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Panel on Commerce and Industry

Meeting on 17 November 2020

**Updated background brief on
the Hong Kong-Shenzhen Innovation and Technology Park**

Purpose

This paper provides updated background information on the development of Hong Kong-Shenzhen Innovation and Technology Park ("the Park") in the Lok Ma Chau Loop ("the Loop"). This paper also summarizes the views and concerns expressed by members on the subject matter in previous discussions of the Panel on Commerce and Industry ("the Panel").

Background

2. The Loop development,¹ as one of the 10 major infrastructure projects announced in the 2007-2008 Policy Address for economic growth, is a mega and complex project.
3. On 3 January 2017, the Hong Kong Special Administrative Region ("HKSAR") Government and Shenzhen Municipal People's Government signed a memorandum of understanding ("the MOU"), agreeing to, under the "one country, two systems" principle and in accordance with the Basic Law, jointly develop the Loop into the Park and establish a key base for cooperation in scientific research with related higher education, cultural and creative and other complementary facilities in the Park.

¹ The Loop occupies 87 hectares of land and is originally within the administrative boundary of Shenzhen. In accordance with Order No. 221 of the State Council of the People's Republic of China promulgated on 1 July 1997, 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 Hong Kong Special Administrative Region.

4. Pursuant to the MOU, both sides agreed to abide by the following basic principles in developing the Loop, i.e. (a) applying the laws and land administration system of HKSAR; (b) non-profit making principle; and (c) friendly negotiation principle. A copy of the MOU is in **Appendix I**.

5. According to the MOU, 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. HKSAR Government will lease the formed land within the Loop to the Hong Kong Science and Technology Parks Corporation ("HKSTPC") by appropriate land disposal means for the development of the Park. HKSTPC has set up a wholly-owned subsidiary company vested with the responsibility to build the superstructure of the Park, as well as to operate, maintain and manage the Park. On 6 October 2017, the subsidiary company named Hong Kong-Shenzhen Innovation and Technology Park Limited ("HSITPL") was incorporated.²

6. The Park will provide a maximum total gross floor area of 1.2 million square metres, which, according to the Administration, will be the largest innovation and technology ("I&T") platform ever established in the history of Hong Kong and the most important infrastructure for driving research and development and re-industrialization.

Development plan

7. The planning and engineering study for the development of the Loop ("P&E Study") was completed in 2014. The P&E Study investigated the feasibility of and formulated a comprehensive development plan for the Loop taking into account the prevailing planning circumstances and public views collected through public engagement.

8. At the Panel meeting on 16 January 2018, the Panel noted that the Park would be developed in two main phases. The site formation and infrastructure of the Loop development would be delivered through different works packages, with initially the land decontamination and advance engineering works ("Advance Works") and then the Main Works Package 1. In the 2018-2019 Budget, the Financial Secretary set aside HK\$20 billion to support the first

² The Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop confirmed at its first meeting that there would be 10 directors on the Board of HSITPL. Four of which (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, mainly comprising personnel from local and overseas top-notch research institutions, enterprises and universities (i.e. the 4-3-3 ratio for the appointment of the Board). The membership of the Board of Directors of HSITPL is in **Appendix II**.

phase development of the Park for, inter alia, site formation, provision of infrastructure, construction of superstructure and initial operation.³

9. With the support of the Panel, the Finance Committee ("FC") approved on 18 May 2018 the funding proposal for the construction of the Advance Works as well as the detailed design and site investigation of the Main Works Package 1.⁴ It was expected then that the first batch of land parcels of the Loop would be made available by 2021, and the detailed design and site investigation of Main Works Package 1 would be completed in phases by early 2023.

10. HSITPL has completed the Master Planning Study and the Business Model and Business Planning Study for the development of the Park, and is currently conducting a technical feasibility study and an economic impact analysis study. As advised by the Administration, the findings of the studies will be used to estimate the cost required for batch 1 development and the operating expenditure of the Park.

Previous discussions

11. A joint meeting of the Panel, Panel on Development and Panel on Information Technology and Broadcasting was held on 6 March 2017 to discuss the development plan of the Park with the Administration. On 16 January 2018, the Administration consulted the Panel on the funding proposals for the construction of the Advance Works as well as the detailed design and site investigation of the Main Works Package 1. The major views and concerns of members are summarized in the ensuing paragraphs.

