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**Panel on Commerce and Industry, Panel on Development and Panel on
Information Technology and Broadcasting**

Joint meeting on 6 March 2017

**Background brief on the Hong Kong/Shenzhen Innovation and
Technology Park in the Lok Ma Chau Loop**

Purpose

This paper provides background information on the Hong Kong/Shenzhen Innovation and Technology Park ("the Park") in the Lok Ma Chau Loop ("the Loop"). It also summarizes the views and concerns expressed by Members on the subject matter and related issues in previous discussions.

Background

Lok Ma Chau Loop

2. The Loop with a land area of about 87 hectares is located inside the Frontier Closed Area with restricted access. Upon completion of Stage I of the Shenzhen River Regulation Project including the Loop section in May 1997, the administrative boundary between Hong Kong and Shenzhen in the area has followed the centre line of the new river channel. The Loop, which lies to the south of the centre line of the new river channel, has been delineated as part of the Hong Kong Special Administrative Region ("HKSAR") administrative area.

3. In the 2007-2008 Policy Address, the Chief Executive announced to jointly establish with Shenzhen a high level co-ordinating mechanism to explore the feasibility of developing the Loop to the mutual benefits of both sides, and steer further research and planning work on other cross-boundary

issues. The Hong Kong-Shenzhen Joint Task Force on Boundary District Development was set up in 2007 to co-ordinate, liaise and steer work on the studies in relation to the planning and development of land in the boundary district.

4. A public engagement ("PE") exercise was undertaken in Hong Kong and Shenzhen in June and July 2008 respectively to collect public views on the possible future land uses for the Loop. Based on the results of the PE exercise, the Hong Kong and Shenzhen governments agreed that higher education could be the leading land use in the Loop, to be complemented by high-tech research and development ("R&D") as well as cultural and creative ("C&C") industries.

Planning and Engineering Study on the development of the Loop

5. In June 2009, the Planning and Engineering Study on Development of the Loop ("the Study") was jointly commissioned by the Planning Department ("PlanD") and Civil Engineering and Development Department ("CEDD") with participation from Shenzhen. The Study Objective was to formulate a land use planning framework to guide the development of the Loop and develop a sustainable, environmentally friendly, energy-saving and people-oriented community on the basis of mutual benefit to both Hong Kong and Shenzhen. A two-stage PE was carried out in the Study to engage the community in the planning process with a view to ensuring that the public views were adequately incorporated in the planning and design of the Loop.

6. Stage One PE was carried out concurrently in Hong Kong and Shenzhen from November 2010 to January 2011 to seek public views on the Preliminary Outline Development Plan ("the PODP") for the Loop. The three main land uses, namely higher education, high-tech R&D and C&C industries, formed the basis for formulating the PODP.¹ From May to July 2012, Stage Two PE was carried out concurrently in Hong Kong and Shenzhen to seek public views on the Recommended Outline Development Plan ("the RODP") for taking forward the development of the Loop. The RODP took into account the public views/comments received during Stage One PE, various technical assessments and infrastructure requirements.²

¹ The Panel on Development ("DEV Panel") was informed of the details on Stage One Public Engagement ("PE") at the meeting on 16 December 2010.

² DEV Panel was briefed on the results of Stage One PE and the launch of Stage Two PE at the meeting on 22 May 2012.

7. Key public comments received in Stage Two PE and the Administration's responses were set out in the Stage Two PE Report. Among other things, the public generally agreed to the three proposed land uses of higher education, high-tech R&D and C&C industries. The Administration responded that the RODP had allowed for interaction among the three land uses to achieve synergy effect and interchangeability between the high-tech R&D and C&C uses.³

8. Upon completion of the Study, the Hong Kong and Shenzhen governments announced the confirmed the RODP of the Loop on 18 July 2013. The key development parameters were as follows –

Total area	87.7 hectares
Education	22.8 hectares
High-tech R&D/C&C industries	8.6 hectares
Commercial	1.2 hectares
Open space	10.6 hectares
Amenity/Activity corridor	15.9 hectares
Ecological area	12.8 hectares
Others (including roads)	15.8 hectares
Gross Plot Ratio (on gross site basis)	1.37
Employment opportunities	29,000 (about)

Major land uses	Maximum Gross Floor Area ("GFA")	Maximum Plot Ratio	Maximum building height⁽¹⁾
Education	720 000 sq m	3.16	10 storeys
High-tech R&D/ C&C industries	410 000 sq m	4.78	12 storeys
Commercial	60 000 sq m	5	9 storeys
(1) The building heights will descend towards the Shenzhen River and the Ecological Area to allow better visual permeability and integration with the surroundings.			

9. On 25 October 2013, the Environmental Impact Assessment Report of the development of the Loop was approved under the Environmental Impact Assessment Ordinance (Cap. 499), and the Environmental Permit was issued on 22 November 2013. CEDD commenced the detailed design of the advance works of environmental and ecological protection and connecting roads in mid-2014.

³ The Administration reported to DEV Panel the results of Stage Two PE and the refined the RODP vide an information paper (LC Paper No. CB(1)1581/12-13(01)) on 22 July 2013.

