Framework Agreement on Hong Kong/Guangdong Co-operation
To translate the macro policies in the “Outline of the Plan for the Reform and Development of the Pearl River Delta” into concrete measures that are conducive to the development of both places, Hong Kong and Guangdong signed a Framework Agreement in the presence of the State Vice-President, Mr. Xi Jinping, and senior officials from relevant ministries in Beijing in April this year. This is the first agenda on Hong Kong/Guangdong co-operation ever endorsed and approved for implementation by the State Council since the establishment of the Joint Conference in 1998. The Framework Agreement sets out six long-term development positions for Hong Kong/Guangdong co-operation, including a world-class new economic region, a financial co-operation region, a manufacturing and modern services base, a modern economic circulation sphere, a quality living area and a world-class metropolitan cluster.

Currently, the HKSAR Government and Guangdong Provincial Government are working closely to actively implement the various policies and measures in the Framework Agreement. Good progress has been made in the 43 projects of the 2010 Work Plan. Both sides signed an arrangement on the implementation of the Framework Agreement after the Plenary, with a view to attaining concrete deliverables in major co-operation areas under the Framework Agreement within a year or two. For this purpose, we will continue to work closely with Guangdong to draw up the 2011 Work Plan. In addition, we will continue to strive to incorporate the relevant policies on Hong Kong/Guangdong co-operation in the Framework Agreement into the National 12th Five-Year Plan.

Regional Co-operation Plan on Building a Quality Living Area
The regional co-operation plan on “Building a Quality Living Area” being compiled jointly by Hong Kong, Guangdong and Macao will be completed on confirmation from the three governments. The three sides will hold a news briefing to announce the outcomes of the Plan in the fourth quarter this year. This is the first regional co-operation plan with quality living as its theme. The Plan is highly forward-looking and allows the three governments to jointly develop the Pearl River Delta (PRD) region into a low-carbon, high-technology, low-pollution cluster of cities with quality living, so as to transform the PRD region into a green and quality living area.

A number of key co-operation actions will be taken. They include enhancing control measures to protect air and water quality, developing regional ecological corridors, improving regional environmental and ecological quality, protecting our environment and natural resources. Actions will also be taken to promote development of a low-carbon economy with a view to addressing climate change, further encourage enterprises to adopt cleaner production, promote wider use of electric vehicles, and improve energy supply structures, including collaboration in promoting wider use of and research in clean and renewable energy. The governments will also optimize spatial organization, foster the development of a green, highly effective, people-oriented transport system, facilitate building up of convenient and efficient cross-boundary connections, as well as enriching services in culture and social living.

One of the highlights of the regional plan is to promote the development of a low-carbon economy for the region. To address climate change, both governments will promote exchange and co-operation on the development of a low-carbon economy, including in the areas of
scientific research, technology development and application, public education and capacity building for combating climate change, etc.

Regional Co-operation Plan on Infrastructure Construction
The regional co-operation plan on “Infrastructure Construction” is the first co-operation plan formulated by Hong Kong, Guangdong and Macao on future infrastructure construction and development. It covers cross-boundary transport facilities (including highways, railways, ports and airports), boundary control facilities, electricity supply, water supply, natural gas supply and cross-boundary high capacity information communication and technology infrastructure, etc. The plan maps out the direction, objectives, priorities and measures for future co-operation, with particular emphasis on enhancing the interface of the three places in the planning and development of infrastructures at spatial, time and functional levels.

Work on this regional co-operation plan has been progressing well. The governments of Hong Kong, Guangdong and Macao are now endeavoring to complete the final stage of the work, which is anticipated to complete by the fourth quarter.

Regional Co-operation
As for Qianhai development, the State Council has given its in-principle approval to the “Overall Development Plan on Hong Kong / Shenzhen Co-operation on Modern Service Industries in Qianhai Area” in end August this year, which designates Qianhai as a Hong Kong/Guangdong modern service industry innovation and co-operation exemplary zone. It provides more business and development opportunities for Hong Kong businesses and professional service providers to expand the Mainland service market, and renders substantial support to the co-operation between Hong Kong and Guangdong in enhancing regional competitiveness. The HKSAR Government welcomes the development, and will actively complement the Shenzhen Municipal Government in encouraging the trades in Hong Kong to capitalize on the favorable policies on Qianhai development, and to set up business and invest in Qianhai. Moreover, the Guangdong Economic and Trade Office of the HKSAR Government has set up a Shenzhen Liaison Unit in Shenzhen to assist in taking forward co-operation in the development of modern service industries in Qianhai and other new measures.

