

For information
On 29 June 2012

**LEGISLATIVE COUNCIL
PANEL ON COMMERCE AND INDUSTRY**

**THE MAINLAND AND HONG KONG
CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT**

INTRODUCTION

This note informs Members of the latest state of the enhancement of economic and trade cooperation and exchanges between the Hong Kong Special Administrative Region Government (HKSARG) and the Central People's Government (CPG) under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA).

BACKGROUND

2. The Mainland and Hong Kong signed the main text of CEPA on 29 June 2003 and its six annexes on 29 September 2003. Pursuant to Article 3 of CEPA, which provides that the two sides will broaden and enrich the content of the Arrangement through continuous and further reciprocal liberalization, the two sides signed eight Supplements to CEPA on 27 October 2004, 18 October 2005, 27 June 2006, 29 June 2007, 29 July 2008, 9 May 2009, 27 May 2010 and 13 December 2011 respectively.

3. In order to promote the economic integration and sustainable development of the Mainland and Hong Kong, we started consultations with the CPG on further liberalization under CEPA earlier on and signed Supplement IX to CEPA on 29 June 2012 in Hong Kong. The Supplement is available for reference at the Trade and Industry Department's (TID) CEPA website at [http://www.tid.gov.hk/english/cepa/legaltext/cepa_legaltext.html]. Key

measures of Supplement IX are summarized in paragraphs 4 to 9 below.

DETAILS

Supplement IX to CEPA

4. Supplement IX to CEPA provides for a total of 43 services liberalization and trade and investment facilitation measures, which includes 37 liberalization measures in 22 service sectors, strengthens cooperation in areas of finance and trade and investment facilitation, and further promotes the mutual recognition of professional qualifications of the two places. The respective measures are summarized below.

Trade in services

5. Under Supplement IX to CEPA, the market access conditions will be further relaxed in 21 existing sectors, namely, legal; accounting; construction; medical services; computer and related services; technical testing and analysis services; placement and supply services of personnel; printing; convention and exhibition; other business services; telecommunications; audiovisual; distribution; environment; banking; securities; social services; tourism; cultural; rail transport; and individually owned stores. Liberalization measures will also be introduced in a new sector, namely, education services. Inclusive of measures in Supplement IX to CEPA, the two sides have so far announced 338 liberalization measures in 48 service sectors. Supplement IX to CEPA consists of the following key measures:

- A. **Legal** – Hong Kong law firms that have set up representative offices in the Mainland are allowed to operate in association with one to three Mainland law firms.

- B. **Accounting** – Hong Kong professionals who have obtained the Chinese Certified Public Accountants qualification are allowed to become partners of partnership firms in Qianhai on a pilot basis; and the documentation requirements will be suitably simplified for applications for conducting business on a

temporary basis in the Mainland by Hong Kong accounting firms.

- C. Construction** – Hong Kong professionals, who have obtained the qualifications of Mainland’s supervision engineer, registered architect, structural engineer, registered civil engineer (harbour and waterway), registered public facility engineer, registered chemical engineer, registered electrical engineer are recognized as registered practitioners for the purpose of declaration of engineering enterprise qualifications within Guangdong Province in accordance with the relevant Mainland regulations, regardless of whether they are registered practitioners in Hong Kong.
- D. Medical services** – Hong Kong service suppliers are allowed to set up in the Mainland, wholly-owned medical institutions or medical institutions in the form of equity joint venture or contractual joint venture with Mainland medical institutions, companies, enterprises and other economic organizations. Medical institutions in the form of equity joint venture or contractual joint venture, or wholly-owned medical institutions (other than wholly-owned hospitals and wholly-owned convalescent hospitals) set up in the Mainland by Hong Kong service suppliers, shall be subject to the standards and requirements applicable to medical institutions established by Mainland entities and individuals and the setting up of the aforementioned medical institutions shall be approved by the health administrative department at the provincial level. The health administrative department at the provincial level of Guangdong Province shall be responsible for the project establishment and approval procedures for the setting up of wholly-owned hospitals by Hong Kong service suppliers in Guangdong Province.
- E. Banking** – Eligible Hong Kong banks are allowed to offer custodian services regarding settlement funds of customers of securities companies and margin deposits on futures

transactions.

- F. Securities** – Hong Kong securities companies, which satisfy the qualification requirements as foreign shareholders of foreign-invested securities companies, and Mainland securities companies, which satisfy the requirements for establishing subsidiaries, are allowed to set up equity joint venture securities investment advisory companies in the Mainland. The equity joint venture securities investment advisory company shall be a subsidiary of the Mainland securities company, the scope of business of which shall focus specifically on carrying on securities investment advisory businesses. The shareholding of the Hong Kong securities company could, at a maximum, reach 49% of the total shareholding of such a joint venture securities investment advisory company.
- G. Tourism** – Hong Kong travel agents established on a wholly-owned or joint venture basis in the Mainland are allowed to apply for the operation of group tours to Hong Kong and Macao for residents registered with permanent residence of the original provinces, autonomous regions, municipalities; and one qualified Mainland-Hong Kong joint venture travel agent is allowed to operate outbound group tours for Mainland residents on a pilot basis to destinations beyond Hong Kong and Macao (excluding Taiwan).
- H. Computer and related services** – Hong Kong service suppliers are allowed to provide cross-boundary database services in Qianhai and Hengqin on a pilot basis; and to set up joint venture enterprises in the Mainland to provide database services. The proportion of Hong Kong service suppliers' shareholding should not exceed 50%.
- I. Placement and supply services of personnel** – The minimum registered capital required for Hong Kong service suppliers to set up wholly-owned job referral agencies and job

intermediaries in Beijing Municipality, Tianjin Municipality, Shanghai Municipality, Chongqing Municipality, Jiangsu Province and Fujian Province follows the requirements applicable to Mainland enterprises in those provinces and municipalities.

