

For Information

Legislative Council Panel on Commerce and Industry

Hong Kong/Shenzhen Co-operation Meeting

Purpose

This paper briefs Members on the gist of the Hong Kong/Shenzhen Co-operation Meeting (the Meeting) held on 3 January 2017 in Hong Kong.

Background

2. The former Chief Secretary for Administration (CS), Mrs. Carrie Lam, and the Standing Committee Member of the CPC Guangdong Provincial Committee, Party Secretary of the CPC Shenzhen Municipal Committee, Mayor of Shenzhen Municipality, Mr Xu Qin, co-chaired the Hong Kong/Shenzhen Co-operation Meeting on 3 January 2017 in Hong Kong. At the meeting, the two sides reviewed co-operation progress of the past year, and set the main directions for co-operation in the coming year.

3. Under the witness of the Chief Executive, Mr C Y Leung, and the Party Secretary of the CPC Shenzhen Municipal Committee, the two sides signed the "Memorandum of Understanding on Jointly Developing the Lok Ma Chau Loop by Hong Kong and Shenzhen"(the Memorandum of Understanding) before the Meeting. A copy of the Memorandum of Understanding is attached. After the Meeting, former CS and the Party Secretary of the CPC Shenzhen Municipal Committee held a press conference to brief on the outcome of the Meeting

and in particular the development of the Lok Ma Chau Loop (see paragraphs 4-5 below). A press release was issued after the meeting. Key areas discussed at the Meeting are set out in ensuing paragraphs.

Development of the Lok Ma Chau Loop

4. A breakthrough has been made in the development of the Lok Ma Chau Loop. The HKSAR Government and the Shenzhen Municipal People's Government signed a Memorandum of Understanding, agreeing to jointly develop the Lok Ma Chau Loop into a Hong Kong/Shenzhen Innovation and Technology Park under the principles of "one country, two systems" and "co-development and mutual benefit". The development will establish a key base for co-operation in scientific research and provide the related higher education, cultural and creative, as well as other complementary facilities, in order to attract Hong Kong, Shenzhen and other overseas and Mainland top enterprises, innovative organisations and higher education institutions. As a dedicated organisation to promote innovation and technology in Hong Kong, the Hong Kong Science and Technology Parks Corporation will set up a subsidiary company to be vested with the responsibility of building the superstructure and operating the Hong Kong/Shenzhen Innovation and Technology Park. The Hong Kong/Shenzhen Innovation and Technology Park together with the Science Park and industrial estates will achieve significant synergy and cluster effect.

5. The HKSAR Government has been striving to foster the development of innovation and technology in recent years. On the other hand, Shenzhen possesses strong capability in scientific research and manufacturing. The development of the Loop area represents an excellent opportunity to strengthen the two places' co-operation in innovation and technology.

Innovation and Technology

6. Significant progress on co-operation was achieved in respect of innovation and technology in 2016. For example, the two places strengthened co-operation in scientific research by jointly funding projects under the "Guangdong-Hong Kong Technology Co-operation Funding Scheme". As at November 2016, over 60 projects have been jointly funded by the Science and Technology Innovation Commission of Shenzhen Municipality and Hong Kong's Innovation and Technology Fund (ITF), and the amount of ITF funding involved exceeds \$150 million.

7. Innovation and technology are critical to the overall economic and social development of Hong Kong. The HKSAR Government will roll out the Innovation and Technology Venture Fund in the first half of 2017 as planned to attract private venture capital funds, including those based in Shenzhen, to co-invest with the HKSAR Government, on a matching basis, in Hong Kong's innovation and technology start-ups. The two governments will jointly promote this Fund to private venture capital investment funds in Shenzhen.

Qianhai Development

8. In 2016, the Qianhai Management Authority has continued to vigorously promote the participation of Hong Kong people and enterprises in the development of Qianhai. Since the beginning of its land sale in 2013, sites capable of providing about 2.48 million square metres of gross floor area have been sold to Hong Kong-invested enterprises. As at the end of December 2016, over 4 200 Hong Kong-invested enterprises have registered in the Qianhai and Shekou Area of the Guangdong Pilot Free Trade Zone. The HKSAR Government will actively co-operate with Shenzhen to push forward the

implementation of the "Ten Thousand, Thousand, Hundred and Ten" development target by 2020 as set out in the "Work Plan on Promoting Shenzhen-Hong Kong Co-operation in the Shenzhen-Hong Kong Modern Service Industry Co-operation Zone in Qianhai".