Facilitation measures

12. At both meetings, members considered that corresponding facilitation measures should be formulated in areas including the entry and exit control, investment promotion and taxation, all of which would be essential for attracting enterprises and talents to set up their bases/work in the Park. They also suggested that the Administration should (a) take measures to facilitate the entry and exit of Mainland I&T talents working in the Park who would have to commute between Hong Kong and Shenzhen on a daily basis; and (b) provide relevant supporting facilities such as suitable staff accommodation within the Park community. Some members asked whether hotel facilities would be available in the Loop development.

³ The Financial Secretary also indicated in the 2018-2019 Budget that the whole project would eventually cost far more than HK\$20 billion given the scale of the development.

⁴ The approved project estimate for the land decontamination and advance engineering works is HK\$517.6 million and that for the detailed design and site investigation of Main Works Package 1 is HK\$268.3 million in money-of-the-day prices.

13. The Administration advised that it would look into possible facilitation measures for enterprises and staff operating/working in the Park. According to the MOU, HKSAR Government agreed to take effective measures to facilitate the exit and entry of mutually approved Mainland personnel to the Park. I&T talents from the Mainland would still be subject to the entry visa requirement. The Administration would consider relevant entry and exit facilitation measures, for instance, the issuance of a multiple entry card allowing express immigration clearances, similar to the Asia Pacific Economic Cooperation Business Travel Card which allowed for multiple entry visits to any of the participating countries.

14. The Administration further advised that 1.23 hectares of commercial land use had been reserved within the Loop, which could be used for building hotel or other accommodation facilities. The requirement of supporting infrastructure/facilities would become clear upon completion of the design and planning study. Besides, HSITPL would commission a study to look into the admission criteria, investment promotion measures and mode of operation of the Park. The InnoCell project in the Hong Kong Science Park would serve as a reference in considering whether similar accommodation arrangements would be provided at the Park.

Safeguarding employment opportunities for local talents

15. At the joint meeting, some members opined that the Administration should safeguard the employment opportunities of local talents in the Park, and should not let the Park be used as a backdoor for employment or immigration to Hong Kong by Mainland residents.

16. The Administration advised that under the prevailing immigration policy, a company intending to employ a Mainland resident to work in Hong Kong should apply under the Admission Scheme for Mainland Talents and Professionals on an individual basis. The Mainland talents and professionals should possess special skills and knowledge or experience of value to and not readily available locally. The remuneration package offered to Mainland talents should commensurate with the prevailing market level for professionals in the relevant field in Hong Kong to ensure that the employment opportunities of local talents would not be compromised.

Shenzhen Innovation and Technology Zone

17. At the Panel meeting, some members noted that under the MOU, the Shenzhen side would develop an area of about three square kilometres to the north of Shenzhen River and adjacent to the Loop into a Shenzhen Innovation and Technology Zone. They enquired whether the completion time of the Shenzhen Innovation and Technology Zone would tie in with that of the Loop.

18. The Administration advised that a Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop ("the Joint Task Force") had been formed to study and negotiate major issues arising from the development of the Park. The Administration would keep in view the development of the Shenzhen Innovation and Technology Zone and update the Panel as and when necessary.

Composition of the Board of Directors of the Hong Kong-Shenzhen Innovation and Technology Park Limited

19. At both meetings, some members noted the 4-3-3 ratio for the appointment of the Board of HSITPL (footnote 2 above refers) and expressed concern that if all three jointly nominated directors would be filled by Shenzhen personnel, Hong Kong might lose its leading role in HSITPL and the operation and management of the Park.

20. The Administration advised that as the nominations of the three directors to be jointly made by both sides would be finalized through friendly negotiations, it would be highly unlikely that the directorship of HSITPL be taken up by persons only trusted by the Shenzhen side but not accepted by the Hong Kong side. The interests of Hong Kong would be safeguarded through the power of appointment.