In addition, the Planning and Engineering Study on Development of the Lok Ma Chau Loop, jointly commissioned by the Hong Kong and Shenzhen governments, commenced in June 2009 and is scheduled for completion in 2012. The Study on the Action Plan for the Bay Area of the Pearl River Estuary, jointly commissioned by the governments of Hong Kong, Guangdong and Macao, commenced in April this year. The Action Plan aims to examine feasible options to facilitate co-ordinated development of the Bay Area with a view to developing it into the most sustainable and livable area of the Greater Pearl River Delta region. It is anticipated that the study will be completed within this year.

Co-operation on Financial Services
On financial services, regulatory bodies in Hong Kong and Guangdong have been maintaining a close relationship to ensure the advancement of financial collaboration between both places. Regarding the setting up of cross boundary branches by financial institutions, the "cross-location sub-branches" measure of Supplement VI to CEPA has been implemented. Four Hong Kong
banks have been approved by the China Banking Regulatory Commission Guangdong Bureau to set up a total of seven sub-branches in Guangdong. Supplement VII to CEPA, announced on May 27 this year, further relaxes relevant requirements for Hong Kong banks to set up a wholly foreign-funded bank or a foreign bank branch in the Mainland, including Guangdong, as well as to apply to conduct renminbi (RMB) business.

For the securities market, Supplement VII to CEPA also specifies measures on the deepening of co-operation between Hong Kong and the Mainland on financial services and product development, and the introduction of ETFs (exchange-traded funds) on Hong Kong stocks in the Mainland at an opportune time. The Securities and Futures Commission of Hong Kong will continue to work closely with the China Securities Regulatory Commission and other relevant authorities to follow up on pilot co-operation initiatives such as the introduction of ETFs on Hong Kong stocks at the Shenzhen Stock Exchange. The exchanges of Hong Kong and the Mainland have also held meetings to study in detail the technical considerations regarding the introduction of cross-border ETFs on the Mainland.

In the past year, there has been satisfactory progress on the development of RMB business. The trade settlement amount between Hong Kong and Guangdong has been rising steadily. On June 22 this year, the People's Bank of China (PBoC) announced the expansion of the RMB trade settlement scheme. The coverage of the pilot scheme in Guangdong has been expanded from four cities to the whole of Guangdong Province, thus providing better conditions to promote RMB trade settlement between Hong Kong and Guangdong. Moreover, on July 19, the PBoC signed a Supplementary Memorandum of Co-operation on the expansion of the RMB trade settlement scheme with the Hong Kong Monetary Authority, and a revised Settlement Agreement on the Clearing of RMB Businesses. Thereafter, there will no longer be restrictions on banks in Hong Kong in establishing RMB accounts for and providing related services to financial institutions; and individuals and corporations will be able to conduct RMB payments and transfers through the banks.

Commerce and Trade Co-operation
Since 2008 the Mainland and Hong Kong have announced 41 measures for early and pilot implementation in Guangdong Province covering 21 sectors including legal, construction, medical, tourism, telecommunications, banking, securities and transport services, which are related to many important industries in Hong Kong. We will continue to liaise closely with Guangdong to ensure smooth implementation of the measures. The measures in the Supplement VII to CEPA signed in May this year will be implemented with effect from January next year. These new measures will further promote the development of professional and other service industries in the two places.

Cross-boundary Infrastructure
Work on the Hong Kong-Zhuhai-Macao Bridge (HZMB) Main Bridge commenced in mid December 2009. The three governments jointly signed the Inter-governmental Agreement in late February this year. It specifies the partnership arrangements between the three governments as well as their rights and responsibilities in respect of the construction, operation, maintenance and management of the HZMB Main Bridge. The three governments also established the Joint Works Committee of the Three Governments on May 24, 2010, which will play a supervisory role over
the implementation of the HZMB project, and have recently set up the managing body of the Main Bridge (the HZMB Authority) on the basis of the Articles of Association for the HZMB Authority.

Construction works of the Hong Kong section of the Guangdong-Shenzhen-Hong Kong Express Rail Link commenced in late January. The whole project is making good progress and is expected to be completed in 2015.

For the Liantang/Heung Yuen Wai Boundary Control Point, it is expected that the construction works in Hong Kong and Shenzhen can commence in 2013, with the Boundary Control Point commissioning in 2018.

