

For Focus Group Discussion  
- Professional Services, Information &  
Technology and Tourism

Paper Ref.: 2006ES/8

**Economic Summit on  
“China’s 11<sup>th</sup> Five-Year Plan and the Development of Hong Kong”  
Professional Services**

(Translation)

**Purpose**

This paper provides a preliminary analysis, from the Government and public sector perspectives, of the opportunities and challenges facing Hong Kong’s professional services sector under China’s 11<sup>th</sup> Five-Year Plan (the 11<sup>th</sup> Five-Year Plan), with a view to stimulating discussion among different quarters of the community and laying the groundwork to compile a pragmatic and feasible “action agenda” in a few months after the Economic Summit.

**Background**

2. As a major international business hub and services centre, Hong Kong provides a comprehensive range of professional services. Our services industry accounts for 90% of our gross domestic product (GDP), and the professional services sector is a high value-added component<sup>1</sup> of

---

<sup>1</sup> Between 1996 and 2004, the average annual growth of the Gross Domestic Product at factor cost was 0.8%, whereas the average annual growth of professional services over the same period was 2.5%, about two times greater than the former.

that vibrant industry. Hong Kong, a well-developed market, is an ideal place for multinational enterprises to set up business.

3. The relevant extract on professional services of the 11<sup>th</sup> Five-Year Plan is set out as follows:

*Regulating and developing business services sector – Broaden and regulate legal services; develop investment and asset management services; regulate and develop the economic authentication services such as accounting, auditing, taxation and asset evaluation; support the development of consultation services such as engineering consultation, management consultation and credit services; encourage the development of specialized industrial design; promote the development of advertising industry, and rationally plan the layout and distribution of exhibition halls and develop conference and exhibition industry.*

## **Opportunities and Challenges**

4. At the global level, the niche of our professional services sector is that local practitioners share the same culture and language with potential clients in the Mainland, and have vast experience in conducting business in the Mainland. However, it is difficult for the HKSAR Government to assess, in quantitative terms, the ranking of our professional services sector in the global league because of the different ways in which individual economies define the term “professional services”, interpret what constitutes the professional services sector, and measure its contribution to the economy.

5. In general, professional services providers in Hong Kong have attained international qualifications, are rich in experience, and are familiar with the updated rules, practices and market information in particular industries. Their knowledge and expertise are also on par with international

standards. Specifically, the following major professions<sup>2</sup> in Hong Kong enjoy a leading position in Asia:

- (a) Legal services: Hong Kong is the most liberalised jurisdiction in Asia in permitting foreign lawyers to participate in the market. Hong Kong is home to the largest cluster of international lawyers in Asia – about 40% of international lawyers in Asia are based in Hong Kong. More than half of the top 10 legal advisers in Asia’s merger-and-acquisition deals have a presence in Hong Kong. Moreover, arbitration awards made in Hong Kong are enforceable through the courts of most trading economies in the world. Compared with other Asian arbitration venues, Hong Kong handles the most cases in which neither party is local.
- (b) Construction and related engineering services: Hong Kong is a regional leader in experience and technical know-how, particularly in projects such as bridges, ports, airports, railways, construction on slopes, high-rise and intelligent buildings. Moreover, the Hong Kong construction market has been open for a long time. Through years of co-operation and interaction with foreign enterprises, the industry has accumulated rich experience in international market operation, construction supervision, contract management, dispute arbitration, and facilities management and operation. Individual local qualifications are recognised in overseas countries including Australia, Canada, Ireland, New Zealand, the United Kingdom and Singapore.
- (c) Medical services: The standards of medical treatment technologies in Hong Kong are on par with international levels. For example, Hong Kong has pioneered a number of surgical techniques that contribute to a significant increase in

---

<sup>2</sup> The focus groups on “Trade and Business”, “Financial Services” and “Maritime, Logistics and Infrastructure” will discuss in detail issues relating to the further development of Hong Kong as an international centre of financial services, trade and shipping. The paper entitled “Services” (Paper Ref.: 2006ES/3) has also provided a preliminary analysis of Hong Kong’s position as a services centre in general. This paper will focus on the following major professions : legal, construction and related engineering, medical, and accountancy services.

the survival rate of liver-transplant patients. Hong Kong's treatment technology for hepatoma and nasopharyngeal cancer, two of the most commonly found cancers in the Chinese population, also stands at the forefront globally. And the World Health Organization has commended Hong Kong for its comprehensive preparedness and response plans to cope with avian influenza and an influenza pandemic.

- (d) Accountancy services: Hong Kong's professional standards now reflect the best practices adopted by the most reputable accounting bodies in the world. The Hong Kong Institute of Certified Public Accountants (HKICPA) has strong and influential representation in international bodies such as the International Federation of Accountants, International Accounting Standards Board and Confederation of Asian and Pacific Accountants.

6. Nevertheless, in light of economic globalisation, China's accession to the World Trade Organization and the development momentum associated with the rapid liberalisation of the Mainland economy under the 11<sup>th</sup> Five-Year Plan, professional services suppliers in Hong Kong face keen competition from around the globe.

7. At the national level, services account for only about 40% of the Mainland's GDP. As the Mainland's economy and foreign trade continue to grow in the course of its further market liberalisation, there will be a growing demand from Mainland enterprises for more services, especially professional services. Hong Kong's strengths include the international outlook of its top managers, a well-established self-regulatory system, high quality professional services, competitive infrastructures, and international standards of corporate governance and project management.

