



CEPA

Success Stories

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Foreword	2
Trade in Goods	
● Hovione PharmaScience Limited	10
● Macau Cement Manufacturing Company Limited	14
● Tai On Environmentalist Recycling & Regeneration Factory Limited	18
● R-Cherikoff Food (Macau) Company Limited	22
● Kam Kei Pastries Factory	26
● SIM Macau Industrial Company Limited	30
Trade in Services	
● Tai Fung Bank Limited	34
● Luso International Banking Limited	38
● Macau Expo Group Limited	42
● Macau Yin Kui Hospital Limited	46
● Jet Global Logistics Limited	50
● E.C. Film Production Company Limited	54
Statistics	58



Foreword

Signed between the Mainland and Macao in 2003, the Mainland and Macao Closer Economic Partnership Arrangement (CEPA) provided Macao with an impetus to reboot its economy which was deeply challenged at that time. In the subsequent 10 years, the two sides signed 10 supplementary agreements, progressively expanding the scope of liberalisation and deepening the preferential measures in the three economic areas, namely, trade in goods, trade in services and trade and investment facilitation. After that, the two sides signed the Agreement on Trade in Services under CEPA in 2015 to consolidate and expand the commitments on liberalisation of trade in services, basically achieving liberalisation of trade in services between the Mainland and Macao.

The signing of the Investment Agreement and the Agreement on Economic and Technical Cooperation between the Mainland and Macao on 18 December 2017 is an integral part to the comprehensive enhancement of CEPA, combining trade in goods, trade in services, investment, and economic and technical cooperation into an economic and trade arrangement that fully covers the cooperation between the two places. It is also an important measure for supporting Macao to integrate itself into the national development strategies, fully manifesting China's support for Macao's economic development, prosperity and stability, as well as the state's care and encouragement for Macao under the unique advantage of the "One Country, Two Systems" principle.

Under CEPA, goods of Macao that comply with the mutually agreed rules of origin can enjoy zero-tariff treatment upon importation into the Mainland, and the number of items of Macao goods entitled to zero tariff has increased from initially 273 to currently 1,535. CEPA allows "Made in Macao" products to enter the Mainland with zero-tariff benefit, favouring the enhancement of their competitiveness and enabling the manufacturing industry to proceed progressively with their development for upgrade and transformation.

For trade in services, there are 153 sectors which the Mainland has opened up to Macao, accounting for 95.6% of all the 160 services trade sectors classified by the World Trade Organization, symbolising the achievement of basic liberalisation of trade in services between the Mainland and Macao. For years, enterprises from various industries, including banking, logistics, convention and exhibition, medical, real estate, film and television, scientific research, etc., have obtained Macao Service Supplier Certificates to operate businesses in the Mainland. Besides, professionals of Macao, such as accountants, lawyers and doctors can also participate directly in the Mainland professional qualification exams to broaden their room for business development. After all, Macao is a small economy, but the implementation of CEPA has offered local enterprises and practitioners a huge, diversified and highly inclusive market for development.

Looking ahead, the Macao SAR Government will join force with the Ministry of Commerce of China to continue deepening the

implementation of CEPA measures with a focus on advancing the next phase of CEPA enhancement in order to make proper and full use of the preferential policies brought by CEPA for continuously enhancing the level of economic and investment liberalisation between the Mainland and Macao, so as to promote the economic integration and development between the two places to allow the government, business sector, professionals and youth to work together on promoting Macao's participation in the development of the "Belt and Road" Initiative, jointly establishing Macao as a commercial and trade cooperation service platform between China and Portuguese-speaking countries, and integrating into the development of the Guangdong-Hong Kong-Macao Bay Area based on the direction of development defined as "giving full play to Macao's strengths to complement China's needs".

As CEPA is being comprehensively and progressively enhanced, let us share some CEPA success stories with everyone to learn from the past and create a future together!

Tai Kin Ip
Director, Macao Economic Bureau



Foreword

In 2003, the Mainland and Macao signed the Closer Economic Partnership Arrangement (CEPA), which is a free trade agreement (FTA) signed between China, a country, and its separate customs territory, and is also the first FTA ever concluded by either the Mainland or Macao. It has been over a decade since CEPA was signed in 2003, yet the memories of the signing are still vivid when recalled. At that time, we had just undergone the Asian financial crisis, and the economic and trade exchanges between the two places were facing plenty of new challenges and opportunities. The signing and implementation of CEPA have laid down institutional arrangements for strengthening the economic and trade relations between the two places under the conditions of the "One Country, Two Systems" principle, injecting new impetus to cooperation and development of the two places.

Over the past decade or so, CEPA has been progressing every year through signing of 10 supplementary agreements, the Agreement between the Mainland and Macao on Achieving Basic Liberalisation of Trade in Services in Guangdong as well as the Agreement on Trade in Services. To promote enhancement of CEPA as requested by the Central People's Government in the "13th Five-Year Plan", the Mainland and Macao signed the Investment Agreement and the Agreement on Economic and Technical Cooperation under CEPA in December 2017. Through CEPA, the Mainland has continuously expanded the level of liberalisation to Macao. CEPA remains the most liberal FTA of the Mainland.