Education Co-operation
On education, the Education Bureau of the HKSAR Government and the Department of Education of Guangdong Province jointly held the Hong Kong/Guangdong Expert Group on Co-operation in Education meeting in June this year. Both Hong Kong and Guangdong recognized the efforts and achievements made in promoting education development and co-operation and proposed strategic directions for future development.

In the past year, both sides have achieved fruitful outcomes on education collaboration in various domains including co-operation on higher education and vocational education, teacher training and exchanges, the Sister School Scheme and the pilot project on the operation of Hong Kong children's classes in Shenzhen Minban schools. Looking ahead, both sides will:

• encourage Hong Kong higher education institutions to consider adopting innovative modes of collaboration with education institutions in Guangdong;
• continue teacher training, student exchanges, in-service training provision and collaborative initiatives under vocational education;
• explore the increase in the number of schools or classes for Hong Kong children living in Shenzhen, continue the implementation of the Sister School Scheme and explore deepening the exchange among the sister schools; and
• strengthen teacher training and develop two-way exchanges.

Both sides will work closely to foster broader, deeper and more multi-faceted collaboration with a view to nurturing talent for the country.

Medical Services Co-operation
On medical services co-operation, CEPA and its Supplements, in particular the Guangdong pilot measures, go a long way towards promoting exchanges and co-operation in the area of medical and health services between Guangdong and Hong Kong. Under Supplement V to CEPA, Hong Kong service providers are allowed to set up out-patient clinics in Guangdong. This measure is well received by Hong Kong's medical service sector. Supplement VII to CEPA further expands the Guangdong pilot measures, under which Hong Kong service providers can establish hospitals and convalescent hospitals in Guangdong. On top of this, statutory registered healthcare professionals in Hong Kong, including medical practitioners, nurses and pharmacists, etc, will be able to provide short-term services on the Mainland. We will continue to work in collaboration with the Mainland health authorities to explore other liberalization measures for early and pilot
implementation in Guangdong to facilitate the sector in providing diversified medical services, and to provide more choices for patients in the area.

In addition, we will also develop a set of safety and quality standards for 200 Chinese herbal medicines commonly used in Hong Kong in collaboration with the Mainland, Hong Kong and international experts. This can facilitate the promotion of Chinese medicine to the world. The research work has commenced and is expected to be completed by 2012.

Co-operation on Environmental Protection
On environmental protection co-operation, the two governments will continue to take forward the emission reduction measures under the Pearl River Delta Regional Air Quality Management Plan and strive to accomplish the emission reduction targets in 2010. Both sides are also striving to complete the study on the post-2010 arrangements for emission reduction in the PRD region this year. In addition, both sides are actively pursuing co-operation in respect of the Cleaner Production Partnership Programme, cross-boundary water quality protection and ecology conservation, as well as exploring new cross-boundary co-operation models for recycling and reuse of reusable materials which would facilitate the development of green businesses in the two places.

Tourism Co-operation
On tourism, Hong Kong and Guangdong are close co-operation partners. The facilitation measures implemented last year for Shenzhen residents to visit Hong Kong were met with great enthusiasm from both visitors and the trade. Among the measures, the multiple-entry Individual Visit endorsement for Shenzhen permanent residents, implemented in April last year, has already brought over 3.57 million visitors to Hong Kong by the end of July this year. It is hoped that these facilitation measures could be extended to cover the entire Guangdong Province at an appropriate time to provide Guangdong residents with greater ease in visiting Hong Kong. At the same time, we will do our utmost in gate keeping, regulation and enforcement to protect the consumer rights of the visitors. Apart from efforts in Hong Kong, we will also continue to work closely with Guangdong Province in stepping up trade regulation at source markets to comprehensively tackle the issue, and to promote the healthy development of the tourism market of the two places.

Hong Kong/Guangdong Co-operation Agreement Signing Ceremony
Hong Kong and Guangdong signed four co-operation agreements after the meeting, including:
- Arrangement on the Implementation of the Framework Agreement on Hong Kong/Guangdong Co-operation;
- Agreement on Joint Promotion of Hong Kong/Guangdong Industry-Academia-Research Co-operation;
- Guangdong and Hong Kong Co-operation Arrangement on Search and Rescue at Sea; and
- Co-operation Agreement between Guangdong and Hong Kong on Quality Agricultural Products.