Hong Kong-Shenzhen Innovation and Technology Park

10. The Hong Kong/Shenzhen Co-operation Meeting was held on 3 January 2017 in Hong Kong. Before the Meeting, the HKSAR Government and the Shenzhen Municipal People's Government signed the Memorandum of Understanding on Jointly Developing the Lok Ma Chau Loop by Hong Kong and Shenzhen ("the MOU"), agreeing to cooperate in developing the Loop into the Park under the principles of "one country, two systems" and "co-development and mutual benefit". According to the Administration, the development will establish a key base for co-operation in scientific research and provide the relevant higher education, C&C, as well as other complementary facilities, in order to attract Hong Kong, Shenzhen and other overseas and Mainland top enterprises, innovative organizations and higher education institutions. The Park, together with Hong Kong Science Park ("HKSP") and Industrial Estates ("IEs") will achieve significant synergy and cluster effect.

11. In accordance with the MOU, a Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop ("Joint Task Force") was set up to discuss and negotiate on major issues arising from the development of the Park. The membership list of the Joint Task Force is in **Appendix I**.

12. Moreover, the Hong Kong Science and Technology Parks Corporation ("HKSTPC")⁴ will set up a wholly-owned subsidiary company ("subsidiary company")⁵ which will be vested with the responsibility to build the superstructure, as well as to operate, maintain and manage the Park. The Hong Kong side has also agreed to take effective measures to facilitate the

⁴The Hong Kong Science and Technology Parks Corporation ("HKSTPC") is a statutory body established in 2001 with a public mission to facilitate the establishment and nurturing of a world-class technology community dedicated to applied R&D in Hong Kong, and to strengthen Hong Kong's position as a regional technology hub by promoting innovation, technology development and commercialization of five technology clusters, namely electronics, information technology and telecommunications, precision engineering, biotechnology, and green technology. HKSTPC operates and manages the Hong Kong Science Park ("HKSP"), three Industrial Estates ("IEs") at Tai Po, Yuen Long and Tseung Kwan O and the InnoCentre at Kowloon Tong.

⁵The Board of Directors of the subsidiary company will be appointed by HKSTPC. The subsidiary company shall report to the Board of Directors of HKSTPC and the Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop.

exit and entry of mutually approved personnel of the Shenzhen side. A copy of the MOU is in **Appendix II**.

13. The first meeting of the Joint Task Force was held in Shenzhen on 9 February 2017. At the meeting, the Hong Kong and Shenzhen sides endorsed the terms of reference, operation and composition of the Joint Task Force in accordance with the MOU and discussed the work plan for taking forward the development of the Park. Both sides also confirmed the composition and decision-making process of the subsidiary company to be set up by HKSTPC. Assuming there were 10 Directors on the Board of the subsidiary company, four (including the Chairman) would be nominated by the Hong Kong side, three by the Shenzhen side, and the remaining three would be jointly nominated by both sides. The above ratio should apply as the basis of nomination if the number of Directors was not 10. All members of the Board of Directors would be appointed by HKSTPC in accordance with the relevant legislation of HKSAR.

Major initiatives to promote innovation and technology

14. Established on 20 November 2015, the Innovation and Technology Bureau is responsible for formulating holistic innovation and technology ("I&T") policies, thereby fostering the development of I&T and related industries in Hong Kong.

15. An array of initiatives with the total funding of about \$18 billion to boost the I&T ecosystem had been announced in the 2016 Policy Address and 2016-2017 Budget. The initiatives are set out as follows –

- (a) injecting \$2 billion into the Innovation and Technology Fund ("ITF") to establish the Midstream Research Programme⁶ for universities;
- (b) injecting \$12.6 billion to the expansion of HKSP and enhancing the Tseung Kwan O Industrial Estate ("TKOIE") to support re-industrialization;

⁶ With the approval of the Finance Committee ("FC") on 10 June 2016, the Midstream Research Programme for Universities encourages universities funded by the University Grants Committee to conduct more theme-based midstream research in focused technology areas. The funding ceiling for each project is \$5 million. Projects involving collaboration across multiple disciplines, universities or research institutions will be accorded priority and a higher funding ceiling of \$10 million per project.

- (c) setting aside \$2 billion to set up the Innovation & Technology Venture Fund⁷ to encourage investment from venture capital funds in local I&T start-ups;
- (d) setting aside \$500 million to launch the Technology Voucher Programme⁸ under ITF to subsidize local SMEs in using technological services and solutions to improve productivity, or upgrade or transform their business processes; and
- (e) earmarking \$500 million for setting up the Innovation and Technology Fund for Better Living⁹ to finance I&T projects which aim at improving the quality of Hong Kong people's daily life.

Land use planned for the development of innovation and technology in Hong Kong

Hong Kong Science Park

16. The Government announced in the 2015 Policy Agenda that it would implement the recommendations of the review on the utilization and long-term development direction of HKSP and IEs in 2014, including suitably raising the development density of HKSP to optimize land use in the park for

⁷ The Administration aims to achieve an overall matching investment ratio of Government fund to venture capital ("VC") funds of approximately 1:2 under the Innovation & Technology Venture Fund ("ITVF"). The Government will incorporate a limited company under the Companies Ordinance to facilitate control and administration of ITVF. The Government will also sign with the partner VC funds a master agreement which sets out the details of cooperation as well as the rights and obligations of each party. With the approval of FC on 12 July 2016, the Administration plans to launch ITVF in the first half of 2017.

⁸ Launched in November 2016, the Technology Voucher Programme provides a cumulative funding up to \$200,000 for each eligible small and medium enterprise on a 2:1 matching basis to carry out a maximum of three approved projects. Each project should normally be completed within 12 months.

