

香港特別行政區政府

創新及科技局

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政府總部西翼二十樓



INNOVATION AND  
TECHNOLOGY BUREAU

THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

20/F, West Wing, Central Government Offices,  
2 Tim Mei Avenue, Tamar, Hong Kong

**By email**

1 March 2017

Mr Desmond LAM,  
Clerk to Panel on Commerce and Industry,  
Legislative Council Complex,  
1 Legislative Council Road,  
Central, Hong Kong

Dear Mr LAM,

**Panel on Commerce and Industry  
Panel on Development  
Panel on Information Technology and Broadcasting  
Joint meeting on 6 March 2017**

**“Hong Kong-Shenzhen Innovation and Technology Park”  
in the Lok Ma Chau Loop**

**Response to written questions raised by members**

I refer to your letter dated 13 February 2017 to the Secretary for Innovation and Technology. Regarding the written questions on the “Hong Kong-Shenzhen Innovation and Technology Park” in the Lok Ma Chau Loop raised by members, having consulted relevant bureaux and departments, our reply is enclosed herewith for your reference.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ricky Chong'.

(Ricky CHONG)

for Secretary for Innovation and Technology

- c.c. Development Bureau (Attn.: Mr Ivan CHUNG)  
Education Bureau (Attn.: Miss Sharon KO)  
Commerce and Economic Development Bureau (Attn.: Ms Fiona LAM)  
Security Bureau (Attn.: Miss Winnie CHUI)  
Innovation and Technology Commission (Attn.: Mr Vincent TANG)

**Hong Kong-Shenzhen Innovation and Technology Park  
in the Lok Ma Chau Loop  
Response to written questions raised by members**

Area	Reply
<p><b>The Memorandum of Understanding and Basic Principles</b></p> <p>(Hon WU Chi-wai, Hon CHAN Chi-chuen)</p>	<p>According to the Memorandum of Understanding (“MOU”), the Loop will be developed under non-profit making principle, meaning that the income of the subsidiary company to be set up by the Hong Kong Science and Technology Parks Corporation (“HKSTPC”) for running the “Hong Kong-Shenzhen Innovation and Technology Park” (“the Park”) in future will be fully used in the construction, operations, maintenance and management of the Loop, but not uses such as profit disbursement. This principle does not apply to companies operating in the Park.</p> <p>Hong Kong adopts the territorial source principle of taxation. According to the Inland Revenue Ordinance, profits which have a source in Hong Kong are subject to profits tax, and income arising in or derived from Hong Kong from an office, employment or any pension is subject to salaries tax. The Inland Revenue Ordinance applies to the companies and staff in the Loop. In the event of double taxation, matters will be handled according to the Arrangement for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income between the Hong Kong Special Administrative Region (“HKSAR”) and the Mainland and its protocols.</p> <p>Hong Kong and Shenzhen (“both sides”) shall handle matters relating to the Park, including disagreement, through friendly negotiation. According to Article I Clause (c) of the MOU, both sides shall handle matters relating to the Loop development in the spirit of consultation and mutual benefit, and take forward the Loop development on the premise of mutual understanding. In the event of disagreement, both sides shall handle the matter through friendly negotiations. If there are still differences or disputes, the “Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park” (“Joint Task Force”) formed by both sides can, in accordance with Article V Clause (c) of the MOU, submit the matters to the Hong Kong/Shenzhen Co-operation Meeting for resolution in accordance with the laws of the HKSAR and the basic principles stipulated in Article I of the MOU.</p>

