,440	344,716
Financial assets at FVPL	–	10,644	138,041	148,685
	62,287	286,920	206,481	555,688
	2021			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Other financial assets				
– Listed	–	–	–	–
– Unlisted	–	144,801	42,792	187,593
Financial assets at FVPL	–	7,787	51,590	59,377
	–	152,588	94,382	246,970

Due to the change in valuation technique, some other financial assets of HK\$46,708,000 (2021: HK\$23,252,000) were transferred from Level 2 to Level 3 of the fair value hierarchy at 31 March 2022. Another financial assets of HK\$23,233,000 (2021: HK\$9,562,000) were transferred from Level 3 to Level 2 of the fair value hierarchy at 31 March 2022.

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.

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(Expressed in Hong Kong dollars unless otherwise indicated)

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

(e) Fair value measurement (Continued)

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

29. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards, which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Annual Improvements to HKFRSs 2018-2020 ¹	
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2022

² Effective for annual periods beginning on or after 1 January 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is not expected to have significant impact on the Group's consolidated financial statements.

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(Expressed in Hong Kong dollars unless otherwise indicated)

30. LIST OF PRINCIPAL SUBSIDIARIES

At 31 March 2022, the particulars of the Corporation's principal 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	HK\$10,000	100%	Investment holding
STP Asset (Elite) Holding Limited	Hong Kong	HK\$10,000	100%	Investment holding
STP Corporate Venture Limited	Hong Kong	HK\$10,000	100%	Investment holding
Hong Kong – Shenzhen Innovation and Technology Park Limited	Hong Kong	HK\$10,000	100%	To establish and develop an Innovation and Technology Park at the Lok Ma Chau Loop
STP Investment Holding Limited	Hong Kong	HK\$10,000	100%	Investment holding
STP China Holding Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF ONE Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF TWO Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF THREE Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF FOUR Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF FIVE Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF SIX Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF SEVEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF EIGHT Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF NINE Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF TEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF ELEVEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF TWELVE Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF THIRTEEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF FOURTEEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
CVF FIFTEEN Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Beryllium Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Boron Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Carbon Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Hydrogen Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Helium Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Lithium Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Nitrogen Limited	Hong Kong	HK\$1,000	100%	Investment holding
STP Corporate Venture III Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Alfven Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Braginskii Limited	Hong Kong	HK\$1,000	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

30. LIST OF PRINCIPAL SUBSIDIARIES (CONTINUED)

At 31 March 2022, the particulars of the Corporation's principal subsidiaries are as follows: (Continued)

Subsidiary	Place of incorporation and operations	Particulars of issued and paid up capital	Group's effective interest	Principal activity
Primus Cabibbo Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Dalembert Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Elsasser Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Fraunhofer Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Ginzburg Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Hadamard Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Isometry Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Jacobian Limited	Hong Kong	HK\$1,000	100%	Investment holding
Primus Klimontovich Limited	Hong Kong	HK\$1,000	100%	Investment holding

31. COMPARATIVE FIGURES

Certain comparative figures of the consolidated statement of cash flows and notes to the financial statement had been re-presented in order to conform to current year's presentation.