CEPA Brings New Opportunity To Hong Kong Companies

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On 29th June 2003, Hong Kong Government has signed the "Closer Economic Partnership Arrangement" (CEPA) with the Central Government of the People's Republic of China, under which companies in Hong Kong will benefit from preferential market opening for goods and services regardless of their nationalities or sizes.

The Vice Minister of the Ministry of Commerce, Mr. An Min (sitting on the right), representing the Central People's Government; and the Financial Secretary, Mr. Antony Leung (sitting on the left), representing the Hong Kong Special Administrative Region Government, signed the CEPA at a ceremony held at Government House.
(Photo Source: http://www.hklookingahead.gov.hk)

According to CEPA, the Mainland China agrees to apply zero import tariffs for exports of 273 products from Hong Kong provided that they satisfy the rules of origin requirement as "Made in Hong Kong". In general, goods are qualified as made in Hong Kong if they have been *substantially transformed* in Hong Kong.

CEPA also provides liberalization to Hong Kong based companies, ahead of the China's WTO timetable, in accessing the market of 18 services sectors. Apart from lowering the entry threshold, it is possible for them to establish wholly owned foreign enterprises in certain service sectors. However, to be eligible for enjoying the benefits, the companies must be incorporated in Hong Kong with *"substantive business operations"* for past 3 to 5 years, liable to Hong Kong profits tax and employed at least 50 percent of their staff locally.

The public generally expects that the CEPA will bring new business opportunities to Hong Kong by enhancing Hong Kong's position as the service center of China and opening up the door for Hong Kong companies to explore the China market. Overseas companies not yet in Hong Kong may take advantage of CEPA by partnering with qualified companies based here or by acquiring them. ※