For trade in goods, the types of Macao products qualified for zero tariff in the Mainland have expanded from 273 in 2003 to all products originating from Macao nowadays, thereby achieving full liberalisation between the two sides. For trade in services, there were 41 liberalisation measures covering Macao'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 in other service sectors. For investment, the Investment Agreement provides a more systematic institutionalised protection to economic and trade exchange and cooperation between the two places by conforming to international rules, incorporating the features of the two places and offering a high level of liberalisation and protection. For economic and technical cooperation, a specialised Agreement on Economic and Technical Cooperation which fully covers the scope of economic and technical cooperation set out in CEPA and its 10 supplementary agreements, and proposes new scope of cooperation based on the actual needs of economic and trade cooperation between the two places and taking Macao's features into account has been signed. Through a high level of liberalisation, CEPA has deepened the economic and trade cooperation between the two places and promoted Macao's moderate economic diversification, providing new room and better conditions for Macao's prosperous and stable development. "CEPA Success Stories" is not only a review of CEPA, but also a showcase of achievements and benefits enjoyed by Macao through CEPA liberalisation. This booklet has introduced the successful implementation of measures in sectors such as convention and

exhibition, medical, financial and logistics services in which Macao possesses competitive advantages.

The 19th National Congress of the Communist Party of China was victoriously convened in 2017. The Congress's report considers supporting Macao's integration into the national development strategies as a major strategic plan. This has a significant importance to and a profound influence on deepening the comprehensive mutual beneficial cooperation between Macao and the Mainland. In the next step, the Mainland will fully implement the spirit of the 19th National Congress to further open up to Macao based on the planning set out in the "13th Five-Year Plan" by promoting the signing of the Agreement on Trade in Goods between the two places and accomplishing the goal of enhancing CEPA ahead of schedule, so as to provide a more comprehensive institutional arrangement for trade exchanges between the Mainland and Macao with a view to promoting further in-depth economic integration and achieving joint development between the two places.

Let us strive together to write new CEPA success stories!

SUN Tong

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



**Success
Stories**



Hovione PharmaScience Limited

Made in Macao with strict quality control

Soon after being established in Macao in 1984, Hovione PharmaScience Limited started building its factory which was officially in operation in 1986. Being the oldest and largest Portuguese-based pharmaceutical manufacturer in Macao, Hovione possesses a unique advantage in terms of market position. With a scientific research-oriented approach, the company focuses on producing sophisticated pharmaceutical products. It has two major business lines, one is manufacturing of synthetic drugs ordered by large pharmaceutical manufacturers and biotechnology companies, and the other one is manufacturing of generic drugs.

With strict and scientific management, as well as a high level of production quality, its products have successfully entered the U.S. and European markets for years. General Manager Leong Im Wa points out that as the demand for high-quality pharmaceutical products in Asia has been gradually expanding and the pharmaceutical industry of China is growing continuously, it is a chance for the company to enter the Mainland market through Macao, its residing place and a platform between China and Portuguese-speaking countries (PSCs), as a springboard along with CEPA's preferential policies. "Firstly, the zero-tariff preference can lower export costs. Secondly, the geographical proximity to the Mainland can reduce transportation costs and time. Together with the strict intellectual property protection measures in Macao, these factors have helped us to possess more advantages over other overseas companies in entering the Mainland."

Having exported active pharmaceutical ingredient (API) products to the Mainland through CEPA since 2015, Hovione's value of exports grew in each of those 3 years. This shows that CEPA's preferential measures have created opportunities for companies exploring the Mainland market. On the other hand, there have been overseas customers offering development and production cooperation proposals to Hovione with a view to jointly opening the door to the Mainland market by leveraging on CEPA's preferential measures.



- Hovione exports intermediate API products to the Mainland at zero tariff through CEPA.
- Headquartered in Portugal, it has set up production plants in Macao, Ireland and the United States.
- Its products, which had previously been exported to mainly Europe and the Americas, officially entered the Mainland in 2015 through CEPA.

Confronting competition with professionalism

Apart from price advantages, differentiation and uniqueness of products are also needed to stand out from the extraordinarily fierce competition in the Mainland pharmaceutical market. Therefore, other than the existing product categories, Hovione is currently also extending its scope of research and development to the highly valued small molecule drugs, which requires a high level of technology and operational stability. "As new drugs are not highly demanded, and their production does not require a large physical area of land, they are very suitable to be produced by medium-sized pharmaceutical manufacturers like Hovione. The company will upgrade the production facilities and personnel training to get ready for developing more products that comply with the CEPA rules of origin."





Macau Cement Manufacturing Company Limited

Macao's economic boom in recent years sees a sharp increase in the number of construction projects such as buildings, hotels and infrastructures, which places a strong demand for construction materials such as cement and concrete. Being the only cement supplier in Macao, Macau Cement Manufacturing Company Limited has been witnessing the changes in Macao's economy for years.

Contributing to society with quality products

Founded in 1981, Macau Cement commenced production in 1983 at its site located in Ka Ho, Coloane with an area of over 120 thousand square metres, and has since become the designated cement supplier for various infrastructure and construction projects in Macao and the neighbouring areas by adopting a competition strategy based on assurance of quality and stability of supply.

As the demand for cement grows in the same direction and proportion as the regional economic environment, Macau Cement shares the same pace of development with Macao's economy. Its cement products are supplied to various large tourism facilities and major infrastructure projects, including the Nam Van Lake project, Sai Van Bridge, Macao International Airport and other large-scale engineering projects.



Granted with zero tariff and clearance facilitation

Lei Si Tai, Deputy General Manager and Marketing Director of Macau Cement Manufacturing Company Limited, says CEPA has significantly enhanced the company's price advantage by allowing cement to enter the Mainland with zero-tariff benefit, making the company a major cement supplier for the construction of the University of Macau campus which occupies an area of 1.09 million square metres and has an enormous demand for cement for building uses. Seizing the opportunity of trade and investment facilitation under CEPA, Macau Cement facilitated the mutual recognition of quality standards for cement products between the Macau Laboratory of Civil Engineering - LECM and Mainland quality inspection authorities, which allows its products to reach Hengqin under an inspection-free express clearance after passing the inspections in Macao, thereby ensuring the non-stop supply of cement to the campus.

