

**THE MAINLAND AND HONG KONG
CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT
FURTHER LIBERALIZATION MEASURES IN 2013**

INTRODUCTION

This note sets out 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 CEPA in 2003. Pursuant to Article 3 of CEPA, the two sides broadened and enriched the content of CEPA and signed nine Supplements between 2004 and 2012, expanded market liberalization and further facilitated trade and investment for the economic cooperation and sustainable development of the two places.

3. We started consultations with the CPG on further broadening and enriching CEPA earlier on and signed Supplement X to CEPA on 29 August 2013 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].

DETAILS

Supplement X to CEPA

4. Supplement X to CEPA provides for a total of 73 services liberalization and trade and investment facilitation measures, which include 65 liberalization measures for trade in services, and eight

measures to strengthen cooperation in areas of finance and facilitate trade and investment of the two places.

Liberalization Measures for Trade in services

5. Under CEPA and previous Supplements, 28 sectors, namely, legal; construction; computer and related services; real estate; market research; technical testing and analysis services; placement and supply services of personnel; building-cleaning; photographic; printing; convention and exhibition; translation and interpretation; telecommunications; audiovisual; distribution; environment; banking; securities; hospital services; social services; tourism; cultural; sporting; maritime transport; air transport; road transport; freight forwarding agency and trade mark agency, were already partly liberalized for Hong Kong. Supplement X to CEPA will further relax the market access conditions for these sectors. Besides, there are additional liberalization measures on duplicating and after-death facilities services. Key measures are summarized as follows:

- A. Legal** – To allow Hong Kong law firms and Guangdong law firms to enter into agreement under which Guangdong law firms may second Mainland lawyers to work as consultants on Mainland law in representative offices set up by Hong Kong law firms in Guangdong Province.
- B. Banking** – Hong Kong bank's operating institution in the Mainland, after obtaining approval to conduct RMB business for serving Hong Kong enterprises, may provide service to enterprises in the Mainland that are recognized as owned by Hong Kong investors in accordance with relevant rules and regulations, despite investors of those enterprises are based in a place other than Hong Kong.
- C. Securities** – To allow Hong Kong-funded securities companies to make reference to the securities assets being managed by the respective group when applying for QFII status. To allow qualified Hong Kong-funded financial institutions to set up

joint venture fund management companies in the Mainland in accordance with relevant Mainland requirements. The shareholding percentage of these Hong Kong-funded institutions could exceed 50%. To allow Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies to set up one full-licensed joint venture securities company each in Shanghai, Guangdong Province and Shenzhen in accordance with relevant Mainland requirements. The maximum percentage of aggregate shareholding of the Hong Kong-funded institutions is 51%.

- D. Technical testing and analysis services** – To expand, on a pilot basis in Guangdong Province, the scope of testing services for the purpose of certification that can be undertaken by Hong Kong testing organizations from food to other areas of voluntary product certification. To accord to certification bodies, inspection bodies and laboratories jointly or solely set up in the Mainland by Hong Kong service suppliers, when participating in testing and certification activities, the same treatment as is accorded to Mainland certification bodies, inspection bodies and laboratories. To allow testing and certification organizations in Hong Kong to cooperate with the Mainland testing and certification organizations in respect of acceptance of testing data (results).
- E. Printing** – To allow Hong Kong service suppliers to establish enterprises on a contractual joint venture basis in the Mainland to engage in the printing of publications and other printed matters. The Mainland investors should hold dominant position in these enterprises.
- F. Audiovisual** – To allow the dialect version of motion pictures produced by Hong Kong and co-produced by Hong Kong and the Mainland to be distributed and screened in the Mainland, after being examined by and obtaining the approval of the relevant authorities in the Mainland, on the condition that

standard Chinese subtitles are provided on screen.

- G. Telecommunications** – To allow Hong Kong service suppliers to set up joint venture enterprises in Guangdong Province to provide online data processing and transaction processing services. Hong Kong service suppliers' shareholding should not exceed 55%.
- H. Transport** – For Hong Kong service suppliers investing in the construction of port facilities and operating port cargo handling, yards and warehousing, the requested capital amounts and the criteria for establishing branches will be the same as those for Mainland enterprises. The registration of Hong Kong service suppliers for the establishment of foreign-invested enterprises engaging in international maritime container station, container yard services, and international cargo warehousing services in Guangdong Province is delegated to the transport authorities of prefecture-level or above in Guangdong Province. To delegate to the transport authorities of Guangdong Province to approve applications for general water cargo transportation between Hong Kong and Guangdong Province, as well as applications of shipping liners engaging in waterborne transportation between Hong Kong and Guangdong Province for changing relevant records of ships. The registration of foreign-invested enterprises operating international ship management services established by Hong Kong service suppliers in Guangdong Province is delegated to the transport authorities of Guangdong Province. To remove the project establishment requirement for Hong Kong service suppliers in respect of their investment in the road freight transport and motor vehicle repair services in Guangdong Province. Such applications would be processed and approved in accordance with the existing national laws and regulations.
- I. Environment** – The substantive business engaged by Hong Kong service suppliers in the operation of environmental

pollution control facilities in both Hong Kong and the Mainland can be taken into account in assessing their applications for the qualification in the operation of environmental pollution control facilities in the Mainland.

- J. Placement and supply services of personnel** – To remove the restriction on the year of experience required for Hong Kong service suppliers to set up job intermediaries in Guangdong Province.
- K. Social services** – To allow Hong Kong service suppliers to operate elderly service agencies in the mode of wholly-owned private non-enterprises units to provide home care services for the elderly in Guangdong Province.
- L. After-death facilities services** – To allow Hong Kong service suppliers to invest in and operate funeral facilities (excluding crematorium) and human ashes storage facilities in the Mainland on a wholly-owned or equity joint venture basis.

In addition, for a number of sectors, contractual service providers employed by Hong Kong service suppliers are allowed, in the mode of movement of natural persons, to provide temporary service in the Mainland for the performance of the service contract(s) secured in the Mainland by his/her employer. The contractual service provider should hold a Hong Kong Special Administrative Region identity document and his/her employer should be a Hong Kong service supplier without commercial presence in the Mainland.

6. Under CEPA Supplement X, all measures relating to the liberalization of trade in services will take effect from 1 January 2014.

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 X to CEPA.

8. Inclusive of measures in Supplement X, there are 403 liberalization measures for trade in services under CEPA.

Financial Cooperation

9. On financial cooperation, the Mainland agreed to actively study mutual recognition of fund products between the Mainland and Hong Kong; and to actively support qualified Hong Kong insurers to take part in compulsory traffic accident liability insurance business in the Mainland. Applications made by Hong Kong insurers will be actively considered and facilitation will be provided in accordance with relevant rules and regulations.

Trade and Investment Facilitation

10. The Mainland agreed to further strengthen cooperation in the areas of commodity inspection and quarantine, food safety, quality and standardization, and also in the area of intellectual property protection.

Conclusion

11. CEPA is the most liberalized free trade agreement signed by the Mainland. To maintain the superiority of CEPA, Supplement X to CEPA has included various CEPA-plus liberalization measures covered in the services agreement signed by the Mainland and Taiwan in late June 2013 under the Economic Cooperation Framework Agreement (ECFA). The various new measures will facilitate Hong Kong services industries to develop the Mainland market, and are conducive to the continued economic cooperation and development of the two places. The Central Government has pledged 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 X to CEPA marks a further step towards this goal.

ENQUIRIES

12. For enquiries on issues related to CEPA, please contact the

relevant sections in the Trade and Industry Department with details listed below:

| Subject | Contacts |
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| General | Tel. : 2398 5667 Fax. : 3525 0988 E-mail : cepa@tid.gov.hk |
| Rules of Origin, Certificate of Origin and Factory Registration (FR) | Tel. : 3403 6432 Fax. : 2787 6048 E-mail : cepaco@tid.gov.hk |
| General Enquiries on Trade in Goods under CEPA | Tel. : 2398 5676 Fax. : 2398 9973 E-mail: ma_registry@tid.gov.hk |
| Certificate of Hong Kong Service Supplier | Tel. : 3403 6428 Fax. : 3525 0988 E-mail : hkss@tid.gov.hk |

Trade and Industry Department
HKSAR Government
29 August 2013