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Development Strategies for San Tin Technopole: From Ground Zero to Innovation Hub

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Introduction

Hong Kong's economy has undergone significant structural changes since the early 1980s, becoming the world's most services-oriented economy. In contrast, during the same period, its peers, the other three "Asian Dragons", were diversifying into high-value-added and technology-intensive industries, as Hong Kong gradually fell behind in the latest frontier of global economic competition.

To reverse such trends, a clear policy intention has been laid out by the Government of the Hong Kong Special Administrative Region ("the Government") to develop the innovation and technology ("I&T") industry in Hong Kong as a new engine for its future growth, thereby establishing a new industry pattern of "South-North dual engine (finance-I&T)". The first *Hong Kong Innovation and Technology Development Blueprint* was published in 2022, identifying I&T industries with an edge to develop in Hong Kong, and setting relevant key performance indicators ("KPIs") for building a vibrant and thriving I&T ecosystem.

At the heart of this vision is the San Tin Technopole. Providing 300 hectares of I&T land, the San Tin Technopole is of comparable scale to the 300-hectare Shenzhen Innovation and Technology Zone and will create synergy on both sides of the Shenzhen River together with the planned I&T development in Lau Fau Shan, Tsim Bei Tsui, and Pak Nai areas. Upon completion, San Tin Technopole will accommodate 7 million square feet of gross floor area ("GFA") for I&T purposes — equivalent to 17 Science Parks — and create over 120,000 I&T-related jobs.

However, to ensure the success of the San Tin Technopole, three critical questions need to be first answered:

- Who should be the lead development entity for the 300-hectare I&T land?
- How to attract investments and enterprises to expedite the development of the local I&T ecosystem?
- In what ways should land be disposed of and developed to meet and align with industry-specific needs?

With these three questions in mind, we examined various overseas and Mainland case studies, drawing valuable insights for the development model of San Tin Technopole. Subsequently, we put forward **13 policy recommendations under 5 directions**, to realise the vision of developing Hong Kong into an international I&T hub.

Case Studies

Lead development entity

A **government entity** could be set up to directly oversee the development and operation of the I&T park. Reporting to the Science and Technology Council under the Executive Yuan, Taiwan's Hsinchu Science Park Bureau ensures policy, regulatory, and financial support for tenants in the park.

Given its more proactive and risk-tolerant nature, a **corporate entity** could scale up cluster development with greater efficiency. Zhangjiang Group, a Shanghai-based and listed I&T park operator, demonstrates the advantage of its higher risk appetite by making strategic investment in its top-performing tenants, accelerating their growth while bringing sizeable returns for itself.

With abundant intellectual capital and talent pool, parks run by **research institutions** can foster industry collaborations. Leveraging its internationally acclaimed research community, Cambridge Science Park has attracted various leading enterprises to set up headquarters and research centres.

Developed and administrated jointly by the government and private sector, a **public-private partnership** can leverage each other's strengths to make a project politically and economically feasible. As a joint venture by Catellus Development Corporation and San Francisco Redevelopment Agency, Mission Bay in San Francisco was successfully revitalised from a former railyard to a vibrant life sciences hub.

Business and investment attraction

Various economies have dedicated bodies to coordinate investment attraction efforts. The Singapore Economic Development Board is a one-stop shop for incoming businesses to get policy support and resources that are scattered among government departments; while Shenzhen assigns a principal municipal official to be in the person-in-charge of investment promotion for each strategic emerging industry.

Nevertheless, to ensure mutually beneficial partnerships, businesses must be required to make contributions to the economy in return for preferential policies. The investment agreement should outline each party's commitments with relevant KPIs. For instance, in return for government support such as discounted land, concessionary tax rate, and low-cost loans to set up its gigafactory in Shanghai, Tesla pledged to achieve tax contribution, capital expenditure, and procurement localisation targets, failing which would mean returning the site to the Shanghai government.