Macau Cement understands that it is hard to compete in terms of price with products from other neighbouring areas such as the Mainland, but is possible to win customers' trust with superior quality and stable supply. To extend its overall business to the Mainland market, the company has been investing in Zhongshan, Dongguan and Guangxi, building cement and concrete factories to supply to large infrastructure projects in those areas.



Focusing on research and integrating into the Mainland

In respect of products, Macau Cement is actively developing high value-added products, e.g. micro cement for underwater and tunnel projects. In future, the company will keep working on product research and development in order to enhance the competitive advantages, and will be looking to seize the opportunities arising from the development of the Guangdong-Hong Kong-Macao Bay Area, contributing its efforts to the infrastructure development in the Bay Area.

- Portland cement has been allowed to enter the Mainland with zero-tariff benefit by CEPA since 2004.
- Besides the cement factory in Macao, Macau Cement Manufacturing Company Limited has also set up concrete factories in Macao, Hong Kong and Zhongshan, as well as a shipping business in Hong Kong.



Tai On Environmentalist Recycling & Regeneration Factory Limited

While used plastic bags or bottles are usually dumped as rubbish, these wastes can be “reborn” as items with values after being properly sorted and recycled.

Finding treasures from recyclable resources

Knowing this well, Ao Weng Heong, Chairman of Tai On Environmentalist Recycling & Regeneration Factory Limited, started producing products such as plastic granules and plastic package bags by recycling waste plastic bottles and bags in his plastics factory in the Mainland as early as 1992.

Since 2004, plastic granules (polymers of ethylene/propylene) have been allowed to enter the Mainland with zero-tariff benefit under CEPA. Seizing this opportunity, Ao set up a factory in Macao in 2007, which was in operation in 2009, producing regenerated plastic granules by recycling local plastic wastes, and, by making use of CEPA’s zero-tariff benefits, exporting them to Mainland plastics manufacturers for being processed into various plastic products.



Combining the advantages of CEPA and Macao

“The tariff on plastic granules exported to the Mainland is 6.5%. Clearly, CEPA's zero-tariff benefits have reduced the production cost, allowing the company to attract Mainland buyers with better prices.” In addition, the simple tax system, convenient administrative procedures, and transparent business information are also reasons for Ao to set up his factory in Macao.

Recycling of waste can not only conserve the utilisation of natural resources and reduce the generation of wastes, but also be a sustainable and circular industry. The recycling industry is in a position to create a win-win situation, and is a key industry to sustainable economic development. Being optimistic about the prospects of the recycling industry, Ao is planning to purchase sorting and recycling machines with higher efficiencies from Europe for processing a larger variety of wastes in order to enhance the cost effectiveness of waste recycling.

On the other hand, the company is progressively carrying on a high value-added precious metal recycling and processing project which will turn locally collected scrap metals, such as copper and aluminium, into recyclable industrial raw materials that comply with the rules of origin through appropriate processing. The output will then be exported to the Mainland with zero-tariff preference under CEPA.



- Since 1 January 2006, the Mainland has allowed goods originating from Macao, except those expressly prohibited from import or otherwise specified, to be imported at zero tariff upon complying with the rules of origin specified.
- Tai On exports plastic granules (polymers of ethylene/propylene) to the Mainland at zero tariff under CEPA. As of 2017, the value of goods exported under CEPA amounted to MOP15 million, with tariff savings amounted to about MOP1 million.



Creating business opportunities with a Macao spirit

Ling Man Yi, founder of R-Cherikoff Food (Macau) Company Limited, started learning pastry making from his father when he was small and used to work at a Russian bakery in Hong Kong. Being optimistic about the keen demand for new types of food in the Macao market, he introduced Russian-style cookies and nougats to Macao in 1990 and finally turned them into food that accommodates the taste of people in Macao successfully after painstaking research and repetitive trials. From a corner street store, his company has grown into multiple branches located at tourist hotspots with a self-owned production plant nowadays, and the product line has also expanded from nougats to other pastries.

R-Cherikoff Food (Macau) Company Limited

Macao's souvenirs have always been a favourite for residents and visitors. Whether for residents visiting their relatives in hometown, or visitors returning home, Macao's speciality snacks are always preferred gift choices. Macao's souvenirs had always been all about traditional almond biscuits, egg rolls and pork jerkies until the introduction of the characterful nougats by R-Cherikoff, which has enriched the choices in the souvenir market of Macao.



The popularity of its products among Mainland visitors gives the company an aspiration to venture into the Mainland market to deliver its products to the customers' hometowns while selling them in Macao. Under CEPA, goods produced in Macao can enjoy zero-tariff benefits. The company's products became more attractive in terms of price after being exempted from tariffs ranging from 10% to 20%. Meanwhile, the company's active participation in the Mainland promotion tours organised by the Macao SAR Government, such as the Dynamic Macao Business and Trade Fair, has enhanced the visibility of its products in the Mainland.



Competitive advantage secured by zero tariff

Exporting its products to the Mainland with the zero-tariff benefits under CEPA, the value of goods exported by R-Cherikoff skyrocketed by 15 times between 2009 and 2017. This shows that with the boost of CEPA, the company's Mainland business is rapidly growing with the ever increasing number and variety of products being sold to the Mainland.