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	<p>Since the Loop was within the administrative boundary of Shenzhen before 1 July 1997, the HKSAR Government had not made any land resumption and compensation in respect of the Loop. The HKSAR Government does not have the figure on the amount of land compensation for the Loop by Shenzhen. Article II Clause (c) of the MOU clearly points out that neither side is required to reimburse the other side for any of the land resumption compensation previously and respectively paid for the “cross-boundary” land.</p> <p>According to the MOU, both sides have established the Joint Task Force to follow up the work of the Loop development. The HKSAR Government will be responsible for constructing the necessary infrastructure within the Loop and its surrounding area (including site formation and infrastructural facilities), and will lease the formed land within the Loop to the HKSTPC by appropriate land disposal means for the development of the Park.</p> <p>The remaining work include formulating the draft Outline Zoning Plan, seeking funding for the Advance Works and the detailed design of Main Works Package 1 from the Legislative Council (“LegCo”), setting up the subsidiary company, etc.</p>
<p><b>Planning and Works</b></p> <p>(Hon WU Chi-wai, Hon CHAN Chi-chuen, Hon Jimmy NG Wing-ka)</p>	<p>The major road networks near the Loop are located to the west and south of the Loop. To complement the Loop development, the HKSAR Government will provide the necessary road networks to enhance the accessibility to the Loop and its connectivity with surrounding areas including :</p> <ul style="list-style-type: none"> <li>➤ provision of Western Connection Road by improving the existing Ha Wan Tsuen Road and Lok Ma Chau Road with connection to San Tin Highway;</li> <li>➤ provision of a Direct Link to MTR Lok Ma Chau Station using road-based environmentally friendly public transport mode; and</li> <li>➤ further study the provision of Eastern Connection Road to the proposed Kwu Tung North New Development Area within which a railway station is proposed, subject to the progress and need of the later phase of the Loop development.</li> </ul>

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	<p>The Loop development is a designated project of the Environmental Impact Assessment (“EIA”) Ordinance and an EIA study needs to be conducted. The EIA Report was submitted to the Environmental Protection Department under the EIA Ordinance on 22 April 2013. The Report was exhibited for public inspection from 5 July to 3 August. After considering the views and comments of the Advisory Council on the Environment, the Environmental Protection Department approved the EIA Report (except the Eastern Connection Road) on 25 October 2013, and issued the Environmental Permits (“EPs”) on 22 November 2013. The EPs are still valid.</p> <p>The HKSAR Government will follow the established open tendering procedures for public works in selecting the contractors of the infrastructure works to ensure that the public money is well spent.</p> <p>According to Article VI Clause (b) of the MOU, the Shenzhen side is planning to develop an area of about three square kilometres at the north side of the Shenzhen River and adjacent to the Loop into a “Shenzhen Innovation and Technology Zone”. Both sides have agreed to obtain policy support from the State for developing the “Shenzhen Innovation and Technology Zone” and the Park, in an effort to establish a cohesive and synergistic “Shenzhen-Hong Kong Innovation and Technology Co-operation Zone”.</p> <p>Both sides shall discuss and negotiate major issues arising from the development of the Park in the Loop at the Joint Task Force. The Shenzhen side shall, in accordance with its actual circumstances, plan for the “Shenzhen Innovation and Technology Zone” inside the boundary of Shenzhen and adjacent to the Loop, with a view to creating synergy effect.</p>
<p><b>Development timetable</b></p> <p>(Hon WU Chi-wai, Dr Hon Elizabeth QUAT)</p>	<p>According to the MOU, the HKSAR Government is responsible for constructing the necessary infrastructure within the Loop and its surrounding area (including site formation and infrastructural facilities). To take forward the construction of the Park as soon as possible, the Government wishes to submit the funding application for the Advance Works and the detailed design of Main Works Package 1 to LegCo in end 2017/early 2018 at the</p>

