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Editor’s Notes

Macao businesses are getting more and more familiar with CEPA after its implementation. Stimulated by further opening up of the Mainland market, many of them plan to explore businesses in China. Rainbow Group was the first Macao retail enterprise receiving the “Macao Service Supplier Certificate” in August, and it will further expand its business in the Mainland in the future. In this issue, the President of the group was interviewed to talk about her business plans.

Meanwhile, the Macao Branch of Bax Global Logistics Limited Company, one of the top 500 companies listed in the American “Fortune” magazine, also successfully obtained the “Macao Service Supplier Certificate”, and thus it will further integrate its businesses by making use of Macao as a platform. In addition, Seng Son Shipping Agency Limited was authorized by the Ministry of Commerce of the People’s Republic of China to set up an International Freight Forwarding Agency Company in Guangzhou.

On the front of Trade in Goods, the Mainland and Macao held a Senior Official Meeting on Trade in Goods for CEPA II on 14th August. According to the agenda, the list of products to enjoy the zero-tariff policy and relevant rules of origin for CEPA II will be announced before 1st December of this year.

It is believed that economic and trade exchanges between the Mainland and Macao, as well as the development for enterprises in the two places will reach new heights with the promulgation of the liberalization commitments in CEPA II.

1. Senior Officials from Beijing and Macao discussed to further liberalize Trade in Goods in CEPA II

With its implementation on 1st January this year after signed in 2003, CEPA has been receiving positive reactions from the market. The benefits brought forth by the liberalization of Trade in Goods, Trade in Services, Trade and Investment Facilitation, and the Individual Traveler Scheme are all highly appraised.

CEPA is an open agreement between the Mainland and Macao in the sense that its contents concerning Trade in Goods, Trade in Services, as well as Trade and Investment Facilitation can be continuously expanded and liberalized so as to increase and enrich its content. Based on this principle and CEPA Annex 1 “Arrangements for Implementation of Zero Tariff for Trade in Goods”, the Mainland and Macao held a Senior Official Meeting on Trade in Goods on 14th August

this year, focusing on the list of Macao’s products that would enjoy zero tariffs in CEPA II. Mr. Wang Liao-ping, Director-General for the Department of Taiwan, Hong Kong and Macao Affairs of the Ministry of Commerce, led a delegation of 20 officials from different departments in the Mainland to attend the meeting. Ms. Lok Kit Sim, Chief of the Office of the Secretary for Economy and Finance of Macao SAR, leading the Macao delegation of 15 persons including consultants of the cabinet of the SEF, officials from Macao Economic Services and other relevant departments, also attended the meeting.



Macao Senior Officials made statements during the consultation meeting.



The consultation on CEPA II was held by Senior Officials from Beijing and Macao.

This meeting focused mainly on the list of zero-tariff products for CEPA II. Representatives from Macao put forward a list of products that various industries hoped to be covered under the zero-tariff policy, including products currently produced in Macao, as well as those that are planned to produce in the future. Mainland delegates confirmed that they agreed in principle to grant zero tariffs to the products suggested by Macao

representatives in order to support the development of Macao's industries, but products with a greater impact on the Mainland market would require further consultations. Moreover, details regarding the rules of origin for the suggested products would be on top of the agenda during the next round of consultations. According to the agenda of the consultations and the announcement of results for Trade in Goods in CEPA Annex 1, the Mainland and Macao would announce the list of products to which the zero-tariff policy would be applied, and the rules of origin before 1st December of this year. During the meeting, the Mainland representatives also indicated that consultations on the second phase of opening-up in Trade in Services would commence soon.

2. A world-renowned logistics enterprises received the “Macao Service Supplier Certificate”



Mr. Cheng Wai In, Manager of Bax Global Logistics Limited, received the certificate.

Under the framework of CEPA, logistics companies in Macao using the “Macao Service Supplier Certificates” to develop their businesses in the Mainland have made remarkable headway. Among all, the Macao branch of Bax Global Logistics Limited Company – one of the top three global logistics companies – is charged of implementing the company's strategies in which Shanghai is designated to be the

headquarter for the Mainland market after the Macao branch received a service supplier certificate. Also, Macao Seng Song Shipping Agency Limited went through relevant CEPA procedures and was granted the First-Class International Freight Forwarding Agent license by the Ministry of Commerce of the People's Republic of China. Seng Song has already set up a wholly-owned International Freight Forwarding Agency Company in Guangzhou.

The headquarters of Bax Global Logistics Limited Company is based in Los Angeles, the United States. It is a member of the Holtzbrinck Group, one of the top 500 companies named by the “Fortune magazine”, with more than 500 branches around the world and offices in major cities in the Mainland. Its Macao branch has been established for nearly 5 years and engages in logistics, warehousing, transport and freight forwarding businesses. Mr. Cheng Wai In, manager of Macao's Bax Global Logistics Limited Company, said that in the past the Group could only set up representative

offices in the Mainland, and thus its scope of business operation were limited. After its Macao branch received the CEPA Certificate, it is allowed to set up a wholly-owned company in the Mainland, and the Group can integrate its businesses in the Yangtze River Delta Region. The establishment of the company in China has broadened the business scopes of the Group and enables them to provide services in a flexible way. He also stated that, with closer connection between the Macao branch and the Shanghai headquarter, more businesses will be diverted to Macao in the future, and this new business arrangement will in turn help to enhance the image of the logistics and transport industry of Macao.

3. The First Retail Group was awarded a “Macao Service Supplier Certificate”

After CEPA and the Measures for the Administration of Foreign Investment in the Commercial Sector came into effect, Macao Economic Services issued “Macao Service Supplier Certificates” to retail companies for the first time. Taking advantage of the relevant policies, Macao retail companies develop their businesses in the Mainland market in full swing.

Upon receiving the Certificate, Mr. Leung Ka Kei, General Manager of Rainbow Group, said that they entered the Mainland market 10 years ago, but at the time, China had not yet opened up its retail sector to foreign investors. Thus the scale of the company’s development was limited. Since the implementation of CEPA, entry requirements for foreign-funded retailers have been reduced, providing considerable development opportunities for retail enterprises. Three of Rainbow’s companies that have been awarded the “Macao Service Supplier Certificate” will focus on developing the markets of men’s clothing, women’s clothing, clothing of various brands in the Mainland.



Mr. Leung Ka Kei, the General Manager of Rainbow Group, was interviewed.

He revealed that the Group would initially try to invest in major Chinese cities like Beijing, Shanghai, Guangzhou, and Shenzhen. After becoming known to the market, the Group will then expand its business to second-tier and third-tier cities. In the coming three years, the Group plans to establish 50 stores in major cities throughout the Mainland. He further stressed that the implementation of CEPA has benefited Macao

enterprises in becoming exclusive agents for foreign brands. With accumulated experience, the Group will further introduce foreign brands to the Mainland, and with the advantages brought about by the zero-tariff policy under CEPA and the group's retail network in China, will expand its businesses in the Mainland market.

4. An Interview with Ms. Sio Un I, the President of Rainbow Group

“The Mainland market is gigantic and has a huge population. Therefore, there is room for development in every city Since CEPA came into effect, it has provided us with a platform. We seek development opportunities in the Mainland but we never neglect the Macao market. No matter where we go, every time we return to Macao, we feel at home!” These few words manifest the “going-out” concepts of an entrepreneur whose roots are in Macao.



Ms. Sio Un I, the President of Rainbow Group

Generally, people think of Macao as a tiny enclave of 20 km², with a population of only 400 thousand people, and a market restrained by its own geographical limitations. At the first glance, there are not many opportunities for development, but for Rainbow Group, which currently sells 16 international brands in Macao, the pace of its business development has never been hindered by geographical limitations. “From a business point of view,

Macao is an integral part of the Chinese market”, claimed Ms. Sio Un I, the President of Rainbow Group. Determined to expand the business, Rainbow Group entered the Mainland market 10 years ago. Ms. Sio stated that since foreign enterprises were not allowed to set up wholly-owned businesses in the Mainland before, the Group's development potential was not fully realized. After CEPA came into effect, Macao now serves as a platform when introducing foreign brands, especially in providing information to companies in the Mainland.

Looking back to the process of developing her business in the Mainland these years, Ms. Sio sighed with emotion, "we were not familiar with the Mainland market at that time, so we spent a lot of time exploring and learning to build up our experience. The process was painstaking.” She said that for seeking development opportunities, endeavor is indispensable, bringing to mind an old saying “No pain, no gain”. The Rainbow Group has today established a foothold in the Mainland, with a retail network of 32

shops.

Ms. Sio Un I also talked about her bitter-sweet experience when introducing a new international brand to Macao. “I applied to be the agent for an international brand 5 or 6 years ago. It turned out that the company we were dealing with could not find the location of Macao on the map and asked us to give them a reason for conceding us the brand. We did a lot of preparation and worked very hard to secure the concession, as we believed that it had potential in Macao”, she said. Ms. Sio Un I also expressed in the interview that she places a lot of importance on brand management. “There are 3 prerequisites for introducing an international brand to the market: (1) experience in brand management; (2) ability to develop the brand; (3) capital invested. The image of the product is the lifeline of a brand. If we don’t have comprehensive plans before making any move, the brand’s reputation will be undermined, and hence the potential of the brand will be decimated”, she said.

In fact, whether an enterprise can successfully expand or not greatly depends on the entrepreneur’s understanding of the goods or services, as well as his or her daring and resolution to expand the business in the market. From her recollections of the past, it is proved that the success of Rainbow Group did not occur accidentally or by luck. On the contrary, it comes out of the experience garnered by the president of the group in brand management as well as her perseverance in pursuing business developing. In addition, riding the wave of CEPA, creative and aggressive Macao entrepreneurs can now realize their dreams on the land of the Mainland.



One of the retail outlets of Rainbow Group in Macao