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## **Editor's Notes**

As CEPA and its Supplement entered into force, the benefits that CEPA brought about has become more evident in the first quarter of 2005. A substantial increase in the export of goods was record, and another batch of goods, traditional Chinese cakes, enjoying zero tariffs benefits was exported to the Mainland in mid-April, following the exports of nougat under CEPA. Also, the first batch of Macao-made yarn products entered the Mainland market under the CEPA zero-tariff policy. On the other hand, progress made in trade in services was also remarkable; several Macao convention and exhibition service suppliers and advertising enterprises obtained Macao Service Supplier Certificates. A convention and exhibition enterprise from Macao has set up an establishment in Beijing, and Chief Executive Mr. Edmund Ho Hau Wah was invited as officiating guest during the inauguration. The prompt establishment of the Macao convention and exhibition company in China manifests the competitive edge of Macao service industry in the Mainland.

With the commencing of CEPA III consultations, the Macao Economic Services is putting together a list of zero products that Macao manufacturers request to be included in the next round of CEPA. If manufacturers are interested in exporting their new products to China through CEPA, please submit the respective applications before 16<sup>th</sup> May to the CEPA Information Centre at Alameda Dr. Carlos D'Assumpção, No. 263, China Civil Plaza Bld, 20<sup>th</sup> Floor.

## 1. Macao's first convention and exhibition enterprise registered in Beijing under CEPA

Prime Marketing and Promotional Services Company Limited (abbreviated as “Prime”) obtained the Macao Service Supplier Certificate on 21<sup>st</sup> January this year. Within just two months, it had set up a new establishment, Prime International Convention and Exhibition (Beijing) Company Ltd. on 4<sup>th</sup> March and became the first wholly Macao-owned convention and exhibition company registered in Beijing under CEPA. We interviewed Ms. Eva Lou Tak Wah, the Director of Prime, on her experiences regarding establishing a new firm as well as developing businesses in the Mainland under CEPA.

Ms. Eva Lou said that she was interested in expanding her businesses in Beijing mainly because the MICE market in China was larger than that of Macao, and competition was not as intense as it was in cities like Hong Kong and Shanghai. Furthermore, she has been with the Beijing Youth Federation for some times, so she was quite familiar with



The Chief Executive Mr. Edmund Ho Hau Wah, the Director of the Liaison Office Mr. Bai Zhijian and the Vice Mayor of Beijing, Mr. Lu Hao attended the opening ceremony of Prime Marketing and Promotional Services Company Ltd. (Courtesy photo from Prime Marketing & Promotional Services Company Ltd)

the market and has established her own business networks. After learning that the Mainland opened its convention and exhibition sector under CEPA, she actively applied for a Macao Service Supplier Certificate and proceeded with company registration in Beijing. The whole process went very smoothly, as she only needed to prepare and submit the required documents and information according to the guidelines provided by the departments responsible for CEPA in Macao and the Mainland.

When discussing her experience in expanding businesses in the Mainland, Ms. Lou stated that “Prime” was a small company, and therefore she had to pay visits to different organizations in Beijing by herself to understand the capacity for future development of the market and devising marketing strategies for her business. Given that Beijing is the capital of China, many local and foreign enterprises would hold conferences constantly in the city. Blending both the Western and Chinese cultures, Prime therefore had an advantage over its Mainland counterparts due to its relative familiarity with the Chinese

and foreign cultures. Against this backdrop, “Prime” planned to expand its overseas client base in Beijing and introduce advanced foreign business models so as to explore its businesses in event management and organization. In addition, taking into account of the blooming gaming and tourism industry in Macao, the company would try to attract potential clients from the Mainland to organize conferences in Macao to further develop Macao MICE industry.



Ms. Eva Lou talked about her plan on developing the convention and exhibition business in China

## 2. The first batch of traditional Chinese cakes enjoyed zero-tariff exportation to the Mainland in mid-April



Mr. Ho Iu Meng was confident of the development of his bakery in the Mainland

“Iun Chan Bakery” – a subsidiary of the famous Macao bakery, “Pastelaria Iun Loi”, exported its first batch of Macao-made bakery products to China under CEPA in mid-April. This has been the second batch of zero-tariff food products from Macao after the exports of nougat products. We interviewed Mr. Ho Iu Meng, the manager of the bakery, to share his experiences of developing the Mainland market.

Mr. Ho Iu Meng said that the food retailing market in the Mainland was huge, and therefore he initiated market researches in the Mainland and started the necessary procedures for trademark registration soon after the implementation of CEPA, in preparation for developing the business in the Mainland. They also consulted with governmental departments overseeing CEPA issues in both Macao and the Mainland, as well as his friends who had had experiences on exporting products under CEPA. As this was their first time the bakery had exported goods to China, they were not familiar with the regulations concerning food importation in the Mainland and encountered a lot of



Some of the delicacies from the Iun Chan Bakery

difficulties with food inspections, as well as obtaining health certificates for their products. Yet, the problems were later solved with the assistance and advice from the relevant mainland departments. With regard to the CEPA Certificate of Origins, he expressed that the application procedures were much simpler than expected.

Mr. Ho concluded in the interview that the products exported this time was intended primarily for promotion, and in the future they would export more goods to the Mainland to capitalize on CEPA. They hoped to establish their own brand name by manufacturing high-quality goods as a means to enhance their competitiveness in the Mainland market.

### 3. The first batch of Macao-made yarn exported to the Mainland tariffs free

“Saint Andre Yarn Processing Mills Macao” (abbreviated to “Saint Andre”), a subsidiary of Chiao Kuang Group, Ltd, obtained the CEPA Certificates of Origin on 12<sup>th</sup> April and enjoyed the CEPA zero-tariffs benefits by exporting their blended wool yarn and flax yarn to the Mainland. In order to enable readers to understand more about CEPA, CEPA Express conducted an exclusive interview with Mr. Simon Wang, Director of Saint Andre, to share his experiences and the operating strategy of the company.



Mr. Simon Wang considered that the competitiveness of their products in China can be enhanced through the zero-tariff preferential policy.



Yarn produced by Saint Andre was exported to the Mainland

Mr. Wang pointed out that after the abolition of the quota system, there was a change in the operation mode in the market. In the past, manufacturers moved their production lines to China, and raw materials buyers would request their suppliers to deliver goods within a short period of time. Since Macao is geographically close to China, the short transportation time can facilitate the delivery of final products. In addition, with the zero-tariff policy of CEPA, production costs are also reduced. These two factors

contribute to the competitiveness of their products, thereby making “Saint Andre” more adaptable to the changes in the market. Against this background, the company decided to seize the opportunities arising in CEPA in order to expand their business in China. Through CEPA, the process of exporting goods to China was actually quite smooth and simple, though much of the time was spent on confirming the HS (Harmonized System) codes of the goods at the beginning. He believed that the reason for this problem was due to the difficulties in defining the category of each goods, especially when the company dealt with the unfamiliar tariff codes for the first time. Nonetheless, the problem was eventually solved with the help of the government departments overseeing CEPA from both the Mainland and Macao.

With regards to the future development of "Saint Andre", Mr. Wong claimed that competition in the global textile and garment industry became keen after the abolition of the quota system, making it more difficult to gain an edge simply by means of manufacturing low-priced products. Taking the company as an example, many renowned international garment enterprises chose their products not because of the low prices, but because of the high quality and great variety the company rendered. In order to remain competitive in the market, the company would stick to its strategy of providing high-quality goods and making "Saint Andre" a well-known Macao brand to facilitate its further expansion in the Mainland market.

#### **4. Interview with the manufacturers of the first batch of CEPA zero-tariff goods - Yiu Wah Plastic factory**



Mr. Fung Yiu Sun introduced the production processes of plastic bags

The Yiu Wah Plastics Factory is the first Macao manufacturers exporting their products under the CEPA zero-tariffs policy. In the interview with CEPA Express, Mr. Fung Yiu Sun, director of the company, stressed that both challenges and opportunities were encountered when the company developed its businesses in China after the implementation of the CEPA zero-tariff policy in 2004. Some challenges arose from the market, while others resulted

from the company’s unfamiliarity with the administrative measures in the Mainland. Mr. Fung admitted that CEPA could broaden his customer base, giving rise to more business

opportunities. Given the vast size of the Mainland market, there were plenty of business opportunities; currently his major clients were enterprises from the Guangdong Province.

He acknowledged that CEPA had undoubtedly enhanced the price competitiveness of their products in China by means of exporting their products at lower prices to China at the beginning. In order to maintain competitiveness, however, they have now switched to producing high-quality goods. Moreover, as they were not familiar with the relevant administrative measures in the Mainland, they would target larger enterprises as their clients in order to facilitate customs declaration.

On the margins of the interview, Mr. Fung led us to their factory and showed us the production process of turning plastic cubes into final products, plastic bags. Mr. Fung also explained to us their machinery and facilities, as well as the highly automated production process of the company.

## **5. Mainland Laws and Regulations**

“The Interim Measures for Preliminary Registration of International Freight Forwarding Agency Enterprises”, which has been promulgated by the Ministry of Commerce (MOC) recently, came into effect on 1<sup>st</sup> April. The “Measures” have clearly laid out regulations on registration organization, processes, modifications and cancellations. In the Measure, no threshold will be imposed on freight forwarding enterprises for registration and no fees will be charged. However, enterprises are required to register electronically in order to implement nation-wide network management. In addition, after abolition of the examination and approval of qualifications of international freight forwarding agencies, the Ministry of Commerce will collect data about the international freight forwarding industry through the information management platform of relevant enterprises. (Source: Xinhuanet)

Related website: <http://www.mofcom.gov.cn/aarticle/b/c/200503/20050300022192.html>

The “Provisional Regulations on the Establishment of Foreign-Controlled and Wholly Foreign-owned travel agencies” was revised by the National Tourism Administration and the Ministry of Commerce of the People’s Republic of China and was announced on 17<sup>th</sup> February 2005. The registered capital requirement for foreign-controlled or wholly-owned travel agencies was lowered from the original RMB 4 million to a

minimum of RMB2.5 million. The Regulations also revoked article 7 regarding the geographical restrictions on the establishment of foreign-controlled or wholly foreign-owned travel agencies.

The amendment is effective on 17<sup>th</sup> February, 2005. For relevant policies and regulations, please refer to: <http://www.cnta.gov.cn/22-zcfg/fg.asp>