Ling says, in the past, clearance and inspection of products usually took over a month, incurring warehousing and storage fees for a long period of time and depleting the shelf-lives of food. The "pre-loaded inspection system for imported food" launched by the Macao SAR Government recently is a major measure for achieving trade facilitation. Efficiency of customs clearance of the company's products is significantly enhanced as clearance procedures are completed in a few hours upon passing the inspections in Macao. This not only saves costs, but also makes it possible for speciality foods with shorter shelf-lives to be sold to the Mainland.

In the future, the company will keep making use of CEPA's zero-tariff preference to further expand its Mainland market, so as to make the high-quality and delicious Macao foods available to more Mainland residents.

- Since 2006, the Mainland has allowed goods originating from Macao, except those expressly prohibited from import or otherwise specified, to be imported at zero tariff upon complying with the rules of origin specified.
- R-Cherikoff started off focusing on local sales. The implementation of CEPA's preferential measures has successfully incentivised the company to venture into the Mainland market, which has led to an increase in sales channels and in turn an expansion of the company's overall business.

Making use of CEPA and cross-border e-commerce

Later observing the Mainland's keen demand for Macao's pastries, and taking the opportunity of CEPA's zero-tariff benefits, Kam Kei started its own brand Oh Kam Kei in pursuit of entering the Mainland market. "The CEPA measures have strengthened the company's confidence in developing a customer base in the Mainland, thereby making our products known to more Mainland consumers". The process of entering the Mainland was, however, not plain sailing, mainly constrained by tedious inspection procedures and prolonged customs clearance. Nevertheless, with the multiple rounds of negotiations between the Macao SAR Government and Mainland authorities, there were finally breakthroughs in the streamlining of customs clearance measures, which allow foods with shelf-lives to reach the hands of Mainland consumers faster, reinforcing the company's determination to go northward for development.



Kam Kei Pastries Factory

Tang Man Kam, Chairman of Kam Kei Pastries Factory, has been in the pastry business for over 30 years. He was once a pastry chef until 2003 when he set up his own factory which, during the early stages, focused on contract manufacturing of traditional pastries such as walnut cookies and almond biscuits that were mainly supplied to five-star hotels and large enterprises and received positive feedback.

In the meantime, Kam Kei seized the current new trend of e-commerce development, successfully delivering butter egg rolls and other pastries to the Mainland with the zero-tariff benefits via the Nansha port by making use of the cross-border e-commerce channel in August 2017, achieving actual progress for the bakery's venture into the Mainland market.



Made in Macao with superior quality

Targeting the middle-end market, Oh Kam Kei has set up its own sales counters at large department stores in Macao and chain boutiques in the Mainland. The company is actively broadening its sales channels in the Mainland by actively participating in the promotion campaigns for Macao products organised by the Macao SAR Government in the Mainland, such as the Dynamic Macao Business and Trade Fair, to further promote its own brand to Mainland customer groups. Tang is optimistic about the Mainland market's prospects and expects his Mainland business to grow in multiples in 2018.

Apart from traditional pastries, Kam Kei also produces mooncakes. While the Mainland levies a tariff as high as 20% on imported mooncakes, CEPA's zero tariff has greatly reduced its products' costs, giving Kam Kei's products further advantages in the competitive Mainland market and speeding up its establishment of reputation. Kam Kei has full confidence in its future business development and hopes to spread its well-crafted taste abroad, so as to bring more unforgettable taste experiences to consumers and add charm to the brand of "Made in Macao" with its best endeavour.



- Kam Kei's mooncakes are the first batch of mooncakes with egg yolks exported to the Mainland on 30 September 2017 since the issuance of the notice concerning the inspection and quarantine requirements for mooncakes (containing meat and egg) originating from Hong Kong/Macao and importing into the Mainland by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.
- Kam Kei set up its factory in Macao in 2010, undertaking contract manufacturing on behalf of large enterprises in Macao and Hong Kong at the beginning. Since 2012, it has been promoting its own brand in the Mainland through CEPA and cross border e-commerce.



“Our products are sold to the Mainland mainly through CEPA!”

The Mainland is currently the major market for the company’s products. According to the representative, the tariff on coffee products imported into the Mainland is as high as 15%. CEPA’s zero-tariff benefits allow the company to sell high-quality products to the Mainland with better prices. Making use of CEPA since 2008, the amount of tariff savings for the company has accumulated from several thousand patacas in the first year to almost 1.7 million patacas in 2017. On one hand, this reflects the substantial growth in the company’s Mainland business. On the other hand, this shows that CEPA’s zero tariff enhances the company’s capabilities to compete with international brands.

SIM Macau Industrial Company Limited

To seize the opportunity arising from the surge in demand for coffee in the Mainland market, SIM Macau Industrial Company Limited set up a modern and highly automated coffee factory in Macao, which was officially in production in 2008, to manufacture high-quality coffee products by complying with international standards and using advanced technologies in full pursuit of developing the quality coffee market.

Being closely connected with the Mainland market, Macao has a geographical advantage in terms of cargo transport. The company’s coffee products are first delivered to places such as Zhuhai and Shanghai, and then distributed to various Mainland cities and regions through wholesalers, sales agencies and e-commerce sales platforms. In the future, the company will dedicate its resources to research and development of new products, improvement of quality, brand development and market development.

Advancing into the Mainland market through the Macao Platform

Founded by a Portuguese-based commercial group, SIM has its coffee factory located at the Macao side of the Zhuhai-Macao Cross Border Industrial Area. The company imports coffee beans from Brazil, a PSC, as raw materials that will be processed before being made available to the market using the role of Macao as a platform between China and PSCs. The company exercises strict control on the quality and standard of its products, and has its factory certified with globally recognised quality management standards, ensuring the quality of its products. As a result, after years of endeavour, it has established a favourable brand image in the market.