⁹ A successful applicant will receive a grant equivalent to the difference between the eligible costs of the project and funding received from other sources (such as funding from a parent organization, sales proceeds or third party sponsorship), subject to a cap of 90% of the eligible costs of the project or \$5 million, whichever is the less. With the approval of FC on 28 June 2016, the Administration strives to launch the Innovation and Technology Fund for Better Living in the second quarter of 2017.

the development of new R&D facilities, and proceeding with the formulation of a new IE policy to enhance the value chain of the I&T industries in Hong Kong and further revitalize IEs.

17. HKSP is Hong Kong's flagship technology infrastructure which provides facilities, services and a dynamic environment that enable companies to nurture ideas, innovate and develop. According to the Administration, on completion of all three phases of HKSP, the total GFA of HKSP is 300 000 sq m.¹⁰ As at the end of April 2016, the occupancy rates for Phase 1 and Phase 2 were 91.6% and 87.8% respectively. For Phase 3, with about 75% of the GFA completed, the occupancy rate stands at 72.5%. At the then take-up rate, the Administration estimated that all three phases of HKSP would be fully occupied by 2017-2018.

Stage 1 of the Science Park Expansion Programme

18. To meet the strong demand for space for R&D activities, the Administration proposed to expand the existing HKSP by optimizing the use of the remaining vacant site and increasing the development parameters for the construction of new R&D facilities in three stages. The site for Stage 1 of the Science Park Expansion Programme ("SPX1") covers about 1.18 hectares on the vacant western corner of the Phase 3 site and the existing transport terminus. The scheme would consist of two building blocks with a total GFA of about 73 760 sq m.

19. The Administration briefed CI Panel at its meeting on 15 December 2015 on the proposed SPX1, and members of CI Panel were supportive of the development and proposed funding arrangements. The Finance Committee ("FC") approved the funding proposal of SPX1 at the meeting on 28 May 2016. Subsequently, the construction work has commenced in August 2016 and is expected to be completed by 2020.

InnoCell

20. Meanwhile, HKSTPC is also carrying out a study on developing InnoCell on a 0.28-hectare site at the corner of Chong San Road and Science Park Road in Pak Shek Kok to provide innovative accommodation-cum-ancillary offices for rental to eligible tenants and incubatees at HKSP. The objective of the project is to increase the competitiveness of HKSP by

¹⁰ Phase I of HKSP, (with a gross floor area ("GFA") of 120 000 sq m), Phase 2 (with a GFA of 105 000 sq m) and Phase 3 (with a GFA of 105 000 sq m) were completed in 2004, 2011 and April 2016 respectively.

providing suitable accommodation and ancillary offices, thus attracting more high-quality R&D companies and recruiting more overseas and Mainland talents to Hong Kong. HKSTPC is carrying out planning, preliminary design and development cost estimation, etc. of InnoCell. The Administration will seek funding from LegCo at an appropriate time.

Industrial Estates

21. To use the land in the three IEs¹¹ more efficiently to support science, I&T based industries, the IE Policy was revised in 2015. In future, HKSTPC would mainly build and manage specialized multi-storey industrial buildings for rental to multiple I&T industrial partners.

22. In June 2015, HKSTPC considered its overall road map in implementing the revised IE Policy and decided, as a pilot, to develop two projects on two vacant sites in TKOIE, namely a multi-storey Advanced Manufacturing Centre ("AMC") with GFA of about 108 600 sq m on a 2.71 hectare site; and a Data Technology Hub ("DT HUB") with GFA of about 27 000 sq m on a 0.54 hectare site. AMC will focus on selected high valued-added manufacturing with extended activities including R&D, logistics support, prototyping and design etc. while DT HUB aims to accommodate uses ancillary or complementary to the data transfer operations and global telecommunications at the data centres and switching centres at TKOIE and Hong Kong.

23. The Administration briefed CI Panel at its meeting on 17 May 2016 on the proposal. Relevant funding proposals were subsequently approved by FC at its meeting on 28 May 2016. DT HUB is expected to be completed in 2020 and AMC in 2021-2022.

24. The Government is also identifying a site near the Liantang/Heung Yuen Wai Border Control Point for the development of science park and IEs, with a view to providing medium to long term supply of research office and factories for research institutions and I&T industry. HKSTPC is conducting a preliminary planning study to look into the suitability of developing the site.

¹¹ Currently, there are three IEs in Hong Kong, namely Tai Po Industrial Estate ("TPIE"), Yuen Long Industrial Estate ("YLIE") and Tseung Kwan O Industrial Estate ("TKOIE") with area of 75 hectares, 67 hectares and 75 hectares respectively. In terms of percentage, only 3% (2.5 hectares), 2.3% (1.56 hectares) and 13% (9.86 hectares) respectively of the site area at TPIE, YLIE and TKOIE are immediately available for development or redevelopment.

Views and concerns expressed by Members

Land use planning and management of the Lok Ma Chau Loop

25. At the meeting of the Panel on Development ("DEV Panel") on 22 May 2012, the Administration briefed members on the RODP and Stage Two PE of the Study on the Loop. Members expressed concern about the mode of development and land use planning of the Loop. Some members doubted whether the Administration could preclude commercial or residential developments in the Loop, such as the construction of hotels for providing accommodation for overseas scholars and experts, if such developments claimed to supplement the running of higher education and R&D activities in the area. Other members suggested that the Administration should consider measures, such as incorporating in the land leases provisions restricting changes in uses, to ensure proper check on the land use of the Loop, and that the land leases for the development of the Loop should be disclosed to LegCo and the public to facilitate public monitoring.