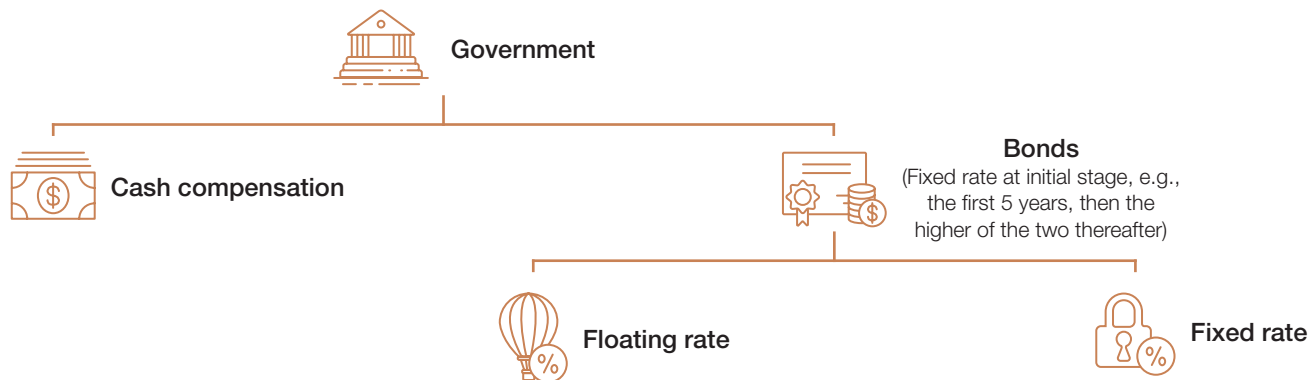
Land allocation and development

Various land allocation and development methods can be used during an I&T ecosystem's different stages. This is exemplified in Biopolis, the life science cluster of One North in Singapore. Biopolis' first phase was developed by a statutory corporation to house the anchoring government research agency, Agency for Science, Technology and Research (A*STAR). Later phases were tendered to third-party developers to further expand the ecosystem. For strategic leading enterprises, individual sites were directly allocated for constructing tailor-made facilities. There is also flexibility for those pursuing an asset-light model to engage third-party developers for land development.

Policy Recommendation Directions and Measures

I. Introduce various forms of private participation to assist the Government as the lead development entity

1. Suitable adjustments can be made to the Enhanced Conventional New Town Approach to leverage private participation in attracting I&T enterprises. **It is proposed to extend the scope of in-situ land exchange to include I&T use, with an additional pre-requisite for landowners to secure prospective leading I&T enterprises.** These will be subject to the Government's approval to ensure alignment with the policy intention of I&T development. As an incentive, concessionary land premium will be provided to the landowners.
2. To provide greater incentives and create a “work-live-play-learn” community, another option for private participation under the Enhanced Conventional New Town Approach can include the construction of talent accommodation. **Landowners who opted for in-situ land exchange for I&T land would be allowed to build talent accommodation with a maximum domestic GFA limited to 10% of the GFA for I&T use on their respective sites.** Talent accommodation units shall be for rental only and not for sale.
3. Even under the scenario of land resumption, private participation can take the form of a continued co-investment as an additional compensation option. **As a departure from the convention where compensation for land resumption is only settled in cash, landowners can be given the option to receive a mix of cash and San Tin Technopole Development Bonds, thus allowing bondholders to share the upside.** A fixed rate can be adopted in the initial stage, for example, for the first five years, and the higher of the fixed rate and floating rate thereafter. The floating rate can be calculated based on the year-on-year rates of change of a basket of KPIs of the San Tin Technopole, including for instance, industry value added, profits tax, fixed asset investment, total business expenditure, and other relevant factors.





II. Strengthen intragovernmental coordination at the implementation level for San Tin Technopole

- In order to complement the high-level coordination for strategic planning under the Steering Committee on Northern Metropolis, coordination at the implementation level is required. **It is therefore proposed that a new business-centric working group on San Tin Technopole is formed to provide one-stop investment attraction services.** To be headed by the Financial Secretary or his deputy, coupled with the Innovation, Technology and Industry Bureau serving as the secretariat, the new working group shall include all relevant bureaux whose portfolios involve the needs of incoming enterprises and talents, ensuring a fast-paced and coordinated response.
- To ensure the commitment of all bureaux involved, relevant KPIs could be set to monitor the effectiveness of the working group.** In terms of investment commitments, KPIs include businesses' fixed asset investment and total business expenditure. In terms of contribution to the economy, KPIs will include industry value added and number of jobs created.

III. Ensure effective and aggressive investment attraction with mutually beneficial partnerships

- As competition for businesses and investments intensifies between various economies, general policy support such as tax incentives and concessionary land prices have become points of parity. Therefore, in order to establish points of differentiation, **effective investment attraction would require tailor-made incentives to meet industry- and company-specific needs, coupled with offering a compelling business proposition for enterprises.**
- Furthermore, adopting a more aggressive and omnichannel approach can turn each touchpoint with businesses into opportunities. To amplify the reach and enhance the effectiveness of investment attraction efforts, **key decision influencers including local experts and senior executives of multinational corporations can be leveraged for all-round pitching to enterprises.**
- On the other hand, **incoming enterprises receiving incentives and preferential policies from the Government shall be assigned performance-based KPIs.** These are to ensure the formation of mutually beneficial partnerships, where enterprises would reciprocate by contributing to the long-term economic and technological development of Hong Kong.

 Economic KPI for enterprises			 Science and Technology KPI for enterprises		
Contribution to economy	Enterprise growth prospect	Investment and trade	Innovation	Talent	Patent
<ul style="list-style-type: none"> GDP contribution Tax contribution Labour productivity per capita 	<ul style="list-style-type: none"> Gross profit and profit margins Growth rate of operating income 	<ul style="list-style-type: none"> Amount of foreign capital Amount of fixed asset investment Total volume of foreign trade 	<ul style="list-style-type: none"> Type of facility (research, production, etc.) R&D expenditure as a share of revenue 	<ul style="list-style-type: none"> Number of jobs created Proportion of local and foreign employees Proportion of highly skilled personnel 	<ul style="list-style-type: none"> Annual patent applications Annual patents granted Value of technology contracts

IV. Develop an attractive environment for leading enterprises and the community

9. **There is a need to ensure the readiness of convenient transport connectivity to I&T land at the outset to minimise inconveniences.** We propose constructing an additional medium-to-light capacity railway system to link the I&T land to Lok Ma Chau, San Tin, and HSITP Stations. As an interim solution before the Northern Link Main Line and its Spur Line are completed, we recommend adopting alternative forms of mass transit, such as a network of bus services linked by bus-to-bus interchanges and Autonomous Rail Rapid Transit system.
10. **Establishing the presence of government research agencies and academic institutions is critical to kickstart the I&T ecosystem.** These will provide opportunities for research collaboration and forming business partnerships, encouraging multinational corporations and other smaller companies to mushroom nearby.
11. **New urban design concepts could also be experimented in San Tin Technopole to create a liveable mixed-use community.** Vertically, a single building can provide space for a multitude of uses, including housing, office, recreational and retail spaces. Horizontally, the planning and design of San Tin Technopole should embrace the “work-live-play-learn” concept within a 15-minute living circle to create a 24-hour vibrant community.

V. Allocate and develop the land based on ecosystem maturity and industry needs

12. **The Government can directly allocate land to leading enterprises in the initial stage, while progressively introducing other more competitive methods as the I&T ecosystem matures.** At the ground zero stage, **direct allocation** enables direct negotiation and customised terms to attract leading enterprises as pioneers. However, a general policy framework should first be formulated and promulgated to maintain transparency and facilitate monitoring. Subsequently, **restricted tender** could be used to recruit prospective enterprises that will complement the leading enterprises in the industrial chain. With the I&T cluster taking shape, **concept and price tender** would come into the picture by bringing in unique concepts and designs to further enhance the ecosystem. Eventually, as San Tin Technopole establishes its reputation as an international I&T hub, land could be disposed of by **open tender** to maximise the income generated via land premium.
13. Enterprises undertaking cutting-edge research and high-end manufacturing often come with specific and detailed requirements that necessitate tailored-to-suit buildings for their operations. Thus, **there is a need to understand the spatial demands of companies at different sectors of an industrial chain to avoid “building waste”.**

Summary of Recommendations

Lead development entity



- I. **Introduce various forms of private participation to assist the Government as the lead development entity**
 1. Extend the scope of in-situ land exchange to include I&T use and provide concessionary land premium, but as pre-requisite, landowners are required to secure prospective leading I&T enterprises for the Government's approval
 2. Allow landowners to construct talent accommodation, pegged to the scale of I&T operations on their respective sites; units shall be for lease only and not for sale
 3. In the case of land resumption, give landowners the option to receive a mix of cash and San Tin Technopole Development Bonds as compensation

Business and investment attraction



- II. **Strengthen intragovernmental coordination at the implementation level for San Tin Technopole**
 4. Form a new business-centric and one-stop-shop working group for a fast-paced and coordinated response
 5. Set relevant KPIs to ensure the commitment of all bureaux involved and monitor the effectiveness of the working group
- III. **Ensure effective and aggressive investment attraction with mutually beneficial partnerships**
 6. Move beyond general policy support to offer tailor-made incentives and a compelling business proposition
 7. Leverage key decision influencers for all-round pitching to enterprises
 8. Make sure incentives are performance-based with KPIs aligned to policy goals

Land allocation and development



- IV. **Develop an attractive environment for leading enterprises and the community**
 9. Ensure the accessibility of I&T land through advanced planning on the provision of convenient transport connections
 10. Establish the presence of government research agencies and academic institutions to kickstart the I&T ecosystem
 11. Form a liveable mixed-use community with the “work-live-play-learn” and “vertical city” concepts
- V. **Allocate and develop the land based on ecosystem maturity and industry needs**
 12. Directly allocate land to leading enterprises at ground zero, while introducing other more competitive methods as the I&T ecosystem matures
 13. Avoid “building waste” by understanding the demands of companies in different sectors of an industrial chain

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