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	<p>earliest. Tender invitation for the Advance Works and preparatory works of the consultant selection for the Main Works Package 1 will be handled simultaneously.</p> <p>HKSTPC has commenced its preparatory work, including (1) preparing for the setting up of the subsidiary company in the middle of this year; (2) engaging consultants to study the positioning and mode of operation of the Park, as well as the institutional set-up and requisite staff of the subsidiary company; and (3) setting up a professional team responsible for superstructure planning and connecting with relevant departments of the HKSAR Government.</p>
<p><b>Development costs</b></p> <p>(Dr Hon Elizabeth QUAT, Hon CHAN Chi-chuen)</p>	<p>According to the MOU, the HKSAR Government is responsible for the construction of the infrastructure within the Loop (including site formation and infrastructural facilities) and the provision of supporting infrastructural facilities outside the Loop which are necessary for the development of the Loop and its surrounding areas. The HKSAR Government will lease the formed land within the Loop to HKSTPC by appropriate land disposal means for the development of the Park. HKSTPC will set up a wholly-owned subsidiary company which will be vested with the responsibility to build the superstructure of the Park, as well as to operate, maintain and manage the same.</p> <p>To take forward the construction of the Park as soon as possible, the Government wishes to submit the funding application for the Advance Works and the detailed design of Main Works Package 1 to LegCo in end 2017/early 2018 at the earliest. Tender invitation for the Advance Works and preparatory works of the consultant selection for the Main Works Package 1 will be handled simultaneously. As the works expenditure depends on the detailed design of the site formation and infrastructure, the Government can only provide a more accurate cost estimate upon completion of the relevant design work.</p> <p>On the financial front, the HKSAR Government will provide appropriate funding support to HKSTPC and require HKSTPC to be prudent on the control of the overall project cost. After HKSTPC submits the related budget, we would submit the specific financing arrangement to LegCo.</p>

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<p><b>Economic benefits</b></p> <p>(Dr Hon Elizabeth QUAT, Hon Jimmy NG Wing-ka)</p>	<p>According to the economic impact analysis conducted by a consultant engaged by HKSTPC in 2015, upon completion of Stage 1 of the Hong Kong Science Park Expansion Programme, the overall economic contribution of the Hong Kong Science Park to Hong Kong will reach \$19 billion, creating about 17 000 jobs inside the park. Our rough estimation by proportion, without taking into account inflation and other factors, is that the Park, with a gross floor area (“GFA”) about three times that of the Hong Kong Science Park, will contribute about \$57 billion annually to Hong Kong’s economy and create around 50 000 jobs inside the Park.</p> <p>The Science Park is focusing on the development of three key technology platforms, namely smart city, healthy ageing and robotics, with a view to accelerating the commercialisation of research outcomes in a more targeted manner, and facilitating the development of high-end manufacturing industries and the process of “re-industrialisation”. As regards hardware support, the Government is preparing to build a Data Technology Hub (“DT Hub”) and an Advanced Manufacturing Centre (“AMC”) in the Tseung Kwan O Industrial Estate. Construction of the DT Hub and the AMC will commence in late 2017 and early 2018 respectively, and is expected to be completed in 2020 and 2021/22 respectively. We shall maintain close contact with various innovation and technology (“I&amp;T”) institutions and stakeholders to study what scientific projects are suitable to be conducted in the Park.</p> <p>The Park is situated within the boundary of Hong Kong and is governed by the trade legislation and regulations of the HKSAR. Its operation will not affect the existing trade policy.</p> <p>The Park is geographically adjacent to the Mainland which facilitates complementary co-operation of the two places. The HKSAR Government and the Shenzhen side will actively promote the strengths of Hong Kong, both overseas and in the Mainland, so as to attract enterprises from all over the world to set up in the Park.</p>
<p><b>Hong Kong Science and Technology Parks</b></p>	<p>Having HKSTPC set up a subsidiary company for building the superstructure of the Park, and operating, maintaining and managing the same is the most natural and suitable way. The</p>

