

**Mainland and Hong Kong
Closer Economic Partnership Arrangement (CEPA)**

Extract of Annex 1 to the Investment Agreement

Relevant Requirements on the Definition of “Investor”
[Cursory Translation]

(Article 1 of Annex 1 to the Investment Agreement)

1. A Hong Kong enterprise investing in the Mainland in the form of commercial presence may constitute an “investor” under paragraph 2 of Article 2 (Definitions) of this Agreement if the following conditions are fulfilled:

1.1. be incorporated or established pursuant to the Companies Ordinance or other relevant laws of the Hong Kong Special Administrative Region¹, and have obtained a valid Business Registration Certificate; and

1.2. engage in substantive business operations in Hong Kong. The criteria for determination are:

(1) Years of operation required

A Hong Kong investor should be incorporated or established in Hong Kong, and have engaged in substantive business operations for 3 years or more²;

(2) Profits tax

During the period of substantive business operations in Hong Kong, a Hong Kong investor should have paid profits tax in accordance with the laws;

¹ Any overseas company, representative office, liaison office, “mail box company” and company specifically established for providing certain services to its parent company, which is registered in Hong Kong, is not a Hong Kong investor under this Annex.

² From the day this Agreement comes into effect, where more than 50% of the equity interest of a Hong Kong investor has been owned for at least one year since a merger or acquisition by an investor other than one from either side, the investor which has been acquired or merged will be regarded as a Hong Kong investor.

(3) Business premises

A Hong Kong investor should own or rent premises in Hong Kong to engage in substantive business operations. The scale of its business premises should be commensurate with the scope and the scale of its business in Hong Kong; and

(4) Employment of staff

More than 50% of the staff employed in Hong Kong by the Hong Kong investor should be residents staying in Hong Kong without limit of stay, and people from the Mainland staying in Hong Kong on One Way Permit.

For greater certainty, a Hong Kong enterprise investing in the Mainland in any forms other than commercial presence does not need to fulfil the conditions as stipulated in Articles 1.1 and 1.2.