- J. Printing** – Hong Kong service suppliers are allowed to set up equity joint venture enterprises in Qianhai and Hengqin on a pilot basis to engage in the printing of publications and other printed matters. The proportion of Hong Kong service suppliers' shareholding should not exceed 70%.

- K. Convention and exhibition** – Contractual joint venture enterprises set up by Hong Kong service suppliers in the Mainland are allowed to conduct overseas exhibition businesses on a pilot basis, and the participating enterprises should be enterprises registered in that province, autonomous region or municipality.

- L. Rail transport** – Hong Kong service suppliers are allowed to, holding a controlling interest, invest, construct and operate interurban railway transport projects in Guangdong Province.

- M. Telecommunications** – Hong Kong service suppliers are allowed to set up wholly-owned enterprises or equity joint ventures in Dongguan and Zhuhai Cities of the Guangdong Province on a pilot basis to provide offshore call centre services. There is no restriction on the proportion of Hong Kong capital in shareholding.

- N. Audiovisual** – Hong Kong companies engaging in the operation of cable television networks are allowed to provide professional technical services for cable television networks in the Mainland after obtaining the approval of the relevant Mainland authorities.

- O. Education services** – Hong Kong service suppliers are

allowed to set up international schools on a wholly-owned basis in Qianhai and Hengqin. Their target students may be expanded to cover children of Chinese nationals residing abroad and of returned talents after studying abroad who are working in Qianhai and Hengqin. Besides, Hong Kong service suppliers are also allowed to set up business-based training bodies in the Mainland on a wholly-owned, equity joint venture or contractual joint venture basis.

- P. Environment** - Agreement has been made for Guangdong Province to approve Hong Kong service suppliers for undertaking entrusted environmental monitoring activities in Guangdong.
- Q. Distribution** - For the same Hong Kong service supplier which opens more than 50 stores accumulatively in Guangdong, if the commodities for sale include mulching films, chemical fertilizers, vegetable oil and edible sugar, and the above commodities are of different brands and come from different suppliers, the Hong Kong service supplier is allowed to operate on a wholly-owned basis.
- R. Individually Owned Stores** - The new Supplement expands the scope of services of individually owned stores set up by Hong Kong permanent residents with Chinese citizenship in the Mainland; lifts the restrictions on the number of persons engaged in the operation and the business area of individually owned stores set up by Hong Kong permanent residents with Chinese citizenship in the Mainland; and lifts the identity authentication requirements on Hong Kong permanent residents with Chinese citizenship to set up individually owned stores in Guangdong Province.
- S. Social Services** - Hong Kong service suppliers are allowed to operate elderly service agencies and disability services agencies in the form of wholly-owned profit-making enterprises in the Mainland.

6. Under CEPA Supplement IX, all measures relating to the liberalization of trade in services will take effect from 1 January 2013.

7. In accordance with Article 5 of Annex 4 of CEPA, Hong Kong will not impose any new discriminatory measures on the Mainland's services and service suppliers in the service sectors covered by CEPA. This commitment will also apply to sectors covered by the liberalization of trade in services measures under Supplement IX to CEPA.

Financial Cooperation

8. On financial cooperation, the Mainland shall amend and improve the relevant requirements for overseas listing so as to support Mainland enterprises that satisfy Hong Kong's listing requirements in listing in Hong Kong, and create favourable conditions for Mainland enterprises, especially small and medium enterprises, to raise capital through direct listing in overseas markets. Besides, Supplement IX to CEPA will actively explore ways and means to deepen co-operation between the commodity futures markets in the Mainland and in Hong Kong, and to promote the establishment of a futures market system in which both sides can complement each other's advantages, work in co-operation and develop mutually; and will actively explore the lowering of the eligibility requirements for Hong Kong's financial institutions to apply for Qualified Foreign Institutional Investor (QFII) status in order to facilitate Hong Kong's long-term capital investing in the Mainland's capital markets. It also supports qualified Hong Kong financial institutions in setting up joint venture securities companies, fund management companies and futures companies in the Mainland.

Mutual Recognition of Professional Qualifications

9. The two sides shall continue with the mutual recognition of professional qualifications between real estate appraisers in the Mainland and general practice surveyors in Hong Kong, and between cost engineers in the Mainland and quantity surveyors in Hong Kong.

Conclusion

10. During the visit to Hong Kong in August last year, Vice-Premier of the State Council, LI Keqiang, clearly indicated that the Mainland market will be further opened up for Hong Kong services trade, with a view to basically achieve, through CEPA, liberalization of trade in services between the Mainland and Hong Kong before the end of the 12th Five-Year Plan period. The Supplement IX to CEPA just signed marks a substantial step by the two sides towards this goal. The various measures in the new Supplement facilitate Hong Kong services industries to develop the Mainland market, and are conducive to the continued economic development of the two places.

PUBLIC CONSULTATION

11. HKSARG has been in communication with the trade to reflect their views to the Mainland as appropriate. We will maintain dialogue with the stakeholders to ensure effective implementation of the measures announced under CEPA Supplement IX and to strive for further liberalization.

PUBLICITY

12. A signing ceremony for Supplement IX to CEPA was held on 29 June 2012. A press briefing was held by the relevant bureaux and departments immediately afterwards to explain the new measures. Information paper will be issued to various trade-related advisory bodies. In addition, TID maintains a dedicated website to provide the public with the latest information on CEPA.

Trade and Industry Department
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