8. In addition, Hong Kong, riding on the strengths of local professional services suppliers, can act as a platform for Mainland enterprises to expand overseas in the course of the gradual implementation of the "Going Global" strategy and the Mainland's vigorous economic growth.

9. Notwithstanding the advantages and opportunities ahead, our professional services sector faces various challenges. On the whole,

manpower and other operational costs are higher in Hong Kong than in the Mainland. Moreover, with the development of the Mainland in recent years, Hong Kong's competitive edge in terms of free market, free flow of information and a vibrant professional services sector has been on the wane. In particular, the advantages of local professionals over their Mainland counterparts in terms of international outlook, technical skills and English proficiency have been dwindling. With the development of Mainland professional services in full swing under its 11<sup>th</sup> Five-Year Plan, Hong Kong is expected to face keen competition from other Mainland cities.

10. At the regional level, the HKSAR Government notes that the Government of Guangdong Province seeks to accelerate the development of its business services industry including legal and accountancy services. Given the rapid pace of economic reform in Guangdong, and the fact that its practitioners have an edge over Hong Kong services providers in networking opportunities and lower service charges, the development of Guangdong's professional services sector is expected to pose imminent challenges to Hong Kong. So, we need to consider how our professional services sector may maintain its leading position and enhance its competitive edge.

11. The opportunities and challenges facing the legal, construction and related engineering, medical and accountancy services are set out at Annex 1.

### **Responses / Actions taken by the Government and Other Sectors**

12. Apart from its efforts to promote the development of professional services, the HKSAR Government has been helping the local professional services sector on various fronts to enter the Mainland market and strengthen Hong Kong's role as China's services centre.

13. At the international level, the HKSAR Government notes that some professional bodies have taken actions to enhance their international competitiveness. For example, the HKICPA has signed agreements for mutual recognition of membership with chartered accountancy bodies in eight overseas jurisdictions: Canada, Australia, England & Wales, Ireland, New Zealand, Scotland, South Africa and Zimbabwe. By virtue of such agreements, members of HKICPA can acquire membership in chartered

accountancy bodies that confer the most renowned accountancy qualifications recognised worldwide. The Government also notes that the legal profession and the construction and related engineering profession have also maintained close contacts and co-operation with their international counterparts. It is worthwhile to explore how the Government and professional services sectors may join hands to promote the development of our professional services at the international level.

14. At the national level, the Closer Economic Partnership Arrangement (CEPA) signed between Hong Kong and the Mainland in 2003 has facilitated the entry of our services providers into the Mainland market. The Mainland has agreed to provide preferential treatment for Hong Kong suppliers in 27 service sectors, including our competitive professional services sector (such as legal, construction and related engineering, medical and accounting services). They can enter the Mainland market ahead of the other World Trade Organization members with more favourable conditions. On trade and investment facilitation, the Ministry of Commerce announced in August 2004 a series of measures to encourage Mainland enterprises to invest and expand their operations in Hong Kong, offering our professional services sector the opportunity to provide service for Mainland enterprises directly in Hong Kong. On mutual recognition of professional qualifications, examinations and exchanges, agreements or arrangements for various professionals, including estate surveyors, architects, structural engineers, planners, quantity surveyors, building surveyors, securities and futures industry practitioners, accountants, insurance intermediaries and patent agents, have been made between Hong Kong and the Mainland. On dissemination of information, the Government has since the announcement of CEPA organized or participated in about 190 seminars in Hong Kong to promote business opportunities brought about by CEPA to local, Mainland and foreign investors. Large scale exhibitions and promotional activities have also been held in Hong Kong and overseas to publicise CEPA. The Trade and Industry Department has been providing free information and one stop advisory service. The public can obtain up-to-date information on CEPA through e-mail, telephone enquiry hotline and the Department's website. Thus far, the Department has handled more than 62 000 enquiries while the CEPA website has attracted more than 1.1 million hits.

15. At the regional level, the Government has worked hard to put in place new co-operative frameworks between Hong Kong and the Mainland.

These include the signing of the Pan-Pearl River Delta Regional Cooperation Framework Agreement with provinces/areas in the Pan-Pearl River Delta region; the establishment of the Hong Kong/Guangdong Cooperation Joint Conference with Guangdong Province; and the Hong Kong-Shanghai Economic and Trade Co-operation Conference with Shanghai. These initiatives aim to strengthen communication and co-operation among the governments, enterprises and the communities concerned at various levels, with a view to providing a favourable platform for the professional services sector to gain access to the Mainland market.

16. The Government established the Professional Services Development Assistance Scheme in 2002 to provide financial support for the professional services sector to enhance the standard of professional services and increase the sector's competitiveness in overseas and Mainland markets. As at end June 2006, over 300 applications for funding support under the Scheme were received. A total of 146 projects were approved with grants amounting to \$56.82 million. Of these, 65 projects with grants amounting to \$25.57 million are related to exploitation of the Mainland market. They include seminars, training programmes, experience-sharing workshops and drawing up of practical guides on access to the Mainland market.