26. The Administration advised that it had all along been transparent and open in developing the Loop. Moreover, the Hong Kong and Shenzhen governments had reached a consensus on the land use planning of the Loop at the Hong Kong-Shenzhen Joint Task Force on Boundary District Development meeting held in early May 2012. After the two-month consultation on the RODP launched in mid May 2012, an OZP for the Loop would be prepared for further public consultation.

27. At the Council meeting of 26 March 2014, Mr MA Fung-kwok asked an oral question about the progress of the planning work for the Loop and how C&C industries were expected to benefit from the development of such area.

28. The Administration advised that the final proposals of the Study were promulgated in July 2013. According to the RODP of the Study, the Loop would be developed with higher education as the leading land use, complemented by high-tech R&D and C&C industries. Under the RODP, about 8.6 hectares of land, providing a maximum GFA of 411 000 sq m, was earmarked for high-tech R&D and C&C uses, in which interchangeability among the two uses would be allowed in order to provide a flexible land use framework to meet future market demand.

29. At the meeting on policy briefing of DEV Panel on 26 January 2016, some members enquired about the progress of the planning work for the Loop and whether the Administration would provide land for scientific research and new industrial use at the Loop. The Administration advised that the Loop

would be developed with higher education as the leading land use, complemented by high-tech R&D and C&C industries. While the RODP for the Loop had been finalized, the Administration had been actively liaising with the Shenzhen authorities over collaboration in the development of the land of the Loop.

30. At the special meeting of FC on 7 April 2016 to examine the Estimates of Expenditure 2016-2017, Mr MA Fung-kwok enquired about the current progress of the development of the Loop and requested the Administration to specify the details of the works and timetable of the expected availability of land.

31. The Administration advised that following the completion of the Study in 2013, CEDD had commenced the detailed design of advance works for the development of the Loop in mid-2014, covering mainly land decontamination and provision of environmental mitigation measures and temporary construction access. Meanwhile, PlanD was proceeding with the preparation of the statutory OZP for the Loop area. The work on the detailed design of the advance works and the preparation of the draft OZP would continue in 2016-2017.

Land use planning and management of the Hong Kong/Shenzhen Innovation and Technology Park

32. At the meeting on policy briefing of CI Panel on 25 January 2017, members enquired about the proportion of land at the Loop under the proposed project of the Park that would be used for the development of C&C industries, and whether the development of convention and exhibition ("C&E") facilities and hotels would be incorporated under the project. Noting that higher education had originally been proposed as the major land use in the Loop having regard to the views collected in previous PEs, some members criticized the Administration for changing the major land use of the Loop to I&T in the absence of public consultation.

33. The Administration advised that the Park would be developed with I&T as the main focus, where a key base for cooperation in scientific research, and relevant higher education, C&C and other complementary facilities, such as C&E facilities and accommodations for talents working in the Park would be set up. The Administration added that according to the outcome of a series of PE activities carried out in Hong Kong and Shenzhen simultaneously in June and July 2008, the development of high-tech industries was among one of the three land uses, the other two being higher education and C&C industries, which received general public support.

34. At the meeting on policy briefing of ITB Panel on 7 February 2017,

some members enquired about the details of the management of the Park, composition of the Board of Directors of the subsidiary company, as well as the estimated funding proposal of the Park.

35. The Administration advised that after the training of Shenzhen River, the boundary followed the new centre line of the river, and the Loop had since been included within the administrative boundary of HKSAR. Under the MOU, the use and management of the land in the Loop, as well as the construction, operations, maintenance and management of the project would follow the law and land administration system of HKSAR. Moreover, all income from the project would be used in the construction, operations, maintenance and management of the Loop. Having regard to the consensus reached by Hong Kong and Shenzhen, assuming there were 10 Directors on the Board of the subsidiary company, four (including the Chairman) would be nominated by the Hong Kong side, three by the Shenzhen side, and the remaining three would be jointly nominated by both sides. The above ratio should apply as the basis of nomination if the number of Directors was not 10. All members of the Board of Directors would be appointed by HKSTPC in accordance with the relevant legislation of HKSAR. The Administration would further advise on the funding proposal.

Expansion of Hong Kong Science Park and development of Industrial Estates

36. At Council meeting of 2 December 2015, Mr Charles MOK asked an oral question about the total floor area that could be provided by IEs managed by HKSTPC for the development of high-tier data centres in the next five years. The Administration replied that at present, 12 sites with a total of about 19 hectares of land in Tai Po Industrial Estate and TKOIE were designated for the development of high-tier data centres, providing a floor area of over 300 000 sq metre. Upon completion of several data centres in Tseung Kwan O, Kwai Chung and Tsuen Wan (including IEs and those provided by the private sector) in the next two years, the GFA for data centre development in Hong Kong would rise to 660 000 sq metre.

37. At the meeting of CI Panel on 15 December 2015, the Administration briefed members on the plan to expand the existing HKSP and sought members' support for the proposed financing arrangements for SPX1. Noting that all three phases of HKSP would be expected to be fully occupied by 2017-2018, while SPX1 was planned to be completed by 2020, some members enquired about the provision of land for the development of I&T industries in the interim and in the long run. Some other members expressed concern about the sufficiency of sites in the IEs to support the future development of various high-end manufacturing industries.

