

**Mainland/HKSAR Closer Economic Partnership Arrangement**  
**(CEPA)**

**Transport, Logistics and Related Services**

**Introduction**

- ❖ The objectives of CEPA are to strengthen the cooperation in trade and investment between the Mainland and Hong Kong and to facilitate the development of both sides. Trade in services will be liberalized progressively by reducing or eliminating discriminatory and restrictive measures between the two sides.
- ❖ Upon the signing of CEPA, Hong Kong companies will enjoy greater flexibility and business opportunities when operating in the Mainland. They will gain access to the Mainland services markets ahead of their foreign counterparts, and establish their foothold before China swings its door wide open to other WTO members.

**Mainland's CEPA Offers**

- ❖ We believe that the relevant services sectors will welcome CEPA as it will bring enormous business opportunities to Hong Kong, facilitate our economic recovery, boost investment between the Mainland and Hong Kong, and help improve the local employment situation.
- ❖ With effect from 1 January 2004, Hong Kong logistics, transport and related services companies will be allowed under CEPA to set up wholly-owned enterprises to operate business in these sectors in the Mainland.
- ❖ Logistics services: CEPA will allow Hong Kong companies to set up wholly-owned enterprises to provide logistics services in the Mainland, including the transportation, storage, loading and unloading, value adding, packaging, delivery and related information management and consultancy services for ordinary road freight;

freight forwarding services within the Mainland; and the management and operation of logistics services through electronic means. *Since China has not made any WTO commitment for logistics services, Hong Kong's logistics companies will enjoy unique advantages over their foreign counterparts.*

- ❖ Freight forwarding services: CEPA will allow Hong Kong companies to set up wholly-owned enterprises to provide cargo forwarding services in the Mainland (*two years ahead of China's WTO commitment*). They will enjoy the same treatment applicable to Mainland enterprises on the minimum requirement on registered capital for the setting up of international freight forwarding companies (*again two years ahead of China's WTO commitment*).
- ❖ Storage services: CEPA will allow Hong Kong companies to set up wholly-owned enterprises to provide storage services in the Mainland, and enjoy the same treatment applicable to Mainland enterprises on the minimum requirement on registered capital (*one year ahead of China's WTO commitment*).
- ❖ Road freight transport services: CEPA will allow Hong Kong companies to set up wholly-owned enterprises to provide road freight transportation services in the Mainland (*one year ahead of China's WTO commitment*). They can also provide direct non-stop land freight transport services between Hong Kong and provinces in the Mainland.
- ❖ Maritime transport services: CEPA will allow Hong Kong companies to set up wholly-owned enterprises in the Mainland to provide international ship management services, storage for international maritime freight, container station and depot services, and non-vessel operating common carrying services. They can set up wholly-owned shipping companies in the Mainland to provide normal services, including shipping undertaking, issuance of bills of lading, settlement of freight rates, and signing of service contracts for vessels that they own or operate. They can also use liner vessels serving main routes to freely arrange empty containers that they own

or rent, as long as the customs procedures are observed. *Since China has not made any WTO commitment for wholly-owned operation in maritime transport services, Hong Kong's shipping companies will enjoy unique advantages over their foreign counterparts.*

**Definition of "Hong Kong companies"**

→ The CEPA offers are available only to Hong Kong companies. For the above services sectors, this means a company which –

- (a) must be incorporated in Hong Kong under the laws of HKSAR or other related legislation<sup>1</sup>; and
- (b) must have "substantive business operations" in Hong Kong, i.e. --
  - (i) operates business in Hong Kong similar in nature to what the company intends to operate in the Mainland under CEPA;
  - (ii) pays profits tax in HKSAR (or is exempted by law from paying such tax);
  - (iii) has maintained substantive business operations in HKSAR for at least three years prior to 1 January 2004;
  - (iv) maintains an office in Hong Kong for substantive business operation. The size of the office must be in proportion to the scope and scale of its business operation;

for the maritime transport sector, a Hong Kong shipping company must have at least 50% of its total fleet tonnage registered in Hong Kong; and

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<sup>1</sup> The other legislation will be agreed between both parties.

- (v) employs at least 50% of staff from Hong Kong.

The above assessment criteria for defining a "Hong Kong company" as well as the implementation details will be further discussed between the two sides.

- ◆ The above definition apply across the board for most CEPA services sectors, except banking, insurance, legal and construction services, which are subject to different definitions.

*Economic Development and Labour Bureau*  
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