17. The Trade Development Council has also been actively promoting the service industries of Hong Kong, collecting and disseminating economic and trade information for the professional services sector and organising various trade promotion activities to introduce the professional services of Hong Kong to Mainland enterprises. The Council has joined force with some professional bodies to promote the image of Hong Kong as a quality and reliable "regional service platform". The Council has actively organised major promotion activities for individual professional sectors in the Mainland, reinforcing the professional and quality image of Hong Kong, arranging visits of Mainland enterprises to Hong Kong for exchanges with our professional bodies and received a number of Mainland delegations. Moreover, the Council organizes talks by Mainland experts for Hong Kong enterprises on the latest Mainland market policies and means of market access.

18. In addition, the Government notes that about 50 Hong Kong accountancy firms have established business presence in the form of member offices, cooperation offices, liaison offices or representative offices in Guangdong Province. Such a move not only rides on the steady

pace of economic development in the province, it exposes the province to international professional standards and best practices. It also helps ease the access of Hong Kong's accountancy firms into the Mainland market, resulting in a win-win situation for both sides.

19. Details of the responses made and actions taken by the Government and the relevant bodies to assist the major constituents of our professional services sector (viz. legal, construction and related engineering, medical and accountancy services) in their entering the Mainland market are set out at Annex 2.

## **Recommendations**

20. In the light of the developments brought about by China's 11<sup>th</sup> Five-Year Plan and in response to the opportunities and challenges ahead, the Government plans to implement a number of short, and medium-to-long term measures to assist the professional services sector to take advantage of the opportunities and face up to the challenges ahead, thereby further strengthening Hong Kong's role as China's services centre and as a two-way platform for Mainland enterprises to "bring in foreign investment" and "go global".

### *Short term*

21. The Government will keep up its efforts to implement and promote CEPA, to facilitate Hong Kong companies to make use of the Mainland's preferential measures under CEPA. The initiatives in this regard include strengthening liaison with Mainland authorities at central, provincial and municipal levels, streamlining application and approval procedures, providing information on Mainland laws and regulations governing the provision of relevant services, compiling investment guides, and establishing designated enquiry points and one stop service centres for Hong Kong service suppliers. In this regard, the Trade and Industry Department has set up a database of Mainland laws and regulations for individual service sectors, which has been uploaded onto a designated website of the Department to enable Hong Kong enterprises to know more about the application and approval procedures for setting up businesses in the Mainland. The Department will also participate actively in the work of the Guangzhou-Hong Kong CEPA Market Entry Facilitation Group. The Group, set up in November 2005 by the Hong Kong Trade Development



Council and the Bureau of Foreign Trade and Economic Cooperation of Guangzhou, is tasked to assist Hong Kong businessmen who have encountered difficulties regarding procedural matters in starting businesses or setting up individually owned stores in Guangzhou under CEPA.

22. The Trade Development Council will step up its efforts to promote Hong Kong's professional services sector in the Mainland, and will assist these professional bodies to gain access to the Mainland market through major programmes such as the Hong Kong Real Estate Services and City Development Expo, Hong Kong Management Consultancy Services Conference and CEO Forum. These activities will provide opportunities for distinguished business leaders and entrepreneurs from Hong Kong, the international community and the Mainland to share their insights, with a view to strengthening the trade cooperation and economic ties between Guangdong and Hong Kong, and reinforcing the professional and quality image of Hong Kong.

23. Individual bureaux are planning to introduce measures to encourage and help the relevant professional services to seize the opportunities brought about by CEPA and expand into the Mainland market. For example:

- (a) To organise more visits to enhance exchanges between the relevant sectors of the two places, including such events as briefings and seminars to help Hong Kong practitioners better understand the Mainland market as well as the requirements and application procedures for setting up business in the Mainland, and to introduce to Mainland enterprises the various quality services which our professional services sector can offer;
- (b) To carry through the ongoing consultation between the relevant professional bodies of the two places on mutual recognition of qualifications, including working out with the Mainland authorities the arrangement for our professionals to register in the Mainland after acquiring the Mainland professional qualifications through mutual recognition; and
- (c) To follow up on the implementation of various liberalisation measures under CEPA, including reflecting the views of the

industries to the Mainland authorities concerned on further liberalisation of the Mainland market, so as to prepare for the next phase of CEPA consultation.

*Medium and Long-term*

24. The Government will continue to enhance CEPA's benefits through such means as consolidating the liberalisation measures on trade in professional services between the Mainland and Hong Kong, seeking to lower market entry thresholds or qualification requirements for registration of enterprises, promoting mutual recognition of professional qualifications and mutual exemption of certain areas in examinations, and facilitating trade and investment. Given the close economic ties between Guangdong and Hong Kong, relevant bureaux are prepared to strengthen cooperation with the Guangdong Province to promote the development of professional services under the framework of CEPA. To facilitate the provision of service by our professionals in the Guangdong market, the Government may, in collaboration with the Guangdong Province, consider putting forward proposals to the relevant departments of the Central People's Government on the delegation of certain approving authority in relation to the professional services, as well as measures to improve the policies of establishing business and market entry in Guangdong.

25. Bureaux will also examine further ways to support enterprises in their bid to seek more development opportunities in the Mainland. For example:

- (a) The relevant bureau will make use of the Hong Kong/Guangdong Co-operation Joint Conference to enhance cooperation with Guangdong province, and help the local construction and related works professions to explore business opportunities in the Mainland, such as the infrastructural projects in relation to the 2010 Asian Games. The bureau will also explore opportunities with the other provinces/areas, seek to further liberalize the construction market, and streamline procedures to facilitate industries starting new business in the region through the Pan-Pearl River Delta Regional Co-operation Framework Agreement signed with the provinces/areas of the region concerned. Meanwhile, the Construction Industry Council to be

established soon will explore ways to co-ordinate cooperation and exchanges between the academic sector and the industry in research activities for better utilization of research output by the industry.