38. The Administration advised that the Administration would continue to

identify suitable sites for R&D and related uses as and when necessary. In the long term, sites had been reserved in the Kwu Tung North New Development Area ("NDA"), the Loop Area and Hung Shui Kiu NDA for development of high-tech industries and R&D facilities. On the other hand, HKSTPC was preparing for the first two pilot projects in TKOIE, targeting at information and telecommunications technology and advanced manufacturing using robotics technologies. HKSTPC had also been improving utilization of IEs and HKSP through negotiating with owners of under-utilized IE sites to surrender their land and stepping up enforcement actions under the terms of the leases.

39. At the CI Panel meeting on 17 May 2016, the Administration briefed Panel members on the revised IE Policy and the plan to develop two pilot projects, namely AMC and DT HUB in TKOIE. Given the rising demand for data centres worldwide, some members enquired whether the Administration had assessed if the existing total floor area available for the development of data centres would be sufficient in the next five to ten years.

40. The Administration advised that the Administration would make available vacant greenfield sites for sale to facilitate the development of data centres and one of the sites due for sale was in Tseung Kwan O. Moreover, the waiver fee originally charged for converting industrial buildings into data centres had been removed. The Administration supplemented after the meeting vide LC Paper No. CB(1)1024/15-16(01) that currently, the GFA of local data centres had exceeded 460 000 sq m. The Government had reserved three pieces of land in Tseung Kwan O Area 85 for the development of high-tier data centres. It was expected that an additional floor area of around 160 000 sq m could be provided in the coming few years to meet market demand.

Latest position

41. A joint meeting of CI Panel, DEV Panel and ITB Panel will be held on 6 March 2017 to discuss with the Administration on the Park in the Loop.

Relevant papers

42. A list of relevant papers is set out in the **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
2 March 2017

**Joint Task Force on the Development of the
Hong Kong-Shenzhen Innovation and Technology Park in the Loop**

Members

The Government of the Hong Kong Special Administrative Region	Shenzhen Municipal People's Government
<i>Leader:</i> Secretary for Innovation and Technology	<i>Leader:</i> Vice Mayor
<i>Deputy Leader:</i> Permanent Secretary for Innovation and Technology	<i>Deputy Leader:</i> Director-General of the Hong Kong and Macao Affairs Office
<p><i>Members:</i></p> <ul style="list-style-type: none"> • Development Bureau • Constitutional and Mainland Affairs Bureau • Education Bureau • Commerce and Economic Development Bureau • Innovation and Technology Commission • Civil Engineering and Development Department <p>Other bureaux and departments to attend on need basis</p>	<p><i>Members:</i></p> <ul style="list-style-type: none"> • Hong Kong and Macao Affairs Office • Development and Reform Commission • Economy, Trade and Information Commission • Urban Planning, Land & Resources Commission • Science and Technology Innovation Commission • Bureau of Education • Legislative Affairs Office • Futian District Government <p>Other departments to attend on need basis</p>
<i>Office:</i> Innovation and Technology Bureau	<i>Office:</i> Hong Kong and Macao Affairs Office

(English translation)

**Memorandum of Understanding on Jointly Developing
the Lok Ma Chau Loop by Hong Kong and Shenzhen
between the Hong Kong Special Administrative Region Government
and the Shenzhen Municipal People's Government**

Introduction

In order to establish a “Hong Kong/Shenzhen Innovation and Technology Park” (“the Park”) in the Lok Ma Chau Loop (“the Loop”), the Hong Kong Special Administrative Region (“HKSAR”) Government and Shenzhen Municipal People's Government (“both sides”) have agreed to jointly develop the Loop (actual location shown in the attached **Plan 1**). This Memorandum of Understanding (“the MOU”) is signed by both sides, following friendly negotiations.

Background

In accordance with Order No. 221 of the State Council of the People's Republic of China promulgated on 1 July 1997 (the “State Council Order No. 221”), after the training of the Shenzhen River, the boundary will follow the new centre line of the river. The Loop, originally within the administrative boundary of Shenzhen, has since been included within the administrative boundary of the HKSAR.

On 25 November 2011, both sides signed the Co-operation Agreement on Jointly Taking Forward the Development of the Lok Ma Chau Loop (“the Co-operation Agreement”). Out of respect for the above historical fact, both sides have agreed to co-operate in taking forward the Loop's development under the “One Country, Two Systems” principle, and in accordance with the laws of the HKSAR, as well as following the principle of “co-development and mutual benefit”.

Both sides subsequently conducted proactive negotiations in accordance with the Co-operation Agreement and reached a consensus to jointly develop the Loop into the Park, construct relevant higher education and complementary facilities in the Park and formulate this MOU. In response to the major developments in innovation and technology in Hong Kong and Shenzhen in recent years and the huge synergy effect generated by each side complementing the other with their

relative strengths, both sides have agreed that, apart from jointly developing the Park, the Hong Kong side would also support the Shenzhen side to develop technological innovations at the north side of Shenzhen River and jointly establish the “Shenzhen/Hong Kong Innovation and Technology Co-operation Zone”.