Given that the Mainland is a rapidly developing market with the amount of coffee and tea imports increasing by almost 23 times from 2003 to 2016, enterprises in Macao will surely be able to better seize the development opportunities for expanding the Mainland market, as long as they can make good and full use of CEPA's preferential measures.

- Major business activities of SIM Macau Industrial Company Limited include manufacturing freshly ground coffee bags, fresh coffee powder, coffee beans and coffee machines of its own brand.
- SIM exports coffee products with CEPA's zero-tariff preference. As of 2017, the total value of goods exported under CEPA by the company amounted to about MOP11 million, with tariff savings amounted to almost MOP1.7 million.



Expansion into the Mainland

Feeling very constrained by the scale of Macao's economy and facing the concentrated and intense competition among the industry, Tai Fung Bank has made strategic adjustments in recent years, advancing into the Mainland market at full throttle after having established a secure foundation for its local business. Having started to plan for exploring the Mainland market since 2013, the bank has chosen Shanghai, a leader in the development of financial sector, as its entry point and was permitted to set up a representative office there in 2015.

With the business growing, Tai Fung Bank established its Shanghai branch in 2017, which was unveiled at its 75th anniversary celebration, symbolising that the bank has officially entered into the Mainland market and become the first Macao bank settling in Shanghai. Serving as a financial cooperation platform between Shanghai and Macao, the Shanghai branch is committed to developing cross-border services for customers of the two places, providing financial services such as banking, insurance, credit and financial leasing. According to Zhou Peng, President of Tai Fung Bank, the branch has generated an impressive business volume in just several months of operation, showing that Macao banks have a certain level of competitiveness in the Mainland, and also laying a solid foundation for the bank's future expansion plan in the Mainland.



Tai Fung Bank Limited

Licensed to operate banking business in 1972, Tai Fung Bank, formerly known as Tai Fung Money Changer, is Macao's first locally incorporated bank. To this day, Tai Fung Bank has developed into an integrated financial corporation focusing on commercial banking with 25 local branches and 1 Shanghai branch.

Unlimited opportunities offered by CEPA

Zhou, who has an in-depth understanding of CEPA, says from the liberalisation measures offered to the financial sector that accumulated from the signing of CEPA to its Supplement X, to the negative list adopted by the Agreement on Trade in Services in 2016, the dimensions of liberalisation of market access for Macao's financial sector have been significantly enhanced and broadened by the provision of more preferential and relaxed liberalisation measures, further reinforcing the bank's determination to develop its Mainland business.



In the future, Tai Fung Bank will, as it always does, continue to contribute its wisdom and effort to actively explore the financial business in the Mainland through CEPA in order to integrate itself into China's economic development and to assist Macao in implementing China's "Belt and Road" Initiative, integrating itself into the development of the Guangdong-Hong Kong-Macao Bay Area, enriching the components of featured finance, and developing a commercial and trade cooperation service platform between China and PSCs.

- Tai Fung Bank Limited established its Shanghai branch on 22 June 2017 and became the first Macao bank to establish a business branch there.
- Tai Fung operates banking business with a corporate culture of "Integrity, Innovation, Excellence". Its major business activities include retail banking, commercial banking, investment and wealth management, as well as Renminbi business, etc.



Luso International Banking Limited

Founded in 1974, Luso International Bank has become a full-feature commercial bank after over 40 years of development, with 13 local branches serving the public with sound operation and proactivity.

Seizing the expansion opportunities

Apart from the local business, Luso International Bank is also optimistic about the enormous potential of the Mainland's financial development. The implementation of CEPA has provided an ideal opportunity to the bank for opening up a new horizon of business in the Mainland. As Supplement IX to CEPA lowered the threshold for the banking sector to set up branches in Hengqin from a year-end total assets of USD6 billion to USD4 billion, the bank seized the opportunity to set up a representative office in Hengqin in 2014 and became the first Macao bank and the first foreign bank permitted to set up a foothold there, which was of significant importance to Hengqin's economic and financial development.

Afterwards, the bank continued to step up the strategic planning for cross-border development, becoming the first local corporate bank in Macao setting foot in Guangzhou by establishing a branch there in 2017. Luso International Bank has since entered a new stage of development. Chan Wai Shing, Executive Director and Deputy General Manager, reveals that the bank is looking to set up branches in Guangdong in 2018 by making use of CEPA's preferential policies, and to seize the historic opportunities arising from the development of the Bay Area city cluster in order to provide innovative and diversified integrated financial services for the economic integration and development between Guangdong and Macao.

CEPA as a key to diversification

Chan says the Macao SAR Government has been playing an instrumental role in leading the development of Macao's banking sector, actively encouraging Macao enterprises to venture into the Mainland throughout the optimisation process of trade in services under CEPA. For multiple times, the Supplements to CEPA have lowered the market entry thresholds for industries and broadened the sectoral coverage to create favourable conditions for the banking sector to enter the Mainland, thus helping enterprises to accelerate their pace of integration in the national economic development.

Signed on 18 December 2017 for enhancement of CEPA, the Agreement on Economic and Technical Cooperation has mapped out the directions of future liberalisation and cooperation in finance. The development strategy of using financial leasing and wealth management as entry points to develop featured finance also provides the banking sector with ample room for expansion of business.

Luso International Bank will fully utilise the golden opportunities brought by the preferential policies to develop its Mainland financial business and to proactively seek transformation and innovation, with a focus on developing cross-border e-service, securities trading, credit and insurance businesses, so as to provide services with higher quality and comprehensiveness to Mainland customers.