- (b) On the accounting profession, the Financial Reporting Council to be established soon will step up investigation on irregularities and on non-compliance in accounting acts committed by auditors in relation to listed corporations and listed collective investment schemes.
- (c) The Department of Justice will encourage the legal profession of Hong Kong to continue the consultation with the Mainland legal professional bodies on the setting up of “a legal information centre”. The Government envisage that the centre will become the platform for exchanges between the legal professionals of both places, and that enterprises and interested parties of both sides can obtain more information about the laws and legal news of each other.

26. Apart from the Government’s efforts, we note that the professional bodies concerned are actively developing tailor-made professional services for the Mainland market, maintaining their international perspectives and are striving to excel in terms of technical and service standards. These efforts should be conducive to strengthening Hong Kong’s role as the services centre of China. Local professional bodies’ enhanced cooperation with their Mainland counterparts, coupled with the Government’s promotional efforts in the Mainland, should result in a win-win situation for both sides.

### **Advice Sought**

27. We would like to seek advice from members in the following areas:

- (a) In the light of the constraints mentioned in paragraph 4, are there other quantitative means of assessing the international competitiveness of Hong Kong’s professional services? Is there any supplement to the analysis of the professional services mentioned in paragraphs 5 and 6?

- (b) Is the analysis in paragraphs 7 to 9 of the opportunities and challenges facing the professional services sector under the 11<sup>th</sup> Five-Year Plan sufficiently comprehensive and in-depth? Is there any supplement to the analysis?
- (c) Is the analysis in paragraph 10 of the opportunities and challenges facing the professional services sector concerned under the 11<sup>th</sup> Five-Year Plan of the Guangdong Province sufficiently comprehensive and in-depth? Is there any supplement to the analysis? The accounting profession has responded positively to the business opportunities in Guangdong as mentioned in paragraph 18. Are similar actions being taken by other professional bodies?
- (d) Whether the actions mentioned in paragraphs 20 to 23 to be taken by the Government and public bodies can achieve the purposes of consolidating and developing the leading position of our professional services sector? How should the strategy be adjusted?
- (e) Whether the issues concerning the consolidation and development of professional services raised in paragraph 10 and paragraphs 24 to 26 provide appropriate pointers for further studies?