21. In response to members' enquiry about the monitoring of HSITPL made at the joint meeting, the Administration advised that HSITPL would report to HKSTPC and the Joint Task Force on the development of the Park. Besides, the Administration would report to the Panel on the latest update of the work of HKSTPC whereas HKSTPC would table its annual reports to the Legislative Council.

Transport facilities

22. At the Panel meeting, members expressed concern on whether the proposed traffic and transport support arrangements would be sufficient to cope with the increased flow of vehicles and people to and from the Loop. Some members suggested that Lok Ma Chau Road and Ha Wan Tsuen East Road should be widened to a four-lane carriageway to further enhance the road capacity. Other members opined that a rail link connecting Yuen Long and the Loop should be built as the young people living in Yuen Long might become a major workforce at the Park in future.

23. The Administration advised that according to the transport and traffic impact assessment under the P&E Study, the Western Connection Road would be capable of meeting the traffic demand generated by the Loop development before Phase 2 of the Park was fully developed. Moreover, minor road improvement works would be implemented under the Advance Works to cope

with the increased traffic flow during the construction stage of Main Works Package 1.

Latest position

24. The Administration will seek the Panel's support for the funding proposals for the development of the Loop, including (a) Main Works Package 1 (PWP Item No. 7760CL); (b) batch 1 development of the Park; and (c) the fire station and ambulance depot with departmental accommodations in the Loop (PWP Item No. 3178BF). Subject to members' views, the Administration will submit the relevant financial proposals to the Public Works Subcommittee (for items (a) and (c)) and FC (for item (b)) for further consideration and approval.