9. Under Supplement X to the Mainland and Hong Kong Closer Economic Partnership Arrangement, the first majority-foreign-owned joint venture fund management company commenced operation in Qianhai in September 2016. In addition, the Hong Kong Exchanges and Clearing Limited signed a Memorandum of Understanding with the Qianhai Management Authority in September 2016 to explore co-operation in such areas as financial services and financial innovation.

10. The HKSAR Government will discuss with the Qianhai Management Authority to provide more pilot property development projects that will adopt the Hong Kong project management model, including directly engaging Hong Kong construction and related engineering professionals and enterprises to provide services so that more Hong Kong enterprises and professionals can take part in the development and construction of Qianhai.

Financial Co-operation

11. On financial co-operation, Shenzhen-Hong Kong Stock Connect was launched in December 2016, enabling mutual access between the stock markets in Hong Kong and Shenzhen through the platform of Shenzhen-Hong Kong Stock Connect.

12. The HKSAR Government welcomes Guangdong's implementation of policy measures put forward in the "Guiding Opinions of the People's Bank of China on Providing Financial

Support for the Establishment of the China (Guangdong) Pilot Free Trade Zone” (Guiding Opinions) in April 2016. The HKSAR Government will liaise with the relevant Guangdong and Shenzhen authorities to further take forward the implementation of relevant measures in the Guiding Opinions, in order to promote two-way cross-border flows of Renminbi (RMB) and transactions in financial services between Hong Kong and Guangdong. The Government will also continue to encourage enterprises and financial institutions in Shenzhen to raise RMB funds through issuing “dim-sum” bonds in Hong Kong.

Professional Services

13. In respect of the construction and related engineering sector, on the basis of the "List of Consultants of the Architectural and Associated Consultants Selection Board" provided by the Development Bureau, the Qianhai Management Authority has compiled a "Register of Hong Kong Professional Firms" that included the filing of professional firms in the engineering sectors of architecture, building services, quantity surveying and structural engineering. The register was promulgated together with related implementation measures in June 2016 which would allow Hong Kong professionals and firms to practice and provide professional services for development projects in Qianhai that are wholly or majority owned by Hong Kong enterprises.

14. On legal services, the HKSAR Government would continue to encourage the legal professions of both sides to make use of the relevant liberalisation measures to further their businesses, including the measure on the setting up of association in the form of partnership by law firms of both sides. The Government would seek to extend the applicable scope of

the measure on association in the form of partnership to the entire Guangdong Province as soon as possible.

Youth Co-operation

15. On youth co-operation, the HKSAR Government set up the \$300 million Youth Development Fund (YDF) in July 2016. By offering a matching grant, the YDF assists non-governmental organisations (NGOs) to give financial support to young people in Hong Kong for starting their own businesses. The NGOs will also provide mentorship programmes with relevant guidance and support to assist the young entrepreneurs. The young entrepreneurs may explore business opportunities outside Hong Kong, such as in Shenzhen and other Mainland cities. The Home Affairs Bureau plans to announce the list of NGOs that have secured funding from the YDF to support young entrepreneurs in February this year. In addition, the HKSAR Government will continue to sponsor NGOs to arrange internships and exchanges in the Mainland for young people through the Funding Scheme for Youth Internship in the Mainland and the Funding Scheme for Youth Exchange in the Mainland.

Other co-operation areas

16. Apart from the above, the two sides have also made steady progress in other areas of co-operation, such as cross-boundary infrastructure, education, social and livelihood services, etc.

Conclusion

17. Over the past year, with the concerted efforts of Hong Kong and Shenzhen, good progress has been made in different areas of co-operation. Looking ahead, both sides will continue to push ahead with the work on various fronts under the principles of complementarity and mutual benefits, with a view to deepening the exchanges and co-operation between the two places in different areas. Both sides will also actively take forward the implementation work on establishing the Hong Kong/Shenzhen Innovation and Technology Park at the Loop in accordance with the Memorandum of Understanding.