Commerce, Industry and Technology Bureau  
September 2006

**The Opportunities and Challenges Facing Individual Professional Services Sectors**

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
<p><b>(1) Legal Services</b></p>	<ul style="list-style-type: none"> <li>• The Mainland has about 120 000 lawyers. Data from the Mainland shows that only about 5 000 to 6 000 of them have the language proficiency and experience to handle international legal practice. Hence, there is considerable scope for Hong Kong-based law firms to fill this gap and provide Mainland enterprises with quality legal services.</li> <li>• Hong Kong’s legal system is well known for offering an effective mechanism for litigation, arbitration, mediation and other forms of alternative dispute resolution.</li> <li>• The close interaction of local and international law firms in Hong Kong has brought about benefits in terms of cross-fertilisation of experience and cultures, and comprehensive development of the legal sector, which can deal with a broad spectrum of legal work in such areas as capital markets, corporate finance, securities, intellectual property, information technology and maritime law, etc.</li> <li>• It is advantageous for not only international corporations, but also Mainland parties to make use of the dispute resolution</li> </ul>	<ul style="list-style-type: none"> <li>• The number of Mainland professionals who are capable of handling international legal practice is on the increase. However, Hong Kong law firms can employ foreign lawyers. Apart from providing advice on local law, many Hong Kong firms also provide one-stop service on various foreign laws, including Mainland, American and English laws.</li> <li>• Another major challenge facing the Hong Kong legal sector is the rapidly expanding market in the Mainland and the new demands for services that arise from such a change in the environment.</li> </ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<p>services in Hong Kong, due to the rich experience of our legal profession. We share the same language and culture, and we are extremely familiar with the way the Mainland market operates.</p> <ul style="list-style-type: none"><li>• The listing of Bank of China in Hong Kong broke many records and we believe that there will be more listings of PRC enterprises in future. The need for professional legal services is phenomenal, though Hong Kong lawyers may have to compete with their counterparts worldwide on large scale listings of this kind. But Hong Kong's proximity to the Mainland, both in terms of physical distance and language, is a definite advantage.</li></ul>	
<b>(2) Construction and related Engineering Services</b>	<ul style="list-style-type: none"><li>• The Hong Kong construction market has already been opened up for a long time. Through the past years of co-operation and interaction with foreign enterprises, the Hong Kong construction industry has accumulated rich experience in international market operation as well as construction technology, standard and management.</li></ul>	<ul style="list-style-type: none"><li>• The operating cost in Hong Kong is relatively high which affects its overall competitiveness.</li><li>• Many of the local professional firms are small to medium enterprises which usually do not have sufficient resources in exploring Mainland and overseas</li></ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<ul style="list-style-type: none"><li>• Our construction technology is on par with the latest development worldwide. In particular, our technology is internationally renowned in areas like the construction of bridges, ports, airports, railways, construction on slope, high-rise and intelligent buildings.</li><li>• On professional manpower resources, excellent technical and managerial staff are provided through well-established universities and professional training systems.</li><li>• Hong Kong has a full range of professionals in construction and related services and is able to provide one-stop services for Mainland construction projects, including pre-investment studies, project preparation, design and procurement, construction supervision and contract management, dispute arbitration and resolution as well as facilities management and operation.</li><li>• Under the CEPA framework, the Mainland construction market has been further opened up for Hong Kong enterprises, providing them with preferential treatment on market access over foreign enterprises.</li></ul>	<p>markets.</p> <ul style="list-style-type: none"><li>• Compared with their counterparts in other economies, the investment made by our construction industry in research and development is low and there is a lack of co-ordination between academia and industry in research activities.</li><li>• The Mainland construction related professional services market will be opened up to foreign enterprises by the end of 2006 under the WTO. Hong Kong construction industry stakeholders will face more competition.</li><li>• The procedures of establishing enterprises in the Mainland are complicated.</li><li>• Hong Kong professionals are required to register before they can practise in</li></ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<ul style="list-style-type: none"> <li>Through the 9+2 Pan-Pearl River Delta regional co-operation, the accelerated integration within the region will advance the development of regional transport and infrastructure projects, thereby providing more business opportunities for the construction and related engineering services sector.</li> </ul>	<p>the Mainland. However, the corresponding registration arrangements are yet to be implemented.</p>