- Supplement VII to CEPA provides that for a bank to set up a wholly foreign-funded bank or a foreign bank branch in the Mainland, it should have maintained a representative office in the Mainland for more than one year prior to the application.
- Supplement IX to CEPA provides that Macao banks are allowed to set up branches or legal entities in Hengqin for the economic development of Hengqin New Area, provided that their total assets as at the end of the year prior to the application are not lower than USD4 billion.

Travel facilitation boosts MICE

The inclusion of facilitation measures for application for travel documents and endorsements made by Mainland individuals visiting Macao to participate in MICE events in Supplement VII to CEPA has boosted the continuous development of Macao's MICE industry.

Mainland individuals travelling to Macao to attend meetings and conferences, as well as to participate in or visit exhibitions can enjoy the travel facilitation. These measures have considerably expanded the Group's Mainland customer source for their MICE events held in Macao, and also enhanced its overall competitive advantage in the bidding for events abroad. In fact, the Group has successfully won the bids to bring renowned and professional Mainland MICE events of international scale to Macao for multiple times thanks to CEPA's preferential measures.



Macau Expo Group Limited

Having been an intersection of Chinese and Western cultures and trade flows, Macao is a priority destination for meetings, incentives, conventions and exhibitions (MICE), particularly following the economic boom and the completion and opening of world-class commercial, tourism and transport facilities since the handover.

Macau Expo Group Limited was established in 2001, when Macao's MICE industry started to grow, with its core business in organising and coordinating meetings, exhibitions and events, as well as planning of, and investment in, advertising and promotion. Chairman of the Group He Haiming also firmly believes that MICE will be a key industry to the diversification of Macao's economic development.

CEPA brings out the advantages

After having secured the business development in Macao, the Group applied for the Macao Service Supplier Certificate under CEPA from the Macao Economic Bureau in 2013 and became the first wholly-owned MICE company set up in Hengqin in 2014.

The Group enjoys multiple advantages from settling in the Mainland with the help of the CEPA policies. Firstly, the company's familiarity with the international market helps to attract renowned overseas MICE events to the Mainland. Secondly, with the company's thorough understanding of Macao's market, Mainland enterprises are willing to use its services to participate in and organise MICE events in Macao. Furthermore, the Mainland's continuous economic growth is providing extensive room for the MICE industry's development, and the Hengqin branch can leverage on its proximity to customer sources to develop its business. Ho says the business of the Hengqin branch is expanding rapidly with a tenfold growth achieved from its opening to 2017.



Continuing the adherence to the guiding principle of “securing the exhibition market with conventions being the first priority”, the Group will participate in and introduce large international conventions in future, with academic and professional conventions being the goal of development. Meanwhile, it will devote more resources to bringing MICE to communities, so as to enhance the liveliness of community economy and assist the diversification of Macao's economic development.

- Implemented in 2016, the Agreement on Trade in Services applies national treatment to convention and exhibition service providers.
- According to the Agreement on Economic and Technical Cooperation under CEPA, the Mainland authorities will consider providing further facilitations to Mainland individuals for participating in conventions and exhibitions held in Macao, and facilitate the processing of applications made by overseas individuals participating in conventions and exhibitions held in Macao for travel documents and endorsements required for visiting the Mainland to participate in conventions and exhibitions held there, with a view to promoting the development of Macao's convention and exhibition industry.



Macau Yin Kui Hospital Limited

Macau Yin Kui Hospital is a private hospital founded in 2014. Despite being located at a modest space in a commercial building, the hospital has decided to introduce a series of advanced medical devices and equipment for providing medical and health check services of international standard to Macao citizens with a high level of technology and a professional team.

Enhancing services in an open market

Macau Yin Kui Hospital Limited is formerly known as Southside Medical Centre Limited. While developing its medical service in Macao, the company understands the needs of the Mainland's medical service development. Making use of CEPA, the company invested in the "Guangdong Yinkui Hospital" project, which is currently under construction and expected to be in operation in 2023, in Jiangmen, Guangdong in 2014. This is the first wholly-owned Macao hospital set up in the Mainland under the framework of CEPA, which will be established as an integrated international medical institution combining quality medical services, health management, rehabilitation, elderly care and health preservation.

Complementary advantages and mutual benefits

Wong Shuk Yi, Medical Superintendent of Macau Yin Kui Hospital, points out that Guangdong Yinkui is a medical cooperation project for the implementation of CEPA policies between Guangdong and Macao, which is of significant importance to the deepening of Guangdong-Macao cooperation, particularly the development of the Guangdong-Hong Kong-Macao Bay Area. The hospitals in the two places are closely tied and echo each other. In future, the services of Macao's Yin Kui will be extended to Guangdong Yinkui. If Macao's Yin Kui considers that follow-up actions are needed for the patient after medical check-ups, it may refer the patient to Guangdong for treatment. Guangdong Yinkui will also refer specific clients to Macao for examinations and treatment. At the same time, CEPA's policy measures that allow qualified practicing medical professionals in Macao to provide services in the Mainland have also created opportunities for local medical care practitioners and technicians to participate in the establishment of the hospital in Guangdong.

“Our hospital highly values the community health, and is striving to promote services focusing on health checks. We also have outpatient services and multiple featured specialisations, and cooperate with renowned hospitals in Taiwan and Hong Kong to provide one-stop services to patients”, says Wong, with high confidence in the prospects of Macau Yin Kui. As further trade facilitation measures are being put in place under CEPA, along with the completion of Guangdong Yinkui, there will be more room for cooperation between the two hospitals, which will certainly speed up the exchange and collaboration between the two hospitals such as interchange of personnel, professional training and information sharing, enhancing the quality of medical services of the two places with a view to jointly building a quality living area.



