

## The Latest Insight

### Liberalization of trade in services between Hong Kong and Mainland China under CEPA

[18 July, 2009 Issues 11]

From 1st October 2009, Mainland China will further relax 29 liberalization measures covering 20 service sectors, whilst also introducing two new sectors - research & development and rail transport. The total number of service sectors will be extended from 40 to 42.

The 20 service sectors include: legal, construction, medical, research & development services, real estate, placement & supply services of personnel, printing, convention & exhibition, public utility, telecommunications, audiovisual, distribution, banking, securities, tourism, cultural, maritime transport, air transport, rail transport and individually owned stores.

Below are some of liberalization measures, extracted from the official publications.

**A. Banking** - Branches established by a Hong Kong bank in Guangdong Province will be allowed to set up 'cross-location' sub-branches within Guangdong Province;

**B. Securities** - Qualified Hong Kong securities companies and Mainland securities companies, which satisfy the requirements for establishing subsidiaries, will be allowed to set up joint venture securities investment advisory companies in Guangdong Province. The scope of business should focus specifically on securities investment advisory services. The shareholding percentage of the Hong Kong securities company could, at a maximum, reach 1/3 of the total shareholding of the joint venture securities investment advisory company;

**C. Tourism** - (i) Mainland travel agents authorised to operate group tours to Taiwan, will be allowed to organise group tours for Mainland residents who hold valid exit/entry permit for traveling to and from Taiwan and travel endorsement, to enter and remain in Hong Kong in transit. This measure aims to facilitate the travel trade in Mainland China and Hong Kong in developing multi-destination tour products; and (ii) to allow Hong Kong permanent residents with Chinese citizenship to obtain Mainland outbound tour escort credential. They can be employed by Mainland international travel agents authorised to operate outbound group tours for Mainland residents, as well as by Hong Kong and Macau travel agents authorised to operate group tours to Hong Kong and Macau for Mainland residents;

**D. Audio-visual** - (i) Hong Kong service providers will be allowed to provide video and sound recording (including motion picture products) distribution services in the Mainland in the form of wholly-owned operations; and (ii) to allow post-production of domestic films (including co-productions) to be processed in Hong Kong after obtaining the approval of the State Administration of Radio, Film and Television;

**E. Telecommunications** - Hong Kong service suppliers will be allowed to distribute fixed/mobile telephone service cards in Guangdong Province, which can only be used in Hong Kong;

**F. Legal** - (i) Hong Kong legal practitioners who have at least five years of experience in legal practice, and who have passed the National Judicial Examination, will be allowed to undergo intensive training as offered by legal associations in the Mainland that lasts for at least one

## Upcoming LB Events

### Comparison between IFRS and Chinese GAAP

21st July 2009 Singapore,  
22nd July 2009 Malaysia.

## Poll

In response to the question:

'Has your company considered and/or undertaken an internal audit since the economic downturn?'

the following results were logged:

Yes 67%

No 33%

month in accordance with the relevant Mainland rules. Upon completion of the training and passing of the assessment, they can apply to practice as lawyers in the Mainland; and (ii) to allow Hong Kong law firms, which have set-up representative offices in the Mainland to operate in association with Mainland law firms in Guangdong Province; the Mainland law firms shall have been established for one year or more, with at least one person who established the firm having been in legal practice for five years or more;

**G. Convention and Exhibition** - (i) Hong Kong service suppliers will be allowed to organise exhibitions, in the form of cross-border supply, in the Beijing Municipality, Tianjin Municipality, Chongqing Municipality, Zhejiang Province, Jiangsu Province and Fujian Province on a pilot basis; and (ii) enterprises set up by Hong Kong service suppliers on a wholly-owned, equity joint venture or contractual joint venture basis in the provinces and autonomous regions of Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou and Sichuan will be allowed to organise overseas exhibitions on a pilot basis. Participating enterprises should be registered enterprises in that province or autonomous region (these liberalization measures represent further geographical extension of the 2007 measure on cross-border supply of services and the 2008 measure on allowing Hong Kong service suppliers to organise overseas exhibitions on a pilot basis);

**H. Transportation** - (i) for rail transport services, Hong Kong service suppliers will be allowed to construct, operate and manage the Shenzhen Metro Line 4 project in Shenzhen in the form of wholly owned operations. This is a newly added service sector; and (ii) for maritime transport services, Hong Kong service suppliers will be allowed to set up wholly-owned shipping companies in the Mainland to provide regular business services such as shipping undertaking, issuance of bills of lading, settlement of freight rates, signing of service contracts, etc. for shipping transport between Hong Kong and Class B ports in Guangdong operated by Hong Kong service suppliers using chartered Mainland vessels;

**I. Printing and Publishing** - Hong Kong service suppliers will be allowed to establish typesetting and production services company on a wholly-owned, equity joint venture or contractual joint venture basis in the Mainland and to provide pre-press services such as proof-reading, design and typesetting for books; and

**J. Liberalization Measures in the China - Pakistan Free Trade Agreement (the Agreement)** - Hong Kong service suppliers will be allowed to enjoy preferential market access in three service sectors, namely (i) medical and dental services; (ii) research and development services; and (iii) real estate services. These liberalization commitments were made by Mainland China to Pakistan under the Agreement signed in February 2009. The same preferential treatments are now extended to Hong Kong in accordance with CEPA. Research and Development services is a newly added sector under CEPA; Hong Kong service suppliers are allowed to set up wholly-owned enterprises in the Mainland to provide research and experimental development services on natural sciences and engineering.

***All services sector liberalization measures will take effect from October 1, 2009.***

**Additionally**, the Government also extended the certification service of Hong Kong Service Suppliers (HKSS) to all the service sectors under CEPA so they can apply to the relevant Mainland examining authorities for preferential treatments

Service suppliers in Hong Kong will be able to gain better access to the Mainland market provided that they have fulfilled the definition and related requirements of Hong Kong service suppliers stipulated in CEPA. In this regard, a service supplier as a juridical person should apply to the Trade and Industry Department for a Certificate of HKSS before it applies to the relevant Mainland China examining authorities for provision of the relevant services in the Mainland under CEPA.

1. Financial cooperation

To enhance financial co-operation, qualified Mainland securities companies approved by the China Securities Regulatory Commission can set-up subsidiaries in Hong Kong in accordance with the relevant requirements. Furthermore, the Mainland will also actively explore the introduction in Mainland China of the 'open-end index-tracking exchange-traded fund', the portfolios of which are constituted by Hong Kong listed stocks.

2. Mutual recognition of professional qualifications

It includes a number of measures to encourage mutual recognition of professional

qualifications, as well as technical exchange work among professionals from the accounting, construction, real estate and printing sectors. On medical and dental services, Hong Kong pharmacists can sit for examination and register on the Mainland. These measures will provide greater business opportunities for trade and facilitate the upgrading of the professional standards of the two places.

**Linked with this is the Mutual Recognition of Professional Qualifications, whereby,** under CEPA, the Mainland and Hong Kong have agreed to take forward the work on mutual recognition of the following professional qualifications:

1. Supervision Engineers of the Mainland and Building Engineers as well as Architects of Hong Kong;
2. estate agents of the Mainland and Hong Kong.

In addition, both sides also agree that their competent authorities or professional bodies will take forward technical exchange work of the following professionals:

1. Landscape architectural professionals of the Mainland and Hong Kong;
2. Certified Property Managers of the Mainland and members of the Hong Kong Institute of Housing;
3. Printing technicians.

Furthermore, the Mainland allows Hong Kong residents who have formally become members of the Hong Kong Institute of Certified Public Accountants on or before 31 March 2009 to be exempted from the 'Finance and Accounting' paper when sitting for the Mainland Certified Tax Agent qualification examination.

## Recent e-Newsletters

- Criteria for foreign MNCs establishing Regional Headquarters in Shanghai
- Shanghai Incentives to attract Foreign Investments
- The State Administration of Taxation Releases New Circular to Strengthen Tax Collection and Administration
- HOW TO CALCULATE VAT REBATES
- China Increases the Export Value-Added Tax Refund Rates for Textile Products, Certain Electronic Products and Other Commodities
- Measures for Determining Value of Goods and Articles Contravening the PRC Customs Regulations
- The Objectives and Benefits of an Internal Audit
- New transfer pricing regulations and their impact on foreign businesses in China
- Business Tax - Enlargement of scope of charge
- Shanghai: New provision on the establishment of regional HQs by foreign MNCs

[Go to Top](#)

### ***"Providing an alternative in China"***

Insights is LehmanBrown's official client-focused e-newsletter. It offers updates on the latest business news, taxation and accounting regulations in the People's Republic of China. It is designed to provide you with interesting and informative information to assist in your dealings with China or any China-related issues that you may encounter.

Business-related enquiries can be emailed to [beijing@lehmanbrown.com](mailto:beijing@lehmanbrown.com).