Article I Basic Principles

Both sides have agreed, on the premise of achieving complementarity between Hong Kong and Shenzhen, to jointly develop the Loop into the Park under the “One Country, Two Systems” principle and in accordance with the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China. Both sides have also confirmed that they will abide by the following basic principles:

- (a) applying the laws and land administration system of the HKSAR: the use and management of the land in the Loop (including but not limited to planning, leasing, allocation of leasing revenue, transfer and renewal), as well as the construction, operations, maintenance and management of the project will follow the law and land administration system of the HKSAR;
- (b) non-profit making principle: the development project in the Loop will primarily be used for benefit of the public, with all income from the project to be used in the construction, operations, maintenance and management of the Loop. No profit will be disbursed to either side; and
- (c) friendly negotiation principle: both sides will jointly handle matters relating to the development of the Loop in the spirit of consultation and mutual benefit, and take forward the Loop’s development on the premise of mutual understanding. Disagreements will be resolved through mutual and friendly negotiations.

Article II Land Ownership

- (a) In accordance with the State Council Order No. 221 promulgated on 1 July 1997, after the training of the Shenzhen River, the boundary will follow the new centre line of the river. Regarding the “cross-boundary” land after the realignment of the Shenzhen River, the four sites originally within the administrative boundary

of Shenzhen (i.e. sites A1 (i.e. the Loop), A2, A3 and A4 in the attached **Plan 2**) with an area of around 91 hectares, have since been included within the administrative boundary of the HKSAR. On the other hand, the 5 sites originally within the administrative boundary of the HKSAR (i.e. sites B1, B2, B3, B4 and B5 in the attached **Plan 2**) with an area of around 12 hectares, have since been included within the administrative boundary of Shenzhen.

- (b) The Shenzhen side confirms that the HKSAR Government possesses in accordance with the law since 1 July 1997 the land ownership of sites A1 (i.e. the Loop), A2, A3 and A4 in the attached **Plan 2**. Likewise, the Hong Kong side confirms that the Shenzhen Municipal People's Government possesses in accordance with the law since 1 July 1997 the land ownership of sites B1, B2, B3 and B4 in the attached **Plan 2**.
- (c) Neither side is required to reimburse the other side for any of the land resumption compensation previously and respectively paid for the said "cross-boundary" land. To ensure that the "cross-boundary" land is not encumbered by land ownership problems in future land grants, each side shall take the responsibility for tackling and settling any land ownership problems or claims involving interests in their respective "cross-boundary" land arising before such land was included within the administrative boundary of the other side.

Article III Scope and Specifics of Cooperation

- (a) Both sides have agreed to jointly develop the Loop into the Park and establish a key base for co-operation in scientific research, through liaising with top-tier enterprises, research and development institutions as well as higher education institutions in the Mainland and overseas in establishing a base for co-operation in scientific research, exchanging and co-operating with excellent quality research talents from all over the world.
- (b) Both sides have also agreed to develop relevant and complementary facilities in the Park, including the setting up of an "integrated advanced training platform" through soliciting proposals from the world's top higher education institutions (including higher education institutions in Hong Kong and in the Mainland, as well as those overseas) for operating branches of existing or new

institutions in the Park. These branches or new institutions will be set up on a non-profit-making basis, and will focus on the provision of postgraduate programmes and professional training courses on new or advanced technology, aiming to nurture talents and engender synergy and clustering effects with the facilities in the Park. Related cultural and creative, commercial, community and other supporting facilities will also be provided in the Park.

- (c) The Hong Kong side has agreed to take effective measures to facilitate the exit and entry of mutually approved personnel of the Shenzhen side.

Article IV Development Mechanism

- (a) The HKSAR Government will be 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 to the development of the Loop and its surrounding areas.
- (b) The HKSAR Government will lease the formed land within the Loop to the Hong Kong Science and Technology Parks Corporation by appropriate land disposal means for the development of the Park.
- (c) The Hong Kong Science and Technology Parks Corporation will set up a wholly-owned subsidiary company (“the 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. The Board of Directors of the subsidiary company will be appointed by the Hong Kong Science and Technology Parks Corporation in accordance with the relevant legislation of the HKSAR. As important stakeholders of the Loop development, both sides will, through the “Joint Task Force on the Development of the Hong Kong/Shenzhen Innovation and Technology Park in the Loop” established in accordance with Article V(a) below, put forward to the HKSAR Government nominations for the Board of Directors of the subsidiary company for appointment by the Hong Kong Science and Technology Parks Corporation, thereby jointly participating in the development of the Park, including but not limited to the leasing of land or housing for scientific research facilities, the “integrated advanced training platform” and other support facilities.

**Article V Joint Implementation and Dispute Resolution
Mechanisms**

- (a) The “Joint Task Force on the Development of the Hong Kong/Shenzhen Innovation and Technology Park in the Loop” (“the Joint Task Force”), comprising the relevant authorities and personnel from both sides, shall be responsible for studying and negotiating major issues arising from the development of the Loop.
- (b) The subsidiary company set up by the Hong Kong Science and Technology Parks Corporation in accordance with Article IV(c) above shall report to the Joint Task Force on the development of the Park regularly.
- (c) Any differences or disputes arising from the implementation of this MOU shall be submitted by the Joint Task Force 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 above.

**Article VI Jointly Establishing the Shenzhen/Hong Kong
Innovation and Technology Co-operation Zone**

- (a) Both sides have agreed to, upon signing of this MOU, jointly promote the Park to be established in the Loop for the purpose of attracting the stationing of enterprises, research and development institutions and higher education institutions from Hong Kong, Shenzhen and overseas, and promoting the development of the Park.
- (b) The Shenzhen side is planning to develop an area of about three square kilometres at the north side of 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 to push forward the development of 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”.