**Constitutional and Mainland Affairs Bureau
February 2017**

(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

羅湖
LUOHU

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

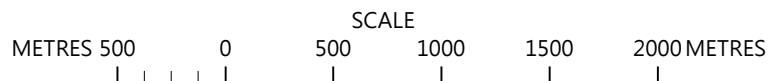
深圳河

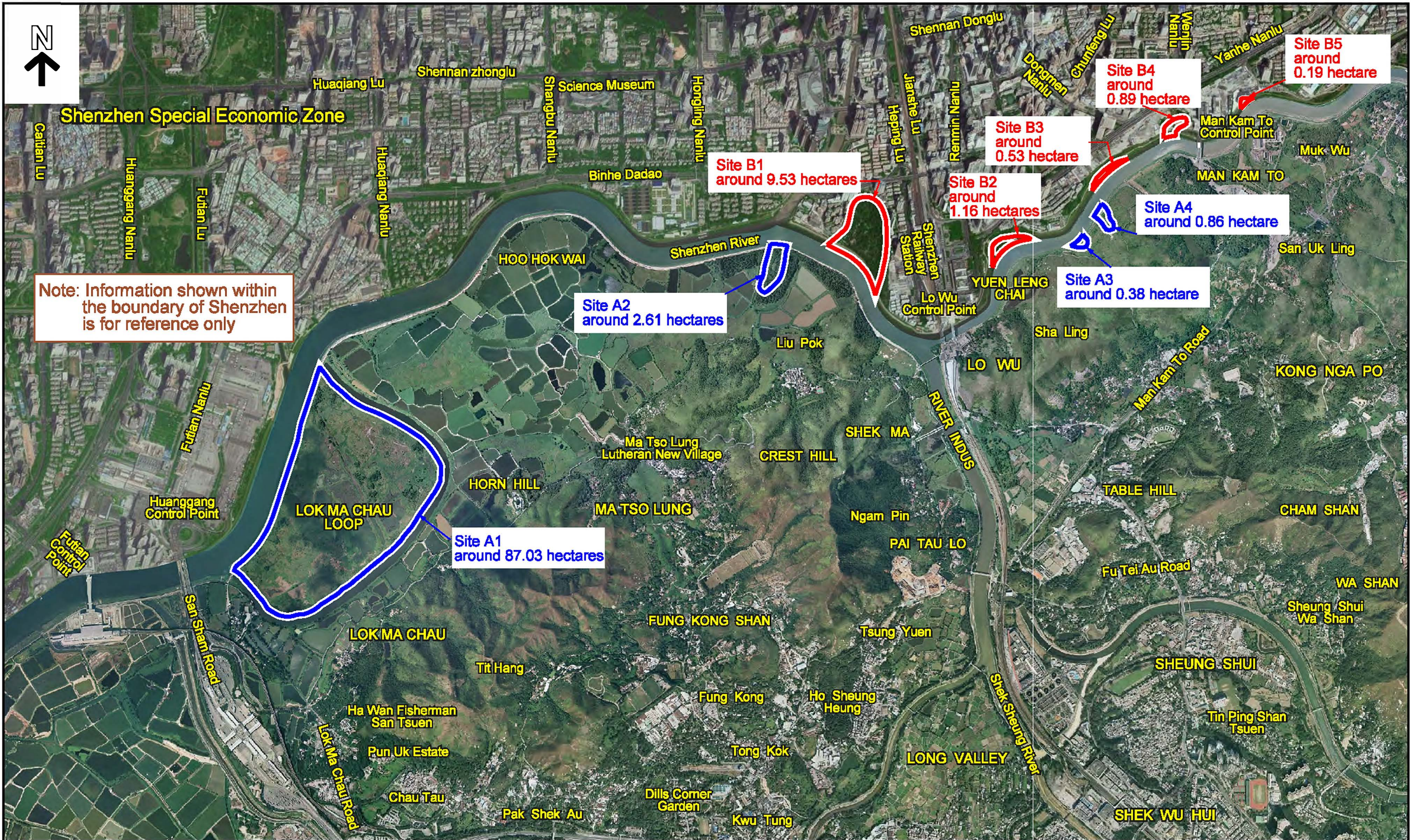
皇崗口岸
Huanggang Port
福田口岸
Futian Port

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