<p><b>(3) Medical Services</b></p>	<ul style="list-style-type: none"> <li>With the growth in personal income in the Mainland, Mainland residents are willing to pay more for better health care services. The long-established and sound regulatory system in Hong Kong maintains doctors' discipline and ensures the quality of medical services in Hong Kong. These are qualities that appeal to Mainland people. With a well-developed, sophisticated and specialists training system, Hong Kong has built up a significant pool of talents in various fields to achieve synergy. In the mastery, application and research of certain specialist skills, Hong Kong's medical profession stands at the forefront of the world and enjoys a unique edge in the region. Private medical practices are flourishing in Hong Kong's market, with ample experience in maintenance of professional standard, customer service and effective management. Whilst attracting more Mainland</li> </ul>	<ul style="list-style-type: none"> <li>The costs of Hong Kong medical professionals are far higher than their Mainland counterparts and beyond the reach of the general public in the Mainland. The number of people who can afford high-end medical services is relatively small. Given that there has never been a lack of local demand for the services that Hong Kong enjoys competitive advantage, there is little incentive to develop external markets actively. These factors may impose limits on the scope for Hong Kong's export of medical services.</li> </ul>



<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<p>people to seek medical treatment in Hong Kong, our medical professionals can also help develop the medical services in the Mainland by complementing their strengths with those of their Mainland counterparts, taking reference from the medical systems of both places, experience sharing and technology transfer.</p> <ul style="list-style-type: none"> <li>• On the other hand, regularization of the Mainland medical system has facilitated the practices of Hong Kong medical professionals in the Mainland. With the growing integration of the economies across the border, more Hong Kong residents are moving to the Mainland, thus increasing the demand for the services of Hong Kong medical professionals. This would provide a stepping stone for Hong Kong medical professionals to make their way to the Mainland.</li> <li>• The 11th Five-Year Plan has placed special emphasis on developing the healthcare sector and improving the health conditions in the rural areas. Hong Kong’s medical profession has always been committed to providing health care services to the remote areas and has actively organized volunteer medical services and medical training for local</li> </ul>	<ul style="list-style-type: none"> <li>• Generally speaking, our medical sector is not very familiar with the medical system, regulations, development strategies and the medical profession of the Mainland. On the other hand, there are still relatively few professionals who have taken the national qualification examination for medical practitioners as provided under the CEPA framework.</li> <li>• The regulations on how Hong Kong doctors may open clinics in the Mainland are not yet very clear. The medical sector generally considers that it is difficult to open clinics and hospitals in the Mainland, and hopes that sole proprietorship and a lowered capital requirement would be allowed under the CEPA framework.</li> <li>• At present, Hong Kong contributes to</li> </ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<p>doctors. This planning strategy would offer a broader platform for the Hong Kong medical sector to expand their work in this respect.</p>	<p>the development of the national medical sector mainly through experience sharing and volunteer work. The current challenge is to promote trade in commercial medical services to facilitate cooperation across the border and technology transfer.</p>
<b>(4) Accountancy Services</b>	<ul style="list-style-type: none"><li>• Certified public accountants (CPAs) in Hong Kong possess a broad international horizon and deep understanding of International Financial Reporting Standards. They are qualified upon completion of an internationally recognized professional qualification programme. They embody the professionalism wherever they go in the global world of business.</li><li>• The ties of the accountancy profession in Hong Kong with the Mainland, one of the world's emerging economic superpowers, are deepening, giving Hong Kong CPAs unparalleled knowledge of doing business on the Mainland, which in turn benefits their companies and clients. Hong</li></ul>	<ul style="list-style-type: none"><li>• At present, there are about 25 700 accountants in Hong Kong. With the growing economic development on the Mainland, there will be more Mainland entities seeking to list in Hong Kong. The demand for professional services ranging from auditing and assurance to financial consulting will only be rising. In fact, CPAs demonstrating solid global and Mainland experience are widely sought in the market. We, therefore, need to train more accounting professionals to meet the</li></ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<p>Kong Institute of Certified Public Accountants (HKICPA) are working closely with its counterparts on the Mainland so that the profession evolves at the highest possible standards, thereby benefiting local and regional economies, and ultimately, the global economy.</p> <ul style="list-style-type: none"><li>• In line with the position in jurisdictions including the European Union, Australia and Singapore, the HKICPA successfully completed the full convergence of Hong Kong Financial Reporting Standards with the International Financial Reporting Standards in 2005. In 2006, the HKICPA adopted the “Code of Ethics for Professional Accountants” issued by the International Federation of Accountants, thereby converging local requirements concerning professional ethics of accountants with the internationally recognized standards. In this regard, Hong Kong’s professional standards now reflect the best practices adopted by the most reputable accounting bodies in the world.</li><li>• The accountancy profession plays a very important role in our country’s economic development. A sound accounting</li></ul>	<p>economic development of Hong Kong and our country.</p> <ul style="list-style-type: none"><li>• While coping with the continuous development of enterprises, we must ensure that quality is assured in their financial reporting systems. In this regard, the accountancy profession plays a number of important roles. Company accountants help directors prepare financial statements conforming to the relevant regulations and accounting principles and showing the true and fair view of the company’s results and state of affairs. As independent “monitors”, auditors are responsible for ensuring the quality, accuracy and integrity of financial reporting. Non-compliances or ethical misconducts in any of these aspects will directly affect the confidence of</li></ul>