- Supplement VII to CEPA: allows Macao service suppliers to set up wholly-owned hospitals in Shanghai, Chongqing, Guangdong Province, Fujian Province and Hainan Province.
- Supplement X to CEPA: allows contractual service providers employed by Macao service suppliers, in the mode of movement of natural persons, to provide services in the Mainland.

One step ahead with CEPA

The transport services (freight forwarding agency / logistics / storage and warehousing / transport) industry obtained a total of 309 Macao Service Supplier Certificates between 2004 and 2014, which is the highest number among all industries. This is a reflection of the logistics industry's enthusiasm and ambition in exploring the Mainland market under CEPA's preferential measures. Being a part of Macao's logistics industry, Jet Global Logistics Limited (formerly known as Jet Forwarding and Trading Limited) is the first logistics company obtaining a Macao Service Supplier Certificate.



Jet Global Logistics Limited

The implementation of CEPA since 1 January 2004 has greatly facilitated the economic and trade exchanges between the Mainland and Macao. The increasingly frequent exchange of goods and services between the two places provides the logistics industry with huge business opportunities.

Making use of the facilitation measures provided by the Agreement on Trade in Services under CEPA, the company established a logistics and warehousing company in Guangzhou in 2004, and later built a large warehousing centre at the Zhuhai side of the Zhuhai-Macao Cross Border Industrial Area in the form of a wholly-owned enterprise. Jet seized the golden opportunity of CEPA to successfully hop on the high-growth train of the Mainland's logistics development, leading to a rapid expansion of business. In 30 years, the company has grown gradually from a small local cargo transport company into a Macao enterprise with logistics centres located in the Mainland, Hong Kong and Macao, as well as an enormous delivery network and a logistics hub, providing full-fledged logistics services in Macao, Hong Kong, the Mainland and even the Asia Pacific region for customers.

Exploring the future with policy enhancement

Managing Director Chan Wai Chi has full confidence in the prospects of the logistics industry. He believes that the completion of the Hong Kong-Zhuhai-Macao Bridge, deepened facilitation measures provided by enhancement of CEPA, and cooperation in the development of the Guangdong-Hong Kong-Macao Bay Area, etc. will further accelerate the economic and trade interconnections among the places, which will present Macao's logistics industry with unprecedented opportunities that will bring the company's development to a new level.

The company adds that as online shopping has become another mainstream shopping channel, apart from physical store shopping, e-commerce logistics will become one of the major



business activities of Macao's logistics industry. With the support of value-added services such as procuring, repackaging, and after-sale services, the company will actively seek opportunities to develop e-commerce jointly with e-commerce vendors in Macao, and make use of its rich experience in logistics and well-developed transport network facilities to further discover the diversified development opportunities related to logistics.

- The Mainland and Macao signed CEPA in 2003, allowing Macao enterprises engaging in services such as logistics, freight forwarding agency, storage and warehousing, sea and land transport, and air transport sales agency to provide services in the Mainland in the form of wholly-owned enterprises.
- Established in 1988 and headquartered in Macao, Jet Global Logistics Limited has set up branches in Hong Kong, Zhuhai and Guangzhou. The company has been appointed as official cargo transport service provider for the Macau International Trade and Investment Fair for multiple times.

E.C. Film Production Company Limited



It was once difficult to develop a film industry in Macao, as the small market size and inadequacy of funding made it impossible for the industry to make ends meet. Thus, there has been a chronic drought of film & TV professionals in Macao, as well as a lack of impetus for the development of Macao's film industry.

Seizing the opportunity to venture into the Mainland

The liberalisation measures implemented under CEPA in 2004 opened a bright window for Macao's filmmaking industry by allowing Chinese-speaking films produced by Macao to be distributed in the Mainland without quota restrictions after passing the censorship by the Mainland's competent authorities, and by formulating relaxed rules governing films jointly produced by China and Macao, which are treated as Mainland films for the purpose of distribution in the Mainland. Chan Nga Lei, founder of E.C. Film Production Company Limited and a film director, is among those who seized the opportunities arising from CEPA to introduce Macao films to the Mainland in cooperation with Mainland film companies. Chan finished her work *Timing* in the mode of joint production in 2015, which has won favourable feedback and become the first Macao movie that could fully recover the cost.

Chan says CEPA has greatly benefited Macao films by allowing films jointly produced by Macao and the Mainland to be treated as Mainland films. "Comparing to importing 100% made-in-Macao films, joint production appeals more to Mainland investors for it has more quota and is easier to handle, creating opportunities for Macao films to step out of the city and enter the Mainland market". Because of the positive response to *Timing*, her second film, the inspiring *Our 17* has received more financial support, and has substantially benefited the nurturing of local film practitioners by having a production crew of which 90% is from Macao.