Relevant papers

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

Council Business Division 1
Legislative Council Secretariat
10 November 2020

(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

羅 LUOI Plan 1

Shenzhen Special Economic Zone

Shenzhen River

文錦渡口岸
Wenjindu Port

羅湖口岸
Luohu Port

深圳河

Lok Ma Chau Loop

Lo Wu

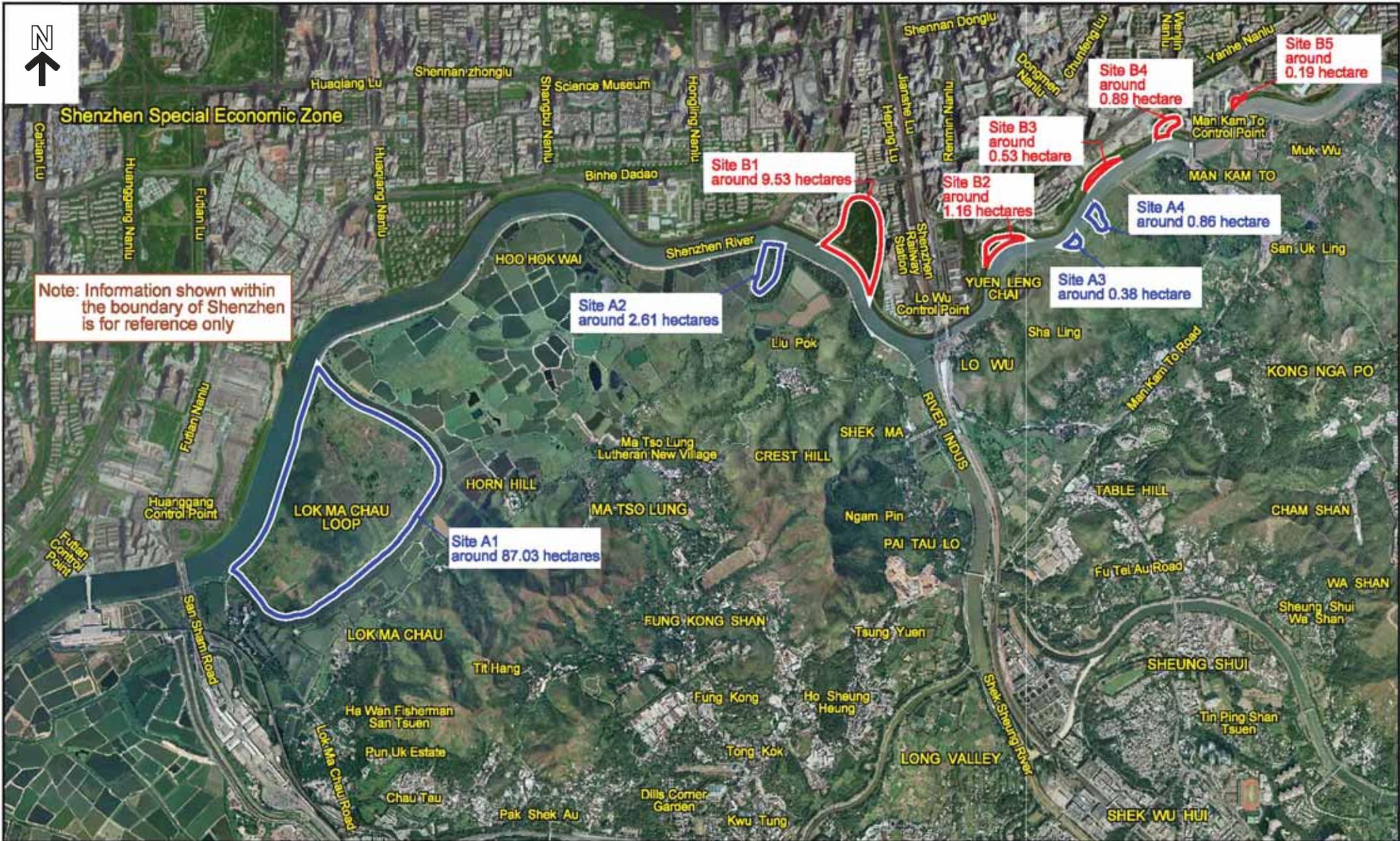
皇崗口岸
Huanggang Port
福田口岸
Futian Port

Ma Tso Lung

Hong Kong Special Administrative Region

Location Plan of Lok Ma Chau Loop





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



**Board of Directors of the
Hong Kong-Shenzhen Innovation and Technology Park Limited**

Membership List

Chairperson Permanent Secretary for Innovation and Technology

Members Professor Johnny CHAI Yat-chiu (alias CHAI, John Yat-chiu)

Mr Humphrey CHOI Chor-ching

Dr FAN Jian-ping

Professor LI Ze-xiang

Mr MENG Jian-min

Professor TSUI Lap-chee

Mr WANG Yu-wen

Mr Billy WONG Wing-hoo

Professor WU Yun-dong

List of relevant papers

Date of meeting	Meeting	Paper
6/3/2017	Panel on Commerce and Industry, Panel on Development and Panel on Information Technology and Broadcasting	Administration's paper on "Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop" (LC Paper No. CB(1)624/16-17(01)) Background brief on the Hong Kong/Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop prepared by the Legislative Council Secretariat (LC Paper No. CB(1)624/16-17(03)) Administration's follow-up paper (LC Paper No. CB(1)886/16-17(01)) Minutes of meeting (LC Paper No. CB(1)1366/16-17)
16/1/2018	Panel on Commerce and Industry	Administration's paper on "Development of Lok Ma Chau Loop – land decontamination and advance engineering works and main works package 1" (LC Paper No. CB(1)447/17-18(03)) Updated background brief on the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop prepared by the Legislative Council Secretariat (LC Paper No. CB(1)447/17-18(04)) Administration's follow-up paper (LC Paper No. CB(1)784/17-18(01)) Minutes of meeting (LC Paper No. CB(1)685/17-18)

Date of meeting	Meeting	Paper
28/3/2018 & 11/4/2018	Public Works Subcommittee	Administration's paper on "Development of Lok Ma Chau Loop – land decontamination and advance engineering works and main works package 1" (PWSC(2017-18)34) Administration's follow-up paper (LC Paper No. PWSC166/17-18(01)) Minutes of meetings (LC Paper No. PWSC196/17-18) (LC Paper No. PWSC183/17-18)
18/5/2018	Finance Committee	Administration's paper on "Development of Lok Ma Chau Loop – land decontamination and advance engineering works and main works package 1" (FCR(2018-19)12) Administration's follow-up paper (LC Paper No. FC329/17-18(01)) Minutes of meeting (LC Paper No. FC67/18-19)