<i>Sectors</i>	<i>Opportunities</i>	<i>Challenges</i>
	<p>system and quality financial reporting is important in promoting corporate governance and protecting the interests of the investing public. With the present rapid development in the Mainland, the scope and scale of development of Mainland enterprises are continuously expanding. In the process of development when the Mainland is instituting an accounting system on par with international standards, there is a huge demand for quality professional accountants who are familiar with international accounting rules and standards.</p> <ul style="list-style-type: none"><li>• The accountancy profession in Hong Kong, with its solid foundation, has rich international experience and sound knowledge of the International Financial Reporting Standards. Exchanges and co-operation between the accountants in Hong Kong and their counterparts in the Mainland will further expand our country's accountancy profession, upgrade its professionalism and broaden its international horizon, thereby enabling them to contribute towards the economic development of our country.</li></ul>	<p>the investing public in the financial markets and threaten market stability.</p>

**Response and Actions Taken in Individual Professional Services Sectors on Expanding into the Mainland Market**

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
(1) Legal Services	<p>(1) <b><u>Enhancing exchanges between the legal professions of Hong Kong and the Mainland</u></b></p> <ul style="list-style-type: none"> <li>In the past few years, the Secretary for Justice and other officers of the Department of Justice (DoJ) paid visits to various major cities in the Mainland, including Hangzhou, Guangzhou, Nanjing, Shanghai, Shenzhen, Jilin, Chongqing, Tianjin and Hefei, and participated in large-scale promotion activities, such as Hong Kong Week and various seminars and forums, with a view to promoting the legal services of Hong Kong and assisting Hong Kong lawyers in exploring new business opportunities and strengthening their ties with their Mainland counterparts.</li> </ul> <p>(2) <b><u>Promotion and implementation of CEPA</u></b></p> <ul style="list-style-type: none"> <li>Since 2004 when CEPA came into effect, the DoJ has taken a number of steps to ensure that all sectors of the community are aware of the impacts of CEPA on the Hong Kong legal profession. These include briefing the legal profession of the contents of CEPA,</li> </ul>	<ul style="list-style-type: none"> <li>In recent years, the legal profession of Hong Kong has been actively expanding into the Mainland market. Since the implementation of CEPA, 16 Hong Kong law firms have set up their representative offices in the Mainland. Together with those set up before the implementation of CEPA, currently there are a total of 69 representative offices of Hong Kong legal firms in 12 Mainland cities. Furthermore, 19 applications have been lodged by Hong Kong law firms to form associations with Mainland law firms (approval has already been given to 5 of them), and 53 applications have been lodged for a Certificate of Good Standing, indicating the intention to set up representative offices in the Mainland.</li> <li>Since 2002, the Law Society of Hong Kong has entered into Legal Services Co-operation Agreements with the lawyers associations of</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>participation in fora, publication of articles and dissemination of information on DoJ’s website on the five sets of management measures and decisions promulgated by the Ministry of Justice for the implementation of the CEPA provisions concerning trade in legal services.</p> <ul style="list-style-type: none"> <li>● The DoJ maintains a close tie with the legal professional bodies of Hong Kong and has conveyed their views on further liberalization of the legal services market on the Mainland within the framework of CEPA and the problems they encountered in its implementation to the Mainland authorities. Since the implementation of CEPA I, the Central Authorities, after considering the views of the legal profession of Hong Kong, have promulgated a number of new measures in the subsequent Supplements, enabling the legal profession to gain easier access to the Mainland market for further provision of legal services.</li> <li>● Officers of the DoJ, together with the delegations of Hong Kong legal profession, have attended a number of seminars and conferences held in the Mainland and</li> </ul>	<p>26 provinces and municipalities in the Mainland in order to foster exchanges and cooperation between the legal professions of the two places. Through the establishment of a business information platform, reciprocal visits, seminars and other activities, the Law Society also promotes greater understanding of the latest developments of the Mainland legal services among Hong Kong lawyers and develops further inroads into the Mainland market.</p> <ul style="list-style-type: none"> <li>● The Law Society of Hong Kong has launched the Professional Development Training Program for Hong Kong and Mainland Lawyers since 2002. Under the program, mutual visits and exchanges for lawyers to law firms of the other side have been arranged. The program, which lasts for two to four weeks, enables lawyers to have a better understanding of the legal system and practice of the other side. So</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>Hong Kong to discuss with Mainland officials and professional bodies on the implementation of CEPA and the problems encountered.</p> <p><b><u>(3) To make arrangements for the State Judicial Examination to be held in Hong Kong</u></b></p> <ul style="list-style-type: none"> <li>● One of the major initiatives of CEPA is to allow Hong Kong residents to enter the State Judicial Examination. With the first batch of candidates taking the examination in Shenzhen in 2004, the Ministry of Justice accepted the DoJ’s proposal of setting up an examination centre in Hong Kong from 2005 onwards to conduct the examination. (Note: <i>The DoJ and the Ministry of Justice signed the “Memorandum of Discussion on matters regarding the organization of Hong Kong residents sitting the State Judicial Examination” on 13 May 2005. The DoJ was entrusted by the Ministry of Justice to assist in organizing the arrangements for Hong Kong residents to sit for the examination to be held in Hong Kong, whereas the actual administrative work would be undertaken by the Hong Kong Examination and Assessment Authority.</i>) The above</li> </ul>	<p>far, a total of 160 lawyers from 14 Mainland provinces and cities and 28 lawyers from Hong Kong have participated in the program.</p> <ul style="list-style-type: none"> <li>● The Hong Kong Bar Association has signed Legal Services Co-operation Agreements with 14 Mainland provinces and municipalities to strengthen the relations between the two sides in the area of legal practice. Through activities like exchange visits, participation in seminars and forums, etc., understanding of the demands of the legal services market on the Mainland was enhanced.</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>arrangements make it easier for Hong Kong candidates to enter the examination with a view to acquiring the Mainland legal professional qualification.</p> <p><b><u>(4) Development of Hong Kong as a centre of legal services for dispute resolution</u></b></p> <ul style="list-style-type: none"> <li>● To further enable the legal profession of Hong Kong to give full play to its advantages, the HKSAR Government has been actively promoting the development of Hong Kong as a regional centre of legal services for dispute resolution. We encourage parties to foreign-related contracts or joint ventures which conduct their business in the Mainland to negotiate and execute their contracts in Hong Kong, to choose the law of Hong Kong as the applicable law, and to choose our courts or arbitral institutions as the fora for dispute resolution.</li> <li>● Arbitral awards of any party in the Mainland and Hong Kong are enforceable on the other side under the <i>Arrangement Concerning Enforcement of Arbitral Awards</i> signed by the Supreme People’s Court and the HKSAR Government in 1999. On 14 July 2006, the two places also signed the Arrangement on Reciprocal</li> </ul>	



<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. Under the Arrangement, judgments by the courts of the Mainland and the HKSAR are mutually enforceable provided that the relevant requirements are met. The Arrangement will formally come into effect after the HKSAR has completed the relevant legislative procedures and the Supreme People’s Court has issued the relevant guidelines and interpretation.</p> <ul style="list-style-type: none"> <li>● It is believed that the Arrangement will reinforce the measures for the promotion of Hong Kong as a regional centre of legal services for dispute resolution and provide greater convenience for people who are involved in business dealings in the two places.</li> </ul> <p><b><u>(5) Entering into Legal Services Co-operation Agreements with the Mainland</u></b></p> <ul style="list-style-type: none"> <li>● The DoJ has entered into Legal Services Co-operation Agreements with the Ministry of Justice and the judicial authorities of 7 Mainland provinces and municipalities.</li> </ul>	

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>(Note: The DoJ entered into such agreements with the Ministry of Justice in December 2004 and with the Justice Bureaux/Departments of the following 7 provinces and municipalities respectively: Qingdao (in September 2002), Chongqing (in December 2002), Beijing (in October 2003), Nanjing (in December 2003), Shanghai (in December 2003), Zhejiang Province (in January 2004) and Shenzhen (in June 2004).) Under such agreements, the DoJ will exchange information on the legal system and legal profession with the judicial authorities concerned, actively foster professional exchanges between the legal services sectors of the two places, and study and follow up the implementation of CEPA in the relevant provinces and municipalities.</p>	
<p><b>(2) Construction and related Engineering Services</b></p>	<ul style="list-style-type: none"> <li>● The Government has fostered agreements or arrangements on mutual recognition of professional qualifications of the two places including estate surveyors, architects, structural engineers, planners, quantity surveyors and building surveyors.</li> <li>● The Government further strengthens the connection and consultation with Hong Kong construction industry</li> </ul>	<ul style="list-style-type: none"> <li>● In the construction and related engineering design services sector, 23 Hong Kong consultants have acquired Grade A or B qualifications in the Mainland.</li> <li>● The relevant Hong Kong professional institutes have reached mutual recognition agreements with their Mainland counterparts</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>stakeholders and the relevant Mainland authorities with a view to speeding up the liberalization of the Mainland construction market under the CEPA framework.</p> <ul style="list-style-type: none"> <li>● The Government encourages exchange and collaboration between the two places at different levels.</li> <li>● The Environment, Transport and Works Bureau (ETWB) has signed a co-operation arrangement with the Ministry of Construction in May 2002 with a view to promoting mutual recognition of professional qualifications for construction and related engineering professions.</li> <li>● ETWB has maintained close liaison and held meetings with the Ministry of Construction, the State Bureau of Surveying and Mapping and the relevant professional bodies of the Mainland and Hong Kong</li> </ul>	<p>for estate surveyors, architects, structural engineers, planners, quantity surveyors and building surveyors. They have also arranged their members to participate in the training and test sessions in order to facilitate them in acquiring the professional qualifications of the Mainland.</p> <ul style="list-style-type: none"> <li>● The Hong Kong Professional institutes and their Mainland counterparts continue their discussion and exchange with a view to reaching more agreements on mutual recognition of professional qualifications.</li> </ul>
<b>(3) Medical Services</b>	<ul style="list-style-type: none"> <li>● Whilst the Mainland has yet to develop a uniform and regularized system for training of specialist doctors, Hong Kong has a longer history in this respect, and our statutory Academy of Medicine and Specialist Register have been in place for over a decade. To facilitate the establishment of the specialist registration system in the</li> </ul>	<ul style="list-style-type: none"> <li>● The medical profession has organized a delegation to the Mainland for professional exchanges in order to better understand the Mainland’s medical system development direction and needs, and to explore the opportunities for collaboration. Since the</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>Mainland and to enhance its operation, the Ministry of Health (MOH) and the Hong Kong Academy of Medicine signed a <i>Memorandum of Understanding between Ministry of Health and Hong Kong Academy of Medicine on a Pilot Programme for Specialists Registration System</i> in April 2006. The objective of the Memorandum is to help MOH develop a medical examination and registration system for specialist doctors in the Mainland. It will enable Hong Kong and the Mainland to complement each other with their respective advantages, facilitate connection between their professional systems as well as promote professional exchanges, thereby not only making direct contribution to the development of the medical sector in the Mainland but also enhancing the professional image of Hong Kong's medical profession.</p> <ul style="list-style-type: none"> <li>● The Red Ribbon Centre of the Department of Health, with the sponsorship of the Lions Club International District 303 Hong Kong and Macau, has been implementing the <i>Lions Red Ribbon Fellowship Scheme</i> since 1999 to support experienced professionals from the</li> </ul>	<p>signing of CEPA, although the overall number of applications is still not high, there has been a steady growth in the number of medical professionals who apply to take the national qualification examination for medical practitioners. Separately, some medical practitioners have been already capitalizing on the favourable concessions under CEPA to engage in short-term practice in the Mainland with a view to exploring the possibilities of further expanding their practice there.</p> <ul style="list-style-type: none"> <li>● To improve the health care in the rural areas, Hong Kong's medical professionals have been playing an active role in employing their professional knowledge to participate in volunteer work. In April 2006, more than ten medical practitioners from Hong Kong joined a Henan study tour paying a visit to the Henan AIDS village, where they inspected the work on HIV/AIDS control</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>Mainland to further their training and research activities on HIV/AIDS control in Hong Kong. The aim is to facilitate experience sharing between Mainland and local medical professionals, enhance technical exchange on HIV/AIDS prevention and control, and encourage collaboration and networking.</p> <ul style="list-style-type: none"> <li>● Representatives from the Health, Welfare and Food Bureau have briefed the healthcare sector on the details of CEPA at functions organized by the sector. The Medical Council of Hong Kong, Chinese Medicine Council of Hong Kong and Dental Council of Hong Kong provide assistance to the practitioners in enrolling in the national qualification examination for medical practitioners.</li> </ul>	<p>from a medical perspective and developed proposals and schemes for the prevention and treatment of AIDS. The medical sector also provides positive support for charitable organizations. For example, doctors from Hong Kong have worked side by side with Mainland medical and nursing staff on “Lifeline Express” to provide free operations to poverty-stricken cataract patients living in remote villages of the Mainland, and upgrade the medical standard of the rural areas through exchanges on medical skills and experience.</p>
<p><b>(4) Accountancy Services</b></p>	<ul style="list-style-type: none"> <li>● The HKSAR Government signed an agreement for the exemption of professional examination papers, in respect of the qualification programmes of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Chinese Institute of Certified Public Accountants, with the Mainland's Ministry of Finance in August 2004. CEPA II, which took effect from 1 January 2005, has</li> </ul>	<ul style="list-style-type: none"> <li>● The Hong Kong Institute of Certified Public Accountants (HKICPA) has all along been assisting in the development of the accountancy profession and financial reporting standards in the Mainland. The efforts made in this area by the HKICPA and its members conducting business in the</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>provided for further liberalisation measures. These include allowing consultancy companies established by Hong Kong accountants to provide bookkeeping services in the Mainland; deeming the auditing experience acquired by Hong Kong accountants in Hong Kong as the same acquired in the Mainland for the application of a practising licence in the Mainland; and allowing eligible Hong Kong residents to take the relevant Mainland accountancy qualification examinations. Moreover, since the implementation of CEPA III on 1 January 2006, the validity period of the “Temporary Business Permit”, applied by Hong Kong accounting firms for the purpose of conducting business on a temporary basis in the Mainland, has been extