

# CEPA SUCCESS STORIES



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# Foreword

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) is a free trade agreement signed between the Mainland of China and Hong Kong in 2003. Taking a building block approach, CEPA has continued to expand in scope and content over the years.

Products of Hong Kong that fulfil the mutually agreed CEPA rules of origin can enjoy zero tariff treatment upon importation into the Mainland. The CEPA Agreement on Trade in Services implemented in June 2016 makes possible the basic liberalisation of trade in services between the Mainland and Hong Kong, and helps open up the huge Mainland market for Hong Kong services and professionals.

Equipped with international exposure, recognised professional qualifications, rich management experience and high quality of manufacturing and services, Hong Kong businesses have been making good use of the CEPA opportunities. We have the pleasure of inviting stakeholders from different sectors to share their valuable experience in exploring the Mainland market through CEPA. Through their sharing, we can see that:

## Market access of professional services

Under CEPA, eligible Hong Kong professionals like architects, lawyers and doctors can register their professional qualifications and practise in designated Mainland provinces and cities, or establish business presence in the form of

partnership or association with their Mainland counterparts. The firms can directly participate in project designs, or share operating costs and profits with their Mainland partners.

## Optimise business development strategies and networks

Hong Kong enterprises already present in the Mainland can ride on CEPA to further extend their business horizons. For example, Hong Kong banks can set up “cross-location” sub-branches in Guangdong, establish joint-ventured securities investment advisory companies and joint-ventured fund management companies. Hong Kong telecommunications operators providing value-added services can also seek to wholly-own their Mainland business through the latest measures under CEPA.

## Upgrading and restructuring

Hong Kong companies can make use of CEPA’s zero tariff benefits to explore the market of high-end products. Local manufacturers can retain production in Hong Kong, while supplying quality products to the Mainland at competitive prices. There are also foreign-funded companies using Hong Kong as the regional base in Asia so as to enjoy CEPA’s zero tariff benefits in exporting products to the Mainland, and to develop different products in Hong Kong at more competitive costs.

## “Made in Hong Kong”

CEPA’s zero tariff treatment has substantially reduced the cost of supplying products to the Mainland market, and has also facilitated the introduction of new products from Hong Kong. As a result, not only consumers can have more choices, companies can also make good use of the “Made in Hong Kong” advantage in branding.

## Promote creative industries

Under CEPA, motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for distribution in the Mainland. CEPA does not impose quota restriction on importation of Hong Kong films and has



relaxed the rules governing joint-production films. Hong Kong filmmaking companies can enjoy the best of both worlds by recruiting Hong Kong professionals who are strong in terms of experience and technical skills and at the same time tapping into Mainland capital and market.

### **Mutually beneficial economic and trade cooperation**

CEPA's preferential measures do not only give Hong Kong service providers the first-mover advantage in exploring the Mainland market, they also help attract top-notch Hong Kong professionals to work in the Mainland and enhance the competitiveness of the Mainland's services sectors. For example, a Hong Kong ophthalmic group which has set up a specialised hospital in Shenzhen under CEPA has participated in the training of Mainland medical specialists to meet international standards.

Over the years, CEPA has facilitated Hong Kong businesses to explore the huge potentials of the Mainland market, as well as promote long-term economic development of the two places. Looking ahead, in line with the goal set out in the National 13th Five-Year Plan to further open up the Mainland market to Hong Kong and upgrade CEPA, the HKSAR Government will work closely with the Ministry of Commerce on further liberalisation under CEPA, and through it, support the Belt and Road, and the Guangdong-Hong Kong-Macao Bay Area Initiatives. We look forward to working with you in this endeavour and sharing your success stories in the near future.

#### **Salina Yan**

Director-General of Trade and Industry



## **Foreword**

In 2003, the Mainland and Hong Kong signed the Closer Economic Partnership Arrangement (CEPA). This is a free trade agreement (FTA) signed between the state and its separate customs territory, and the first FTA ever concluded by either the Mainland or Hong Kong. Although it has been over a decade since CEPA was signed in 2003, memories of the signing are still vivid and alive before us. At that time, we had just gone through the Asian financial crisis, and we were faced with many new challenges and opportunities in economic and trade exchanges between the two places. The signing and implementation of CEPA under the “One Country, Two Systems” principle have laid down the institutional arrangements for strengthening our economic and trade relations, thereby injecting new impetus to cooperation and development of the two places.

Over the past decade or so, CEPA has achieved progress in trade liberalisation every year through signing of 10 supplementary agreements, the Agreement between the Mainland and Hong Kong on Achieving Basic Liberalisation of Trade in Services in Guangdong as well as the Agreement on Trade in Services. Through CEPA, the Mainland has continuously expanded the level of liberalisation to Hong Kong. CEPA remains the most liberal FTA of the Mainland.

**For trade in goods**, the types of Hong Kong products qualified for zero tariff in the Mainland have expanded from 273 in 2003 to all Hong Kong products meeting the relevant rules of origin nowadays, thereby achieving

full liberalisation between the two sides. **For trade in services**, there were 41 liberalisation measures covering Hong Kong's 18 service sectors in 2003. At present, the two sides have basically achieved liberalisation. National treatment applies in 62 service sectors including financial leasing, convention and exhibition, construction and engineering, and road transport. Except for a limited number of restrictive measures, national treatment also applies to other service sectors. **In respect of trade and investment facilitation**, the Mainland and Hong Kong have strengthened cooperation in more than 10 areas such as trade and investment promotion, industry cooperation and intellectual property protection. There has also been constant deepening and expansion of cooperation in financial services, tourism and mutual recognition of professional qualifications between the two places. Through a high level of liberalisation, CEPA has opened up the vast market of the Mainland for Hong Kong enterprises and professionals, providing lower market access thresholds, wider business scope and first-mover advantage. Many Hong Kong professionals have entered the Mainland market via CEPA to overcome the constraint of limited local market demand. CEPA has provided long-term support for development of Hong Kong's service sectors.

“CEPA Success Stories” is not only a review of CEPA, but also a showcase of achievements and benefits enjoyed by Hong Kong through CEPA liberalisation. This booklet has introduced the successful implementation of measures in sectors such as financial, medical and legal services, in which Hong Kong possesses competitive advantages. For the next step, the Mainland will further open up its market to Hong Kong according to the National 13th Five-Year Plan, and implement the Investment Agreement and the Agreement on Economic and Technical Cooperation with a view to upgrading CEPA and providing support for Hong Kong to participate in the Belt and Road and the Guangdong-Hong Kong-Macao Bay Area Initiatives, which will provide further impetus to Hong Kong's economic development.

Let us strive together to write new CEPA success stories!

### **SUN Tong**

Director-General, Department of Taiwan,  
Hong Kong and Macao Affairs  
of the Ministry of Commerce

# SUCCESS STORIES





Apart from taking part in project design, our office in Guangdong definitely helps with branding, and hence our business development.

Construction and Related Engineering

## Dennis Lau & Ng Chun Man Architects & Engineers (HK) Ltd.

Architects build a city, inside out, shaping its look and its soul. Thus, they play a decisive role in a fast developing country like the Mainland. Through CEPA, Dennis Lau & Ng Chun Man Architects & Engineers (HK) Ltd. (DLN) obtained approval from the Ministry of Housing and Urban-Rural Development in 2014 to establish a Grade A architectural design office in Guangdong. Director Cheung Kwong Wing believes Hong Kong's experience can enrich its counterparts in the Mainland and through setting up

offices in the Mainland, it would promote exchanges and improve the quality of services of the whole industry.

### CEPA, a ride to success

Before CEPA was launched, Hong Kong architectural firms could only briefly participate in individual projects in the Mainland by taking up consultation roles. More than 400 Hong Kong architects have obtained Mainland's Class One architectural professional qualifications

through mutual recognition. CEPA allows Hong Kong professionals, who are Mainland's Class One qualified architects, to act as partners to set up Grade A architectural design offices in the Mainland.

"Apart from taking part in project design, our office in Guangdong definitely helps with branding, and hence our business development," says Cheung.

### Further along the Belt and Road

Cheung sees rapid development of the construction industry in the Mainland in recent years and strongly believes that Hong Kong has its edge in many aspects. "Hong Kong has a sound judicial system and is more in line with other countries on the understanding of contract law and the concept of contract itself," he explains. "We are also ahead of our Mainland colleagues in detail planning, design and project efficiency." He considers Hong Kong architects' language proficiency and vision also stood out, recalling his recent business trips to countries along the Belt and Road.

CEPA has opened the door for Hong Kong firms to the Mainland market, but Cheung is already looking beyond that. "We were all looking at the Mainland when CEPA was implemented, but now everyone, including the Mainland firms is eyeing the opportunities of the Belt and Road Initiative," he says. "CEPA can very well link up with the Belt and Road Initiative to expand the market." He thinks Hong Kong professionals can perfectly serve and bridge between

Mainland capital and the demand for infrastructure in the world.

DLN's main revenue is still coming from local markets, with the balance from the Mainland and other countries. Cheung hopes there will be further liberalisation under CEPA, allowing Hong Kong architectural firms to operate business in the whole Mainland. At the same time, he wishes to work hand in hand with Mainland counterparts to wherever opportunity lies.



- Established in 1972 in Hong Kong, with a wide client base including the Mainland, South East Asia, Central Asia and Europe, etc.
- Established Grade A architectural practice in 2014, through the relevant measures under **CEPA Supp. VII**, i.e. qualified architects can register, practise and act as partners in Guangdong.



<http://www.dln.com.hk/>





Banking, Securities and Fund Management

## Hang Seng Bank Ltd.

Established for over 80 years, Hang Seng has all along witnessed the changes in Hong Kong. Hang Seng started with a small money-changing shop in Sheung Wan. After the effort in all these years, it now has more than 250 service points in Hong Kong and has established presence in different regions in the Mainland. It has been actively responding to market changes. Given the boom in demand for quality financial services from the Mainland, Hang Seng has been utilising CEPA to optimise its network in the Mainland.

### CEPA, a means for comprehensive services

Hang Seng has always been providing quality and comprehensive financial

services to its clients in Hong Kong. The company also aims to cater to its Mainland clients through an extensive range of services. Benefiting from Supplement VI to CEPA, Hong Kong banks can set up “cross-location” sub-branches in another administrative area through their branches in Guangdong Province. In 2010, Hang Seng set up its first “cross-location” sub-branch in Foshan.

Andrew Fung, Executive Director of Hang Seng Bank, says this brings huge benefits to the company. “The lower capital requirement for starting up sub-branches allows us to expand our coverage within a short timeframe, reaching out to a lot more clients. In the past, we only started one or two branches

each year, but we can now set up many sub-branches in Guangdong Province under CEPA. At the same time, we are able to allocate resources to open new branches in other strategic points out of Guangdong.”

In 2012, Hang Seng partnered with the second-largest securities broker in Guangdong to establish GZHS Research Co. Ltd., the first securities investment advisory firm under joint-venture between a Hong Kong and a Mainland company for onsite A-shares market research and analysis. “We provide research reports to commercial clients over the Mainland as well as the personal banking clients in Guangdong.”

Equipped with the research ability, it further set up Hang Seng Qianhai Fund Management Co. Ltd with Shenzhen Qianhai Financial Holdings Co. Ltd. in 2016, through the measure under Supplement X to CEPA. Fung points out that under the framework of CEPA, Hong Kong company can become a major shareholder of a joint-ventured fund management company, which makes the company more determined in deploying manpower and other resources into the business.

### CEPA, a win-win arrangement

Fung agrees that CEPA has brought about a lot of opportunities for the Hong Kong banking industry, but he believes it is a win-win situation as Hong Kong banks would contribute to the development of banking sector in the Mainland. “Hong Kong banks are more in line with the international standards in operations and management. We hope to bring along

some good practice into the Mainland and motivate the Mainland companies to attain the global standards,” he says.

Fung also looks forward to more liberalisation measures under CEPA in further opening up the Mainland insurance market, hence Hang Seng can provide all-embracing financial services to Mainland clients.



- Founded in 1933, major business activities comprise retail banking and wealth management, commercial banking, global banking and markets, and a comprehensive range of Renminbi services.
- Under **CEPA Supp. VI**, its first “cross-location” sub-branch was set up in Foshan in 2010, and its joint-venture securities investment advisory company was established in Guangzhou in 2012.
- Under **CEPA Supp. X**, its joint-venture fund management company was set up in Qianhai in 2016.



<https://bank.hangseng.com/>





## Medical Services

# Hong Kong C-MER International Eye Care Group (China) Ltd.

There are many in the world suffering from eye diseases which may even impede their chances of education and employment. Renowned Hong Kong ophthalmologist Dennis Lam brings along his vast experience in Hong Kong to help those visually-impaired in the Mainland. In 2013, through CEPA, Lam started C-MER (Shenzhen) Dennis Lam Eye Hospital, the first wholly Hong Kong-owned eye hospital in the Mainland.

## CEPA, a gateway to catch the medical reform

In recent years, the Mainland government has been actively carrying out medical reform. The medical industry has been opened up to private practices, hoping to complement the services of the public system. Lam, member of the Standing Committee of the National People's Congress, fully supports the reform and believes he can bring in best practices from Hong Kong to benefit the patients

in the Mainland so that the latter can also enjoy high quality services. "I hope all the operations that we do in Hong Kong can also be done in Shenzhen," says Lam.

"I won't start a hospital in the Mainland if not for CEPA. CEPA lets Hong Kong doctors practise in the Mainland, and allows Hong Kong-owned hospitals to operate in the Mainland." Lam says, acknowledging the advantages of the policy support for pilot implementation in Shenzhen. He added that with the geographical convenience, medical professionals can support services in both Shenzhen and Hong Kong.

## Yielding fruits by overcoming challenges

Notwithstanding the development advantages offered by CEPA, there were quite some challenges to be tackled when Lam started the business, with the foremost being the lack of medical professionals. "Shenzhen is not a leading city in medical services. The supply of skilled professionals is relatively limited when compared to Guangzhou, Beijing and Shanghai," says Lam. But what does not kill you makes you stronger, Lam decided to train up the talent pool himself by bringing in his extensive teaching experience and network he gained from his days in the Chinese University of Hong Kong. "At Shenzhen C-MER, our Hong Kong and overseas professionals do not just perform medical consultations, they also train up young professionals. We hope the hospital can become a nurture ground

for young eye professionals and help them acquire international standards and broaden their exposure. This may take a long time, but we will do it."

Lam hopes the success of the Group can inspire more Hong Kong counterparts to explore the Mainland market. Looking ahead, the C-MER group is opening its second eye hospital. Lam aims to open ten hospitals in five years, so that more Mainland patients can see again.



- Established by the internationally renowned ophthalmologist Dennis Lam, providing a full range of ophthalmic examination, treatments and surgeries.
- Opened the first wholly Hong Kong-owned eye hospital in Shenzhen, through the relevant measures under **CEPA Supp. V and VII**, i.e. qualified doctors can practise in the Mainland and wholly-owned hospitals can be set up in Guangdong.



<http://www.dennislameyecenter.com/>



Hong Kong movies are deeply rooted in the Mainland market. Many Mainland audiences are very attached to the Hong Kong culture, to our movies, and to our stars.



Motion Pictures

## Irresistible Films

We have often heard of a saying, “Wherever there are Chinese, there are Hong Kong movies”. The 1980s was a golden era for Hong Kong movies, during which the industry received great applause all over the world and was hailed as the “Oriental Hollywood”. However, the industry was facing two main challenges afterwards, a shrinking market with difficulties in financing. With the signing of CEPA in 2003, the filmmaking industry was among the first to be liberalised. CEPA removed quota restriction on Hong Kong films and also relaxed the rules governing joint-

production films. Since then, it opened the door of an enormous market to all the Hong Kong professional filmmakers.

### Freedom in a liberalised market

For creative industry, it takes a fine balance between commercial consideration and originality to succeed. Ivy Ho, Managing Director of Irresistible Films, appreciates the freedom of creation under CEPA. “While approval is required to distribute a film in the Mainland, CEPA does not impose many extra restrictions. We retain a high degree of independence in

recruiting Hong Kong professionals and instilling local essence in the production,” says Ho.

As a local company, Ho says they are trying to keep job opportunities in Hong Kong. Citing box-office record-breaking movie *Cold War* as an example, Ho says the joint-production was mainly filmed in Hong Kong and post-production was carried out locally. Films co-produced by Hong Kong and the Mainland enjoy the same box office revenue sharing option as Mainland films.

### CEPA, an opportunity to change

Over the years, Ho recalls the number of joint-productions increased from only 10 movies in 2004 to 50 something in 2016. “The Mainland is a market with huge potential. Companies from around the world, not only Hong Kong ones, are eager to seize the opportunity.” Despite the fierce competition, Ho is fully confident in Hong Kong movies and joint-production movies. “We were really strong in the past. Our industry has nurtured a pool of talents. We are still ahead of the Mainland counterparts in terms of experience and technical skills. What’s more, Hong Kong movies are deeply rooted in the Mainland market. Many Mainland audiences are very attached to the Hong Kong culture, to our movies, and to our stars.” Cantonese versions of the co-produced movie can be distributed and screened in the Mainland under CEPA, allowing the Mainland audiences to appreciate the authentic creation.

Ho concludes CEPA as “working very well for our company” and expects to release one to three joint-productions every year, with revenue from the Mainland market steadily taking up 80% of the company’s earnings. The company is also looking forward to placing more new practitioners into the production teams to work with professionals both from Hong Kong and the Mainland.



- Established in 2008, focusing in movie investment and production.
- Making use of the relevant measures under CEPA signed in 2003, **Supp. VI** and **X**, i.e. joint-productions are treated as Mainland films for the purpose of distribution in the Mainland, post-production of joint-productions can be processed in Hong Kong and the dialect version of joint-productions are allowed to screen, to produce joint-productions.



<http://www.irresistiblefilms.com.hk/>



Hong Kong and Mainland lawyers can cooperate complementarily through the mode of partnership association. It maximises the “synergy effect”.

## Legal Services

# Lam, Lee & Lai Solicitors & Notaries

As the saying goes, “Unity is strength”. Ambrose Lam, Managing Partner of Lam, Lee & Lai Solicitors & Notaries, strongly believes that Hong Kong law firms with rich experience in common law system partnering with Mainland law firms, which are experts of civil law system, would be able to offer comprehensive legal services to clients in the Mainland. Lam, Lee & Lai partnered with a Shenzhen law firm to establish the first legal firm operating in the form of partnership association through CEPA,

the “China Commercial Lam Lee Lai (Qianhai) Law Firm”, in Qianhai in 2014.

## CEPA, a new opportunity

Since 2004, Hong Kong law firms can operate in association with Mainland law firms without partnership through CEPA. The major advantage of non-partnership association is cost-sharing. Supplement VIII to CEPA gave the green light and proposed “to further develop closer cooperation between the legal

professions of the Mainland and Hong Kong, and to explore ways of improving the mode of association of law firms of the two places”. Subsequently, a pilot program of partnership association was officially introduced in Qianhai in Shenzhen, Hengqin in Zhuhai and Nansha in Guangzhou.

Lam pointed out that the policy is a turning point for Hong Kong legal professionals to enter into the Mainland market. “Apart from sharing cost with Mainland law firms, through partnership, Hong Kong law firms can also share the profits. This is very attractive to us. At the same time, Hong Kong and Mainland lawyers can cooperate complementarily through the mode of partnership association. It maximises the ‘synergy effect’.”

## CEPA, a creative solution

Having been in the industry for 30 years, Lam sees the mode of partnership association with Mainland companies as a good opportunity for Hong Kong practitioners. “We are more advanced in management and compliance. Together with the fact that most developed countries have adopted the common law system, Hong Kong is well-positioned to serve as a bridge between the Mainland and the rest of the world. We can help Mainland companies go global.”

Another edge of partnership association is comprehensiveness. “With the frequent interaction between the two places, many disputes now do involve companies both from the Mainland and Hong Kong. Through the partnership association, we are now able to give advice under both jurisdictions simultaneously,” he explains.

In 2016, the geographic coverage of the CEPA liberalisation measure has extended to the whole of Shenzhen, Zhuhai and Guangzhou. Lam expects more law firms will start looking into the Mainland market. He sees CEPA not only as a new opportunity for business, but also as a creative way of problem solving between two places with totally different legal systems. It also reflects the successful implementation of the “One Country, Two Systems” principle.



- Established in 1991, providing legal services encompassing both contentious and non-contentious matters.
- According to the relevant measures under **CEPA Supp. VIII**, i.e. improving the mode of association of law firms of the two places, China Commercial Lam Lee Lai (Qianhai) Law Firm was established.



<http://www.lamleelai.com.hk/>





## Telecommunications

# 800 TeleServices Holdings Ltd.

“The first man gets the oyster, the second man gets the shell,” so the maxim goes. Every company aims to become the leader in the industry, and 800 TeleServices Holdings Ltd. is a success. The company entered the Mainland long before the call-centre outsourcing services was being clearly defined there, and was the first Hong Kong company to be accredited with an official share-holding status by making use of CEPA.

## Rigorous path at initial stage

800 TeleServices was founded in 1997. In 2000, given the huge potential of the Mainland market, the company management decided to move the operation over there. Group Chairman and CEO Alex Wong still remembers vividly every detail of this special process happened years ago. “One has to clearly define its field before starting a business in the Mainland. We operate out-sourced call centres and provide E-Commerce solutions to clients, but these are not listed under any of the business categorisation

in the Mainland, and hence we could only be classified and operated as a business consultancy firm.”

As the Mainland market further develops, call centre businesses are better known, but problems remained. “We could eventually define our business category in our business registration, but it is listed under the umbrella of Value-added Telecommunications Services according to the definition of the Ministry of Commerce. As foreign companies could not solely apply for the Class 2 value-added telecommunications licence to run the business, we operated through our Mainland partner without holding any stake in the company.” Wong agrees that this was a huge hindrance to the development of the company as he was very cautious and conservative about making large-scale development plans without a legal stakeholding status.

## CEPA, a breakthrough in sensitive industries

2003 was the turning point. Under CEPA, Hong Kong companies could form joint-ventures with the Mainland counterparts and hold a maximum of 50% stake in the company. “This was a long-awaited opportunity,” Wong is still excited recounting the experience. “We filed an application out right and became the first successful applicant to have a legal status within the field under CEPA, establishing a joint-venture with its Mainland partner with 50% of shares in hand.”

## CEPA, enhanced protection, enhanced confidence

Given the stakeholder status, 800 TeleServices expanded the business right away and started two new offices in Shanghai and Kunshan. Now, the company is based in Shanghai and runs call-centres in Kunshan, Guangzhou, Chongqing and Xi’an. “We target at the high-end market and Hong Kong companies still beat the Mainland counterparts given the better management and language ability,” Wong says.

Wong is fully confident about the future and is seeking to wholly-own the company through the CEPA Agreement on Trade in Services implemented in 2016. The company will then further develop in different geographical locations, with a more diversified range of products.

- Established in 1997 providing value-added telecommunications services. Clients include multinational companies, State-owned enterprises and private companies.
- Under CEPA signed in 2003, joint-venture value-added telecommunications enterprises can be set up, with a 50% shareholding.



<http://www.800teleservices.com/>



I am sure that CEPA is a tailor-made preferential policy for Hong Kong.

## Health Food Products

# China Yin King Co. Ltd.

Holding a strong conviction, China Yin King Co. Ltd. - a digital printing equipment distributor - has ventured successfully into a completely new sector, the health food market.

Established in 1978, China Yin King Co. Ltd. is one of the biggest digital printing solutions providers, distributing world-class printing equipment in the Mainland. China Yin King has entered into the Mainland market for more than 20 years and runs four offices in Shenzhen, Beijing, Shanghai and Chengdu.

Its Managing Director, Anthony Chung, has been deeply convinced that Hong Kong businessmen should take the initiative to seize the opportunities brought by CEPA, and to strike for growth building on their extensive experience in the Mainland. CEPA indeed brought an unbelievable development to Chung's company.

## CEPA, a tailor-made gateway to the blue ocean

Chung says he has been confident in CEPA all along. "It is an assurance seeing both governments spending so

much effort in increasing the varieties of products that benefit from zero tariff. I am sure that CEPA is a tailor-made preferential policy for Hong Kong."

Inspired by CEPA's zero tariff benefits and the exponential growing demand of health food products in the Mainland, Chung introduces the brands "DNF", "Momi" and "Yeung Kee" for their health food products which are made in Hong Kong. "The Mainland customers favour Hong Kong products as much as international brands," he says. "But foreign products have to pay a 20% tariff when entering the market while we pay nothing. We are very well-positioned in selling quality products there at more competitive prices."

## CEPA, a chance to return

It is never easy to start a business from scratch. Chung admits that he has spent some time in finding the most suitable way to do the business. Chung recalls, "Starting a new factory incurs huge capital and human resources. I got a brainwave and partnered with a factory in Hong Kong. We provided the raw materials together with the formula to the factory to produce our products. Such cooperation works out for us perfectly."

Chung would have never thought of returning to Hong Kong if there had not been CEPA. As the Chairman of the Hong Kong Promotion Association for SMEs, Chung hopes that more Hong Kong companies, especially SMEs, can consider adopting this business model and return to Hong Kong. "Hong Kong's economy would

definitely benefit from more enterprises coming back; and the companies can utilise CEPA to explore new products and new markets. It is win-win."

Currently, China Yin King's main source of revenue still comes from its printing business, but Chung is confident that the health food products business will catch up once the brands are maturely built. He is also looking to develop other high-end products by utilising CEPA to expand its business scope. To lead off, a new skincare line is to be launched in 2017.



- Established in 1978, majoring in world-class printing equipment distribution.
- Entered the Mainland market for over 20 years and set up offices in Shenzhen, Beijing, Shanghai and Chengdu.
- Started the health food product business to capitalise on CEPA arrangements.



<http://www.chinayinking.com/>





## Automated System

# Lanco Integrated (Asia) Ltd.

In a high-ceiling and spacious industrial building in Fo Tan, New Territories, professional engineers of Lanco Integrated (Asia) Ltd. are creating tailor-made automated systems to their clients. Starting from understanding clients' unique needs to brainstorming ideas and from product design to the entire production process, the engineers make sure each step is perfect.

Lanco Integrated (Asia) Ltd. is a subsidiary of Lanco Integrated based in Maine, United States. The company has established its Hong Kong office as its

regional base in Asia since 2009, and has since been enjoying the benefits under CEPA.

## CEPA as a gateway to explore new markets

Lanco Integrated, as a high-end technology company building customised integrated automation systems for clients, pays comparatively low tariff when exporting to the Mainland even without CEPA; but Brutus Lo, Managing Director of Lanco Integrated (Asia) Ltd., still considers CEPA as a great policy when the company wants to develop new

opportunities. "This is especially the case during the early days of our operation in Asia," he says. "With CEPA, we can be more bold and proactive to test different products in the markets."

Lo recalled that years ago, a major part of its business came from the demand of its proprietary Pallet Transfer System, a building block for most automated assembly systems built by the company. "Some clients do not need to custom-make the whole system. They only want the basic platform so that they can further add on the specific requirements needed for their particular applications and needs," he introduces. "We used to import component parts from Switzerland to build the system, but we worked on product development until all the parts are designed, made and processed in Hong Kong. They then fulfilled the rules of origin under CEPA and we can enjoy zero tariff to export the parts into the Mainland where assembly takes place. It gives us more flexibility to conduct product research and deploy the most suitable strategy to cater for clients' needs."

## CEPA builds a level playing field

Demands for high tech products have been increasing in recent years given the fast pace of economic development in the Mainland. Lo also sees fiercer competition. "Though the Mainland market is expanding, we still prefer to base our production in Hong Kong given the more abundant skilled labour supply and more intact legal system. But then we will have to face an even harder battle because we have to take shipping time

and shipping cost into consideration. We have to finish up our job faster than our competitors in the Mainland to maintain competitiveness." With CEPA bringing down the business cost of exports, international corporations then have more flexibility in choosing a location to base in due to other business concerns.

Regulatory compliance is particularly important to multinational corporations. "CEPA provides us with a legal way to do business in the Mainland with a lower cost. Our senior management and international clients are all amazed and interested in the Arrangement; and we are more advantageous in this ground as compared to other international competitors."

In the future, Lanco Integrated will maintain its Hong Kong office as the regional base in Asia and develop more products meeting CEPA requirements.

- Subsidiary of Lanco Integrated, based in Maine, United States. Lanco Integrated (Asia) was established in 2009 to be the regional base in Asia.
- Manufacturer of customised automation systems, with clients from medical and automotive industries with high precision requirements.
- Enjoys the zero tariff under CEPA to explore the Mainland market.



<http://www.lanco.net/>

# Maxim's

美心



## Bakery Products

# Maxim's Group

Mooncakes are among the most popular festive food in the Chinese culture. Each thin round pastry with its delicious fillings represents the commitment of Hong Kong people to achieving quality and perfection. Maxim's mooncakes, "100% Made in Hong Kong", is one of its signature products. Maxim's Group has been rooted in Hong Kong for 60 years, and determined to base all its productions in Hong Kong, showing the world how Hong Kong businesses work

to the utmost for the highest quality of products. Every year, Maxim's utilises the zero tariff benefits under CEPA to import tens of thousands of the Chinese festive favourite into the Mainland.

## CEPA, a means to stay

Maxim's mooncakes have been introduced in the Mainland for more than 20 years, generating a sales number of a few million boxes per year nowadays. "The Mainland is a huge market, one that

we must develop," says Rosana Lee, Head of Finance and Operations Support of Branded Products. "We are now already a very recognised brand in the Southern China and we are working our way up to the north and to the east."

The company's effort is aided by CEPA. "Without import tariff under CEPA, our production base stays in Hong Kong," says Lee. Imported mooncakes are charged an import tariff as high as 20% in the Mainland. The zero tariff benefits lower the cost and allow the company to deploy more resources into marketing and brand building, thus help develop their business more rapidly.

## CEPA, a unique footing

Production in Hong Kong has never been easy in recent years given the high cost in rent and labour. Yet, Lee acknowledges CEPA as a means to help companies stay or return to Hong Kong while highlighting some of the city's advantages. "All customers from around the world put product safety first, especially when it comes to food. 'Made in Hong Kong' greatly boosts customers' confidence in our brand and products."

Under the fierce competition in the mooncake market in the Mainland, Maxim's products may not have a competitive advantage in pricing, but it wins by quality. In the bakery market, like egg-rolls and palmiers, where it faces international competition, Maxim's starts with a zero cost on tariff.

In the future, the Group will continue to make use of its "100% Made in Hong Kong" advantage to expand on geographic locations and product diversity. The Group will seek further expansion in Northern and Eastern China, and work on the variety of pre-packaged food items, including vacuum-packed "Ready-To-Eat" products, hence bringing even more "Made in Hong Kong" food to the Mainland through CEPA.



- Established in 1956, the Group's businesses include restaurants, bakeries and festive products etc.
- Maxim's Mooncakes is the first local brand being granted the "HK Q-Mark Award" by the Federation of Hong Kong Industries.
- Enjoys the zero tariff under CEPA to export mooncakes to the Mainland.



<https://www.maxims.com.hk/>





富通集團 (香港)  
FUTONG GROUP (HONG KONG)



Optical Fibre

## Transtech Optical Communication Co. Ltd.

Optical fibre is one of the remarkable inventions of the 20<sup>th</sup> Century. It brought revolutionary change to human's communication mode and thus greatly narrowed the distance between people. Transtech Optical Communication Co. Ltd., the only optical fibre manufacturer in Hong Kong, was acquired by a subsidiary of a Mainland private enterprise, Futong Group Co. Ltd. in 2003. By utilising the zero tariff benefit from CEPA in conjunction with its rich domestic sales experience in the Mainland, Futong expanded the capacity of Transtech and increased the production volume. Futong intends to continue using Hong Kong as a base to explore the overseas market.

### CEPA, lower cost higher flexibility

Optical fibre is homogeneous goods. Manufacturers produce optical fibres according to international standards with qualities depending on the preform being used. With effect from August 2015, the Mainland imposes anti-dumping duty of about 8 to 40% on preforms imported from Japan and the US, hence increasing the cost of optical fibre manufacturers in the Mainland. On the other hand, Transtech is able to save a 5% tariff on its products imported into the Mainland through CEPA. Transtech is not subject to anti-dumping, and has considerable advantage in terms of raw material costs. "Optical fibre manufacturing is a business of huge volume, with production

amounting to some 5 million km every year," Xingfu He, Director & General Manager, says. "CEPA brought us a saving of more than HK\$10 million. At present, the demand for optical fibre continues to be strong and the supply is in shortage. Frankly speaking, even if we increase the price by 5%, it is still very attractive to our customers."

### Hong Kong serves as a springboard to "go global"

It is seen by many that Hong Kong's manufacturing industry is shrinking owing to the high labour cost, but Futong, as a Mainland enterprise, sees the upside of the city. Being a high-tech industry, the production process is highly automated. He explains that they have a low human capital ratio which can control their staffing cost. On the other hand, the high quality of labour force and the stable business environment give them much confidence to set up the manufacturing base in Hong Kong.

Hong Kong also serves as a super-connector for Futong to link up with the rest of the world. In 2009, Transtech started a joint-venture with Japanese Sumitomo Electric Industries Ltd. and since then, gained experience from them on technical skills, management and marketing. "Hong Kong is our best learning ground," He says. "With the same language, we don't have much to struggle in our business operation, but we can rather put more efforts to learn through international exposure, free flow of capital and rule of law in Hong Kong." He sees oversupply in the industries in the Mainland and will pursue the strategy to "go global".

As an intersection between the east and the west, Hong Kong offers advantages in financial, logistics and communication aspects. Furthermore, with the CEPA preference the company now enjoying, He believes Hong Kong can act as an effective bridge between the company and the overseas markets. Looking to the future, they will continue to seize the financial opportunities posed by Hong Kong for reinvestment, with a view to expanding their market share in ASEAN market.



- The only optical fibre manufacturer in Hong Kong.
- Acquired by a subsidiary of a Mainland private enterprise, Futong Group Co. Ltd. in 2003. Futong is currently on the list of China's top 500 private enterprises, and is also the global leader in optical fibre and cable.
- Enjoys the zero tariff under CEPA to export optical fibre to the Mainland. Its products are also exported to some ASEAN countries.



<http://www.ftjt.net/>



Non-alcoholic Beverages

## Vitasoy International Holdings Ltd.

Vitasoy, established for nearly 80 years, is one of the most famous local brands for drinks in Hong Kong and caters to a big market, with products available in supermarkets, eateries and schools. Given the long history of development, Vitasoy has entered into the Mainland market early in the 1980s. With the signing of CEPA in 2003, the company has since further developed its business in the Mainland.

### CEPA, the icing on the cake

Vitasoy has been selling its products in the Mainland since 1982. Its first Mainland manufacturing facility was set up in Shenzhen in 1994 supplying the Mainland market while the production in Tuen Mun mainly caters for Hong Kong and overseas consumers. “CEPA is a special arrangement of the Central government to promote and facilitate Hong Kong’s exports to the Mainland. This platform greatly enhances the

competitiveness of Hong Kong’s products exported to the Mainland. The zero tariff treatment has played a positive role in promoting Hong Kong’s industrial restructuring and enhancement, as well as deepening the integration between the two places. The Group also offers a wider range of products to the Mainlanders in this regard,” says Jack Yuan, Managing Director of Vitasoy (China) Investments Ltd.

With the zero-tariff advantage, Vitasoy brings more “Made in Hong Kong” drinks as well as new flavours to the Mainland. Through CEPA, the company now exports to the Mainland newly designed bottled Vitasoy soymilk, carton-packaged Vita mango juice as well as one-liter Vitasoy creamy original soymilk for coffee shop use.

### CEPA for branding

Customers’ tastes are very diverse in any market, but it does not hinder company’s development in the Mainland. With a long history, Hong Kong-made Vitasoy’s products give customers confidence and prompt them to try new flavours. Yuan added that the Group aims to live up to its founding mission when doing business in the Mainland. “We are committed to promote healthy lifestyle of consumers by providing them with high quality products.”

As of today, business from the Mainland takes up over 50% of the company’s revenue. Yuan says the Mainland

continues to be one of the most important markets with huge potential. Looking ahead, the Group will put more resources in the Mainland market to strengthen the leading position of Vitasoy in the Mainland’s ready-to-drink soymilk market and to expand the soymilk drinks consumption.



- Established in 1940 aiming to provide nutritious Vitasoy soymilk at an affordable price to wartime Hong Kong people suffering from shortage of food with soaring prices.
- Beverages debuted in the Mainland market in 1982, while its first manufacturing facility was set up in Shenzhen in 1994.
- Export bottled Vitasoy soymilk, carton-packaged Vita mango juice and one-liter Vitasoy creamy original soymilk for coffee shop use from Hong Kong to the Mainland with zero tariff benefit under CEPA.



<http://www.vitasoy.com/>



# Statistics

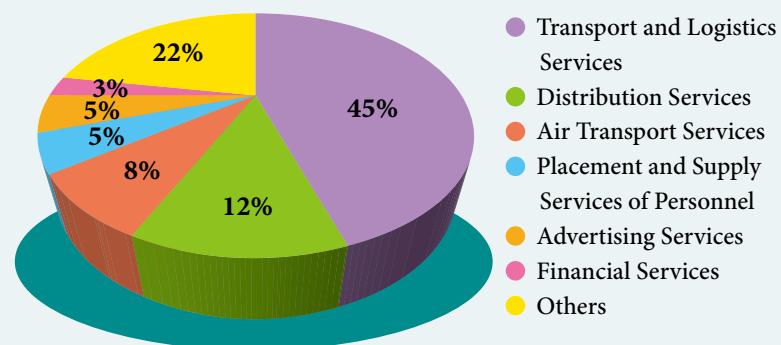
## Trade in Services

The Agreement on Trade in Services signed under CEPA to basically achieve liberalisation of trade in services between the Mainland and Hong Kong has been implemented as from 1 June 2016. Following the signing of the Agreement, there are 153 sectors which the Mainland has fully or partially opened up to Hong Kong services industry, accounting for 95.6% of all the 160 services trade sectors.

As at December 2016, more than 3,000 Hong Kong Service Suppliers Certificates have been issued by the Trade and Industry Department to over 1,700 Hong Kong enterprises.

**Major service sectors in terms of Hong Kong Service Suppliers Certificates issued**

(as at December 2016)



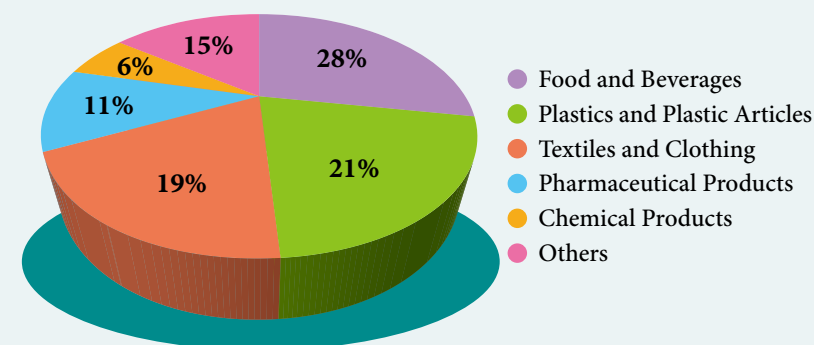
## Trade in Goods

Under CEPA, the Mainland fully implements zero tariff on imported goods of Hong Kong upon the CEPA rules of origin being met. Both sides have so far reached agreement on the rules of origin for over 1,800 items of goods.

As at December 2016, over 146,000 Certificates of Hong Kong Origin - CEPA (CO(CEPA)s) have been issued by the Trade and Industry Department and the certification organisations, with tariff savings amounted to over RMB 5.7 billion.


**Major product types covered by CO(CEPA)s issued**

(as at December 2016)



#### General enquiry on CEPA


 2398 5667

 3525 0988

 [cepa@tid.gov.hk](mailto:cepa@tid.gov.hk)


#### CEPA Rules of Origin, Certificate of Origin and Factory Registration


 3403 6432

 2787 6048

 [cepaco@tid.gov.hk](mailto:cepaco@tid.gov.hk)


#### General enquiry on Trade in Goods under CEPA


 2398 5676

 2398 9973

 [ma\\_registry@tid.gov.hk](mailto:ma_registry@tid.gov.hk)

#### Certificate of Hong Kong Service Supplier

 3403 6428

 3547 1348

 [hkss@tid.gov.hk](mailto:hkss@tid.gov.hk)

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