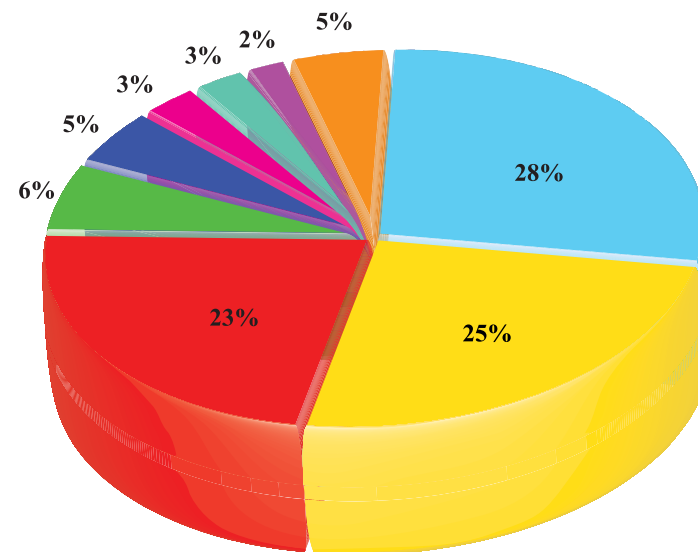
Enhancing IP awareness

Sharing the past experiences, Chan notices that creative artists tend to lack understanding of intellectual property (IP) as they devote themselves to producing scripts. She feels there is a need for her counterparts to understand more about this field in order to protect their own interests as play scripts, after all, are their fruits of hard work. She says while she will be lecturing on a part-time basis at a tertiary school in Macao for design students on creation, design, marketing and other skills, she will focus on sharing her understanding and experiences about IP in order to teach students to protect their own creative ideas and designs.

Filmmakers enjoy relentless self-challenge and pursuit. Having just finished producing *Our 17*, Chan is currently conceiving another romance film *Madaleba*, of which the production is scheduled to start at the end of 2018. In Chan we see the creative mind, vigour, drive and adventuring spirit of youth. It is believed that, with the unceasing effort of the people of Macao, plus the seizure of opportunity arising from the CEPA measures to break into the enormous Mainland market, Macao's filmmaking industry will have a new scene in future.

- Chan Nga Lei: Master's Graduate in Radio and Television Broadcast at the School of Journalism, Renmin University of China; young director and scriptwriter in Macao.
- CEPA allows films co-produced by Macao and the Mainland to be treated as Mainland films for the purpose of distribution in the Mainland; Chinese-speaking films produced by Macao can be distributed in the Mainland without import quota restrictions after passing the censorship by the Mainland's competent authorities.
- The CEPA Agreement on Economic and Technical Cooperation covers the cooperation measures between the two places in IP, including formulation and enforcement of laws and regulations, protection and utilisation, etc.

Statistics



Trade in Goods

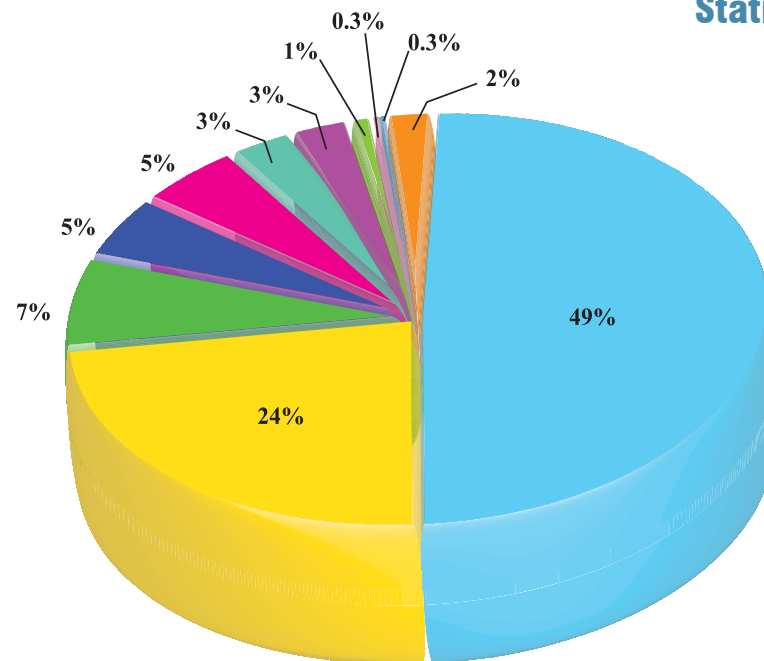
Under CEPA, goods of Macao that comply with the mutually agreed rules of origin can enjoy zero-tariff treatment upon importation into the Mainland. The number of items of Macao goods entitled to zero tariff has increased from initially 273 to currently 1,535.

Since the implementation of CEPA until December 2017, a total of 4,719 Certificates of Macao Origin - CEPA (CO(CEPA)s) have been issued by the Macao Economic Bureau. Exports amounted to MOP860 million in total, with tariff savings amounting to MOP61.89 million.

Major product types covered by CO(CEPA)s issued (as at 31 December 2017)

- Textiles and Clothing
- Copper Articles
- Food and Beverages
- Cement Products
- Plastic and Rubber Articles
- Works of Art, Collectors' Pieces and Antiques
- Ink Ribbons
- Chemical and Pharmaceutical Products
- Others

Statistics



Trade in Services

Currently, there are 153 sectors which the Mainland has opened up to Macao, accounting for 95.6% of all the 160 services trade sectors, symbolising the basic achievement of liberalisation of trade in services between the Mainland and Macao.




As at December 2017, a total of 628 Macao Service Supplier Certificates have been issued by the Macao Economic Bureau to 78 Macao enterprises.

Major service sectors in terms of Macao Service Supplier Certificates issued (as at 31 December 2017)

- Transport Services (Freight Forwarding Agency/Logistics/Storage and Warehousing/Transport)
- Construction and Related Engineering Services
- Real Estate Services
- Convention Services and Exhibition Services
- Banking and Other Financial Services (excluding Insurance)
- Placement and Supply Services of Personnel
- Travel Agencies and Tour Operator Services
- Medical and Dental Services
- Retailing Services
- Research and Development Services on Natural Sciences
- Others




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