

LCQ11: Shenzhen-Hong Kong Innovation and Technology Co-operation Zone

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (September 15):

Question:

At present, the Hong Kong Government and the Shenzhen Municipal Government are jointly developing the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone (Co-operation Zone), which comprises the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) and the Shenzhen Innovation and Technology Zone (SZ I&T Zone). In this connection, will the Government inform this Council:

- (1) given that the Shenzhen Municipal Government released two policy documents on the Co-operation Zone in August last year, setting out the development direction of the SZ I&T Zone and the support measures to facilitate entrepreneurship provided therein, when the Government will release the relevant policy documents on the Co-operation Zone;
- (2) whether it will consider a recommendation put forward by a think tank of implementing in the HSITP a tax rebate policy for research and development expenditures of enterprises;
- (3) whether it has projected if the rent levels of the HSITP will be higher than those of the SZ I&T Zone; if it has projected and the outcome is in the affirmative, of the measures in place to enhance the competitiveness of the rental rates of the HSITP; and
- (4) of the number of meetings held so far by the Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop, and whether both parties of Hong Kong and Shenzhen have explored the strategies for promoting business in and attracting investments to the HSITP; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau, we provide the reply to the various parts of the question as follows:

- (1), (3) and (4) The National 14th Five-Year Plan mentions expediting the development of the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) into an international innovation and technology (I&T) hub, and for the first time includes the Shenzhen-Hong Kong Loop as a major platform of co-operation in the Greater Bay Area. It also indicates clear support for Hong

Kong's development into an international I&T hub and further deepening of the co-operation between Hong Kong and Mainland in I&T, which demonstrates the importance the Central Government attaches to Hong Kong's I&T and the Loop development.

The Government is taking forward the development of the Hong Kong-Shenzhen Innovation and Technology Park (HSITP) in full swing, and is currently pressing ahead with the works project at full steam with a view to completing the eight buildings in Batch 1 in phases from end 2024. When we submitted the funding proposals on the related development and the initial operating cost of the Hong Kong-Shenzhen Innovation and Technology Park Limited (HSITPL) to the Finance Committee of the Legislative Council early this year, we have introduced to the Committee that the vision of the HSITP is to become the world's knowledge hub and I&T centre, and will focus on the development of six technology areas, namely healthcare technologies, big data and artificial intelligence, robotics, new material, microelectronics, and financial technology. The HSITPL will draw up plans as appropriate to attract tenants based on the above and with reference to the experience of I&T platforms around the world, including the admission criteria and rental policy, with a view to ensuring the international competitiveness of the HSITP. The HSITPL will also take into account the experience of the Hong Kong Science Park and Cyberport so as to put in place appropriate incubation programmes and support schemes for start-ups.

Hong Kong and Shenzhen have always been close partners in the development of I&T, and are jointly taking forward the development of the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone (Co-operation Zone), comprising the HSITP and the Shenzhen Innovation and Technology Zone (SZ I&T Zone), to establish the "One Zone, Two Parks". So far, the Joint Task Force on the Development of the Hong Kong-Shenzhen Innovation and Technology Park in the Loop (Joint Task Force), co-chaired by the Secretary for Innovation and Technology and the Vice Mayor of Shenzhen Municipality, has held eight meetings. Both sides have exchanged views on the development of the Co-operation Zone and received briefings on the work progress by the HSITPL through the Joint Task Force. The Shenzhen Municipal Government has also introduced the latest development of the SZ I&T Zone to the Hong Kong Special Administrative Region Government through the Joint Task Force.

On September 6, the governments of Hong Kong and Shenzhen signed the "Co-operation Arrangement on the Establishment of 'One Zone, Two Parks' in the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone at the Lok Ma Chau Loop" (Co-operation Arrangement) (Note 1) at the High-level Meeting cum Hong Kong/Shenzhen Co-operation Meeting 2021, setting out the direction of co-operation for the development of the Co-operation Zone. At the same time, in order to attract talent and enterprises to develop in the Co-operation Zone, the governments of both sides launched a joint policy package (Note 2) to implement measures conducive to the flow of talent, scientific research resources and business development, etc.

The Hong Kong Science and Technology Parks Corporation (HKSTPC) also signed a framework agreement with Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone Development Co Ltd in the form of an annex to the

Co-operation Arrangement. The two governments also witnessed the plaque unveiling of the joint office of the Co-operation Zone after the meeting. As an important step in taking forward the establishment of "One Zone, Two Parks", the HKSTPC will kick start the establishment of the Shenzhen branch of the Hong Kong Science Park in the SZ I&T Zone before the completion of the first batch of buildings in the HSITP, thus allowing institutes and enterprises that are interested in starting business in the Greater Bay Area to first establish presence in the Shenzhen branch. The HKSTPC will also set up the InnoAcademy of the Greater Bay Area in the Shenzhen branch of the Hong Kong Science Park to provide comprehensive services to I&T talent of both sides, covering three important functions of a resource centre, a training hub, and an exchange platform. With the set-up of InnoExpress of the Greater Bay Area, business development support will be provided for Hong Kong and Mainland I&T enterprises, capitalising Hong Kong's roles in attracting foreign investment and going global.

(2) To encourage more enterprises to conduct research and development (R&D) work in Hong Kong, the Government amended the Inland Revenue Ordinance in 2018 so as to provide a two-tiered enhanced tax deduction for expenditures incurred by enterprises on qualifying R&D activities since April 1, 2018. The deduction is 300 per cent for the first \$2 million of the qualifying R&D expenditures incurred by enterprises, and 200 per cent for the remaining amount. There is no cap on the amount of the relevant enhanced tax deduction which applies to all enterprises, including those establishing presence in the HSITP in the future.

Note 1: "Co-operation Arrangement on the Establishment of 'One Zone, Two Parks' in the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone at the Lok Ma Chau Loop"

(www.itb.gov.hk/assets/files/press_release/pr_20210906b_tc.pdf) (Chinese only)

Note 2: Joint Policy Package for the Shenzhen-Hong Kong Innovation and Technology Co-operation Zone in the Loop

(www.itb.gov.hk/assets/files/press_release/pr_20210906c_en.pdf)