Article VII Signing and Commencement

- (a) This MOU shall take effect upon its signing by the representatives of both sides.
- (b) This MOU is in quadruplicate (two in Traditional Chinese script and two in Simplified Chinese script) with all copies being equally authentic. The HKSAR Government and the Shenzhen Municipal People's Government shall keep one copy of each of the Traditional Chinese and Simplified Chinese versions.

Article VIII Supplementary Agreement Intention

The specific arrangements for the joint development of the Loop into the Park and the matters not covered by this MOU shall continue to be studied and discussed by both sides through friendly negotiations. Supplementary memoranda may be signed as and when required.

The Government of the Hong Kong
Special Administrative Region

The Shenzhen Municipal People's
Government

Carrie Lam,
Chief Secretary for Administration

Ai Xuefeng,
Vice Mayor

3 January 2017



福田
FUTIAN

Plan 1

Shenzhen Special Economic Zone

Shenzhen River

文錦渡口岸
Wenjindu Port

羅湖口岸
Luohu Port

Lok Ma Chau Loop

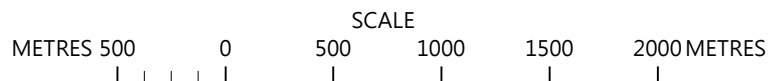
Lo Wu

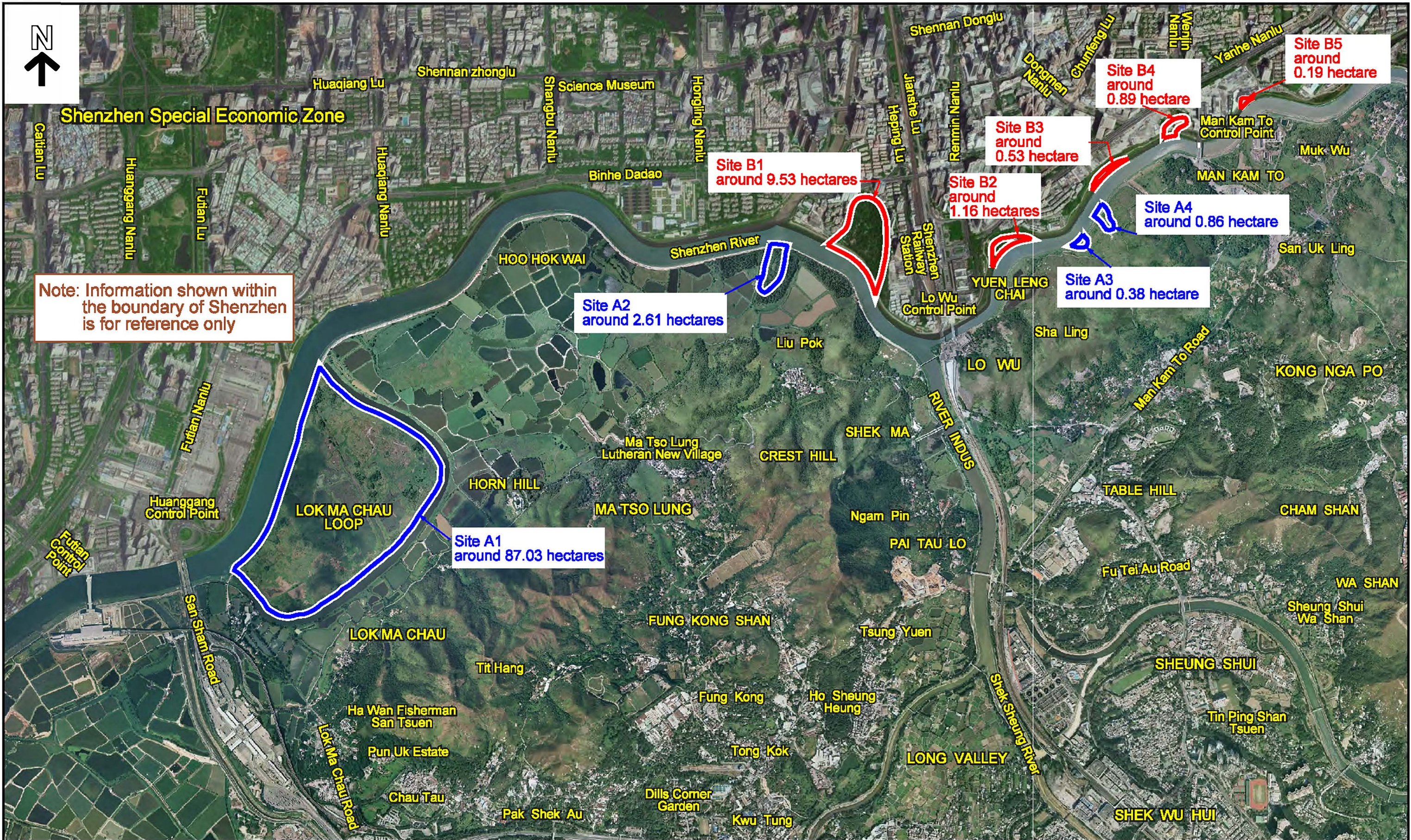
皇崗口岸
Huanggang Port
福田口岸
Futian Port

Ma Tso Lung

Hong Kong Special Administrative Region

Location Plan of Lok Ma Chau Loop





Note: Information shown within the boundary of Shenzhen is for reference only

The location of the sites is as shown in the attached plan of the "Letter of Intent on the Use of Cross-boundary Land upon Training of Shenzhen River" (signed on 27 April 2009), and is for reference only (the detailed boundary and size of the sites shall be verified by field survey).

Location Plan of Cross-boundary Land after Training of Shenzhen River



Appendix III

List of relevant papers

Date of meeting	Meeting	Paper
16/12/2010	Panel on Development	<p>Administration's paper on "Planning and Engineering Study on Development of Lok Ma Chau Loop - Investigation - Stage 1 Public Engagement" (LC Paper No. CB(1)540/10-11(01))</p> <p>Administration's paper on "Planning and Engineering Study on Development of Lok Ma Chau Loop - Investigation - Stage 1 Public Engagement" (LC Paper No. CB(1)735/10-11(04))</p> <p>Updated background brief on Lok Ma Chau Loop prepared by the Legislative Council Secretariat (LC Paper No. CB(1)735/10-11(05))</p> <p>Minutes of meeting (LC Paper No. CB(1)1310/10-11)</p>
22/5/2012	Panel on Development	<p>Administration's paper on "Planning and Engineering Study on Development of Lok Ma Chau Loop - Recommended Outline Development Plan and Stage Two Public Engagement " (LC Paper No. CB(1)1875/11-12(05))</p> <p>Updated background brief on Lok Ma Chau Loop prepared by the Legislative Council Secretariat (LC Paper No. CB(1)1875/11-12(06))</p> <p>Minutes of meeting (LC Paper No. CB(1)2522/11-12)</p>

Date of meeting	Meeting	Paper
19/7/2013 (Issue date)	Panel on Development	Administration's paper on "Planning and Engineering Study on Development of Lok Ma Chau Loop" (LC Paper No. CB(1)1581/12-13(01))
26/3/2014	Council	Question No. 1 on "Provision of land for development of cultural and creative industries" raised by Hon MA Fung-kwok (Hansard) (p.8974-8985)
2/12/2015	Council	Question No. 6 on "Development of high-tier data centres and high-end manufacturing industries" raised by Hon Charles MOK (Hansard) (p.2420-2430)
15/12/2015	Panel on Commerce and Industry	Administration's paper on "Further Development of Hong Kong Science Park" (LC Paper No. CB(1)279/15-16(05)) Background brief on the development of the Hong Kong Science Park prepared by the Legislative Council Secretariat (LC Paper No. CB(1)279/15-16(06)) Minutes of meeting (LC Paper No. CB(1)548/15-16)
26/1/2016	Panel on Development	Administration's paper on "Policy Initiatives of Development Bureau in the 2016 Policy Address and Policy Agenda" (LC Paper No. CB(1)452/15-16(03)) Minutes of meeting (LC Paper No. CB(1)812/15-16)

Date of meeting	Meeting	Paper
7/4/2016	Special meeting of the Finance Committee to examine the Estimates of Expenditure 2016-2017	Administration's replies to Members' initial written questions (Reply serial no. DEVB(PL)178)
17/5/2016	Panel on Commerce and Industry	Administration's paper on "Implementation of Pilot Projects according to the Revised Industrial Estate Policy" (LC Paper No. CB(1)901/15-16(03)) Background brief on the progress on the implementation of the revised Industrial Estate Programme prepared by the Legislative Council Secretariat (LC Paper No. CB(1)901/15-16(04)) Minutes of meeting (LC Paper No. CB(1)1186/15-16)
28/5/2016	Finance Committee	Administration's paper on Hong Kong Science and Technology Parks Corporation for Stage 1 of the Science Park Expansion Programme (FCR(2016-17)30) Administration's paper on Advanced Manufacturing Centre and a Data Technology Hub (FCR(2016-17)31) Minutes of meeting (LC Paper No. FC310/15-16) (LC Paper No. FC311/15-16)
8/6/2016 (Issue date)	Panel on Commerce and Industry	Administration's follow-up paper on "Implementation of pilot projects according to the revised IE Policy" (LC Paper No. CB(1)1024/15-16(01))

Date of meeting	Meeting	Paper
25/1/2017	Panel on Commerce and Industry	<p>Administration's paper on "2017 Policy Address - Policy Initiatives of Commerce, Industry and Tourism Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(1)464/16-17(03))</p> <p>Administration's paper on "2017 Policy Address - Policy initiatives of Constitutional and Mainland Affairs Bureau in relation to Mainland and Taiwan co-operation" (LC Paper No. CB(1)464/16-17(04))</p> <p>Administration's paper on "2017 Policy Address - Policy Initiatives of Innovation and Technology Bureau" (LC Paper No. CB(1)464/16-17(05))</p>
7/2/2017	Panel on Information Technology and Broadcasting	<p>Administration's paper on "2017 Policy Address - Policy Initiatives of Communications and Creative Industries Branch, Commerce and Economic Development Bureau" (LC Paper No. CB(4)450/16-17(01))</p> <p>Administration's paper on "2017 Policy Address - Policy Initiatives of Innovation and Technology Bureau" (LC Paper No. CB(4)450/16-17(02))</p>
15/2/2017 (Issue date)	Panel on Commerce and Industry	<p>Administration's paper on "Hong Kong/ Shenzhen Co-operation Meeting" (LC Paper No. CB(1)557/16-17(01))</p>