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<p data-bbox="140 241 416 365"><b>Corporation and its subsidiary company</b></p> <p data-bbox="140 412 432 618">(Hon WU Chi-wai, Hon CHAN Chi-chuen, Hon Jimmy NG Wing-ka)</p>	<p data-bbox="472 241 1444 533">statutory purposes of HKSTPC include developing and managing infrastructure to support technological development of Hong Kong. Besides, with years of experience in building and managing the Science Park and industrial estates, and having established close ties with the I&amp;T sector, HKSTPC is capable of promoting the development of the project in a more effective and flexible manner to cater for the market needs.</p> <p data-bbox="472 584 1444 835">We expect that HKSTPC has to progressively increase its manpower to cope with the development of the Park. The HKSAR Government will lease the formed land within the Loop to HKSTPC by appropriate land disposal means. On the financial front, the HKSAR Government will also provide appropriate funding support to HKSTPC.</p> <p data-bbox="472 887 1444 1048">If the Government commissions HKSTPC to develop other projects in future, we will assess HKSTPC's overall financial position at that time with a view to formulating appropriate financing arrangement.</p> <p data-bbox="472 1099 1444 1821">The candidates for directorship in HKSTPC's subsidiary company will be proposed by both sides through negotiation at the Joint Task Force. The Joint Task Force will consolidate and make nominations to the HKSAR Government for appointment by the Board of Directors of HKSTPC in accordance with the relevant legislation of the HKSAR. According to the consensus reached by both sides, there will be ten directors on the Board of the subsidiary company, four (including the Chairman) will be nominated by the Hong Kong side, three by the Shenzhen side, and the remaining three will be jointly nominated by both sides, mainly comprising personnel from local, Mainland and overseas top-notch research institutions, enterprises and universities in the Mainland and overseas. All matters for determination shall be decided by a majority of votes of the members present and in the event of an equality of votes, the Chairman shall have a casting vote in addition to his original vote.</p> <p data-bbox="472 1872 1444 2024">Members of the Board of Directors of the subsidiary company, including directors nominated by the Shenzhen side, will be appointed by HKSTPC in accordance with the relevant legislation of the HKSAR. Directors jointly nominated are</p>

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	<p>made by both sides through friendly negotiation. Hence, there is no chance that directorship will be taken up by persons only trusted by the Mainland but not accepted by Hong Kong. Hong Kong's possession of the power of appointment is sufficient to protect the interests of the Hong Kong side.</p> <p>As a subsidiary company, the company shall report to the Board of Directors of the parent company (i.e. HKSTPC) on the development of the project, while members of the Board of Directors of HKSTPC will continue to be appointed by the HKSAR Government in accordance with the relevant legislation.</p> <p>As we understand, the "Shenzhen Innovation and Technology Zone" is located in Futian District of Shenzhen, covering Zone C under the then Planning and Engineering Study on Development of Lok Ma Chau Loop. The land does not belong to the "cross-boundry" land after the realignment of the Shenzhen River. Hong Kong would not participate in the development of the "Shenzhen Innovation and Technology Zone" but would communicate with the Shenzhen side through the Joint Task Force to ensure that the development of the two parks are complementary, with a view to building the "Shenzhen-Hong Kong Innovation and Technology Co-operation Zone".</p>
<p><b>Joint Task Force</b> (Hon WU Chi-wai)</p>	<p>Both sides have, in accordance with Article V Clause (a) of the MOU, established the Joint Task Force to follow up the work of developing the Loop. The leader of the Hong Kong side is the Secretary for Innovation and Technology, while that of the Shenzhen side is the Vice Mayor of Shenzhen Municipality. Other participating standing member departments of the Hong Kong side include: Development Bureau, Constitutional and Mainland Affairs Bureau, Education Bureau, Commerce and Economic Development Bureau, Innovation and Technology Commission, and Civil Engineering and Development Department, etc.</p> <p>The functions of the Joint Task Force include: to conduct discussions and consultations on major issues (e.g. provision of infrastructure, development of superstructure, operation policy of the Park, how to make use of the national policy in I&amp;T</p>



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	<p>development, global promotion strategy, and positive interaction and cooperation with the “Shenzhen Innovation and Technology Zone”) relating to the development of the Park in the Loop; to oversee and monitor the development progress of the Park; to provide views to the subsidiary company on the operation of the Park; and to make nominations of members of the Board of Directors of the subsidiary company to the HKSAR Government.</p> <p>The Joint Task Force generally meets every half year and will report the progress to the Hong Kong/Shenzhen Co-operation Meeting every year. The first meeting of the Joint Task Force was held on 9 February this year.</p>
<p><b>Future operation and management of the Hong Kong-Shenzhen Innovation and Technology Park</b></p> <p>(Hon WU Chi-wai, Hon CHAN Chi-chuen)</p>	<p>HKSTPC will set up a wholly-owned subsidiary company which will be vested with the responsibility to build the superstructure of the Park, as well as to operate, maintain and manage the same. HKSTPC is a statutory body set up by the HKSAR Government according to the legislation.</p> <p>HKSTPC will study the positioning and mode of operation of the Park (including the concrete ways of sub-leasing the land or offices), which are yet to be determined. The existing operation of the Hong Kong Science Park and industrial estates are ways to which reference could be made.</p> <p>I&amp;T development involves cross-region and cross-border exchange of talents and knowledge. At the current stage, we have no plans to restrict the proportion of local, Mainland or overseas personnel to be employed in the Park. However, admission of personnel from other places by companies and institutions located within the Loop will be subject to the relevant immigration policies. The HKSTPC will also study the admission criteria to the Park.</p> <p>We will proactively promote Hong Kong’s strengths through Invest Hong Kong and overseas Economic and Trade Offices to attract enterprises from all over the world. HKSTPC will also leverage on its network to attract investment to the Park.</p>

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<p><b>Immigration arrangements</b></p> <p>(Hon WU Chi-wai, Dr Hon Elizabeth QUAT, Hon CHAN Chi-chuen)</p>	<p>According to Article III Clause (c) of the MOU, the Hong Kong side has agreed to take effective measures to facilitate the exit and entry of mutually approved personnel of the Shenzhen side. Concrete details of the arrangements will be discussed by the relevant departments of the two governments through the Joint Task Force. We have no concrete plans at this stage.</p> <p>Mainland residents who wish to enter Hong Kong for whatever reason, must go through the application procedures in accordance with the Basic Law and the relevant national laws. The Park is located in Hong Kong and Hong Kong laws are applicable. The exit and entry arrangements of the relevant personnel shall also be dealt with in accordance with the Basic Law and relevant legislation of Hong Kong.</p>
<p><b>Innovation and technology development</b></p> <p>(Hon WU Chi-wai)</p>	<p>The HKSAR Government is committed to promoting “re-industrialisation” with a view to developing high-end manufacturing that makes use of new technologies and smart production but does not require much space, thereby seeking a new growing point for Hong Kong’s economy.</p> <p>To promote “re-industrialisation”, we have adjusted the industrial estate policy. HKSTPC will give priority to I&amp;T industries, and will mainly build and manage specialised multi-storey industrial buildings for rent to multi-users instead of granting the sites to single users for building their own factories. On the hardware front, HKSTPC is developing the AMC and the DT Hub in the Tseung Kwan O Industrial Estate.</p> <p>The Hong Kong Productivity Council (“HKPC”) has, since last year, dedicated efforts on promoting “re-industrialisation”, including organising international conferences and workshops on industrial innovation strategy relating to “Industry 4.0”, and establishing the “Industry 4.0 Upgrade &amp; Recognition Programme” with Fraunhofer Institute for Production Technology to help the industry gradually migrate its operation towards Industry 4.0.</p> <p>To nurture a start-up culture in Hong Kong and support “re-industrialisation”, the HKSAR Government has engaged HKPC to establish an “Inno Space”. The “Inno Space” will provide workspace and technical support to enable users to</p>

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	<p>develop their innovative ideas into industrial design, which may subsequently be translated into products through prototyping.</p> <p>In addition, the HKSAR Government also provides support on the software side, including the Technology Voucher Programme introduced in November last year to subsidise the use of technology by small and medium enterprises to enhance productivity, or upgrade or transform.</p> <p>I&amp;T has been a key focus of the current-term Government. As such, the HKSAR Government has made substantial investments in recent years to enhance Hong Kong's I&amp;T ecosystem. There are 16 Partner State Key Laboratories and 6 Hong Kong Branches of Chinese National Engineering Research Centres recognised by the State Ministry of Science and Technology. Furthermore, top-tier global research and development ("R&amp;D") institutes have established their presence in Hong Kong, including the Massachusetts Institute of Technology and the Karolinska Institutet from Sweden.</p> <p>At present, the various I&amp;T institutions play different roles. The Hong Kong Science Park provides a variety of facilities and services for applied R&amp;D activities, the industrial estates provide land and facilities for production processes; and the InnoCentre provides office space, training and conference facilities for design companies.</p> <p>The Hong Kong Science Park, currently home to a total of 628 partner enterprises, mainly consists of five key technology clusters, including information and communications technology (272 in total, with GFA of about 41 200 m<sup>2</sup>), electronics (161 in total, with GFA of about 83 400 m<sup>2</sup>), biomedical technology (81 in total, with GFA of about 24 200 m<sup>2</sup>), green technology (51 in total, with GFA of about 14 900 m<sup>2</sup>), and material and precision engineering (49 in total, with GFA of about 23 100 m<sup>2</sup>), with the remaining mainly being professional services companies providing value-added services.</p> <p>The three industrial estates are currently home to a total of 161 enterprises, with major industries including: food &amp; beverages (31 in total, occupying 34.5 hectares), biotechnology &amp; pharmaceutical (23 in total, occupying 22.3 hectares),</p>

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	<p>supporting service (e.g. aircraft engineering and maintenance, engineering services and repair, testing, inspection and certification, etc., adding up to 15 in total, occupying 14.8 hectares), information &amp; telecommunication (e.g. data centres, submarine cables and satellite ground control, etc., adding up to 14 in total, occupying 21.4 hectares), and printing &amp; publishing (11 in total, occupying 15.3 hectares).</p> <p>There are currently a total of 71 tenants in the InnoCentre, over 90% of which are design companies (64 in total, with GFA of almost 13 400 m<sup>2</sup>), with the remaining mainly being professional associations of the design sector.</p> <p>The geographical location of the Park enjoys strategic advantages which can facilitate complementary co-operation with Shenzhen. With an area four times that of the Hong Kong Science Park, the Park has great potentials not only in providing R&amp;D facilities for technology companies, but also in setting up a key base for co-operation in scientific research as well as relevant higher education, cultural and creative and other complementary facilities, which will take the co-operation among the industry, academic and research sectors to a higher level.</p> <p>The Census and Statistics Department (“C&amp;SD”) has been conducting the annual Survey of Innovation Activities (“SIA”) since the reference year of 2001. The SIA is a dedicated survey to collect statistical data on R&amp;D as well as various innovation activities in the business sector. C&amp;SD will proactively enhance the coverage and quality of I&amp;T statistics in order to meet the latest development in technology and support the Innovation and Technology Bureau as well as the Innovation and Technology Commission in understanding the needs of the industry.</p> <p>In recent years, Shenzhen has made remarkable progress in the I&amp;T arena. According to statistics published by the Shenzhen Municipal Government, the value-add of emerging industries of strategic importance in Shenzhen reached RMB 700 billion in 2015. Moreover, the innovation infrastructure in Shenzhen has been strengthening, with the completion and opening of major facilities such as the National Supercomputing Centre and the</p>

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	<p>Daya Bay Neutrino Laboratory. As of 2015, there were around 5 500 national-level high technology enterprises in Shenzhen. Businesses of many internationally renowned large-scale enterprises (such as Tencent, Huawei, DJI, etc.) have also expanded rapidly in the region.</p> <p>The HKSAR Government has been promoting co-operation with Shenzhen in I&amp;T development. The two places have strengthened co-operation in scientific research by jointly funding R&amp;D projects under the “Guangdong-Hong Kong Technology Cooperation Funding Scheme”.</p> <p>We hope that through the Park, enterprises, R&amp;D institutes and higher education institutes worldwide will exchange and carry out collaboration projects with Hong Kong, Shenzhen and even other enterprises and institutes in the Mainland. This will help complement the strengths of each other and attract more technology enterprises from around the world to come to Hong Kong with a view to expanding to the huge Mainland market.</p>

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