

LCQ5: Opening up of the Mainland market to Hong Kong on trade in services

Following is a question by the Dr Hon Lo Wai-kwok and a reply by the Under Secretary for Commerce and Economic Development, Dr Bernard Chan, in the Legislative Council today (November 20):

Question:

On the ninth of last month, the Mainland signed the Second Agreement Concerning Amendment to the Mainland and Hong Kong Closer Economic Partnership Arrangement Agreement on Trade in Services with Hong Kong, further opening up its market to Hong Kong in a number of professional services sectors. In this connection, will the Government inform this Council:

(1) whether it will join hands with professional, trade or business associations in Hong Kong to actively promote co-operation with Mainland professional regulatory bodies in ensuring a streamlined and transparent certification process for the relevant professional qualifications, and further enhancing the mechanisms for mutual recognition of professional qualifications between the Mainland and Hong Kong to minimise repetitive vetting as far as possible; if so, of the details; if not, the reasons for that;

(2) whether it will allocate additional resources to actively promote innovation and digital transformation as well as the development of new quality productive forces in the local industrial, commercial and professional sectors, thereby boosting their competitiveness and facilitating the opening up of the Mainland market for trade in services; if so, of the details; if not, the reasons for that; and

(3) whether it will actively seek co-operation with the relevant Mainland authorities and professional organisations to build an international co-operation platform for local enterprises providing professional services, so as to enable local enterprises to join forces with their Mainland counterparts in tapping new markets, including participating in more infrastructure projects in the Belt and Road countries, thereby further expanding the share of Hong Kong's professional services sector in the international market; if so, of the details; if not, the reasons for that?

Reply:

President,

Last month, the Hong Kong Special Administrative Region (HKSAR)

Government and the Ministry of Commerce signed the Second Agreement Concerning Amendment to the Agreement on Trade in Services (Amendment Agreement II) under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), introducing new liberalisation measures for different service sectors where Hong Kong enjoys competitive advantages, making it easier for Hong Kong service suppliers to develop business on the Mainland and enabling more Hong Kong professionals to obtain qualifications so as to provide services to the Mainland market. The new Agreement will be implemented from March 1, 2025. The HKSAR Government will conduct more promotion and publicity with a view to assisting the trade in making good use of the new CEPA measures.

Having consulted the Development Bureau, the Financial Services and the Treasury Bureau, the Housing Bureau and the Innovation, Technology and Industry Bureau, the reply to the three parts of the question is as follows:

(1) Under the framework of CEPA, the Mainland has already implemented preferential and facilitation measures for Hong Kong in a great majority of services trade sectors, including relaxing qualification requirements for Hong Kong professionals to provide services, allowing Hong Kong professionals to sit for examinations, register, practise and set up enterprises on the Mainland as well as encouraging mutual recognition of professional qualifications by professional bodies from both sides. To date, mutual recognition of professional qualifications or exemption arrangements for papers of professional qualification examinations have been put in place in a number of services sectors, including construction and related engineering, securities and futures, banking as well as real estate.

For construction and related engineering professional services, Hong Kong professional bodies and the Mainland's relevant regulatory authorities have signed mutual recognition agreements for six professional qualifications, including those for general practice surveyors, architects, structural engineers, planners, quantity surveyors and building surveyors. To dovetail with the National 14th Five-Year Plan in respect of supporting the strategy of high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area (GBA), the Development Bureau has collaborated with the relevant Mainland authorities to promulgate the Interim Guidelines for the Management of Hong Kong Engineering Construction Consultant Enterprises and Professionals Starting Business and Practising in the Guangdong-Hong Kong-Macao Greater Bay Area Cities (Interim Guidelines) in 2021, which allows eligible Hong Kong enterprises and professionals in five disciplines, namely engineering, architecture, surveying, planning and landscape architecture, to acquire equivalent qualifications on the Mainland through a simple registration process, thereby allowing them to provide direct services in the nine Mainland cities of the GBA without the need to obtain mutual recognition of professional qualifications, and avoiding the need of repetitive recognition of those enterprises' and professionals' qualifications by each city in Guangdong Province.

The Amendment Agreement II further expands the coverage of eligible enterprises under the Interim Guidelines to also allow Hong Kong general

practice surveying enterprises to provide professional services in Guangdong Province upon registration, and to allow registered Hong Kong consultant firms to bid for consultancy projects in joint ventures in the GBA to enable the Hong Kong construction and related engineering sector to develop business on the Mainland more easily.

For the securities and futures sector, the Hong Kong Securities and Futures Commission (SFC) and the China Securities Regulatory Commission have implemented an arrangement for mutual recognition of professional qualifications, and simplified the relevant procedures for obtaining securities practicing registration and applying for the fund or futures practicing qualifications on the Mainland. Hong Kong professionals with relevant licence issued by the SFC only need to pass the Mainland's examination on the relevant laws and regulations; and the examination on the foundation paper is not required.

For the banking sector, the Hong Kong Institute of Bankers (HKIB) and the China Banking Association (CBA) signed the Memorandum of Understanding on Mutual Recognition of Personal Wealth Management Qualification Certificates in 2009, officially launching the mutual recognition mechanism. Subsequently, the two sides signed addendums twice to improve the relevant arrangements. The CBA, the China Bankers Institute and the HKIB signed Addendum III in 2022 to ensure eligible practitioners can obtain the Associate Retail Wealth Professional (ARWP) professional qualification issued by the HKIB. Under the Agreement, financial practitioners from the Mainland and Hong Kong can obtain "dual qualifications" (Level 1 of Qualification Certificate of Banking Professional and ARWP) through the mutual recognition mechanism.

For the estate agency services sector, the regulating authorities on the two sides (namely Hong Kong's Estate Agents Authority and the China Institute of Real Estate Appraisers and Agents (CIREA)) have signed an agreement to allow the participation of a certain number of qualified estate agents nominated by each side to participate in the specially-designed training courses and examinations organised by the other party. Upon completing the course and passing the examination, estate agents can apply for the qualifications to practise in the relevant sector. As at end October 2024, 145 Hong Kong estate agents are holding registration certificates granted by the CIREA.

(2) The Government endeavours to promote innovation and digital transformation of the local industries as well as the commercial and professional sectors to enhance their competitiveness.

To encourage more enterprises to conduct research and development (R&D) in Hong Kong, the Government amended the Inland Revenue Ordinance in 2018 to provide a two-tiered enhanced tax deduction regime for expenditure on "qualifying R&D activities". The claims for tax deduction on R&D expenditure for the year of assessment 2022/23 was about \$3.9 billion, more than doubled that for the year of assessment prior to the implementation of the measure, indicating that this measure could encourage enterprises to devote more resources to local R&D.

The R&D centres under the purview of Innovation and Technology Commission also act as a focal point for technology collaboration among the Government, industry, academia and research sectors, and work closely with universities and the industry in encouraging investment in R&D from local private enterprises with a view to enhancing their technological know-how and facilitating technology transfer and commercialisation, thereby supporting the upgrading and transformation of the traditional industries.

The Government has also allocated funding to launch the Cyberport's \$500 million Digital Transformation Support Pilot Programme, under which funding will be provided on a one-to-one matching basis to assist small and medium enterprises (SMEs) in the retail and food and beverage industries in applying e-payment and other ready-to-use basic digital solutions, so as to expedite their digital transformation. We will expand the scope of the Programme to cover tourism and personal services industries.

(3) The Government is committed to consolidating Hong Kong's role as the functional platform for the Belt and Road (B&R) and giving full play to the roles as a "super connector" and "super value-adder", thereby assisting Hong Kong enterprises and professional services in exploring B&R business opportunities.

The Belt and Road Summit (Summit), organised by the Commerce and Economic Development Bureau (CEDB) and the Hong Kong Trade Development Council, has been recognised by our country as a case of significance for the implementation of the B&R Initiative. The ninth Summit, held in September this year, attracted around 6 000 government officials, business leaders and representatives of enterprises from over 70 B&R-related countries and regions, and over 800 one-on-one business matching sessions were arranged for more than 280 projects, to assist Hong Kong enterprises to interface with enterprises from the Mainland and B&R countries to jointly explore business opportunities.

The Chief Executive led a business delegation to visit Laos, Cambodia and Vietnam in July this year to enhance co-operation in different areas between Hong Kong and the Association of Southeast Asian Nations. A total of 55 memoranda of understanding and agreements were signed. In addition, the Financial Secretary led a delegation of the financial and innovation sectors to Saudi Arabia in October to strengthen and deepen the connections between Hong Kong and the Middle East in areas such as trade, finance, and innovation and technology. The Belt and Road Office (BRO) of the CEDB and the Ministry of Commerce also co-led a business delegation to visit Hungary and Kazakhstan in May this year, and returned via Xinjiang, encouraging Hong Kong and Mainland enterprises to jointly explore the B&R markets.

Next year, we plan to organise a B&R cross-professional forum to conduct high-level exchanges with Hong Kong professionals, focusing on exploring opportunities in new co-operation fields, including green development as well as innovation and technology, with a view to promoting Hong Kong professional services.

At the same time, BRO will explore the feasibility of establishing a B&R capacity building centre to link up with a series of other B&R platforms created by Hong Kong, with a view to forging ties with the B&R countries and regions using our soft power in a range of professional services, thereby paving the way early for pursuing opportunities in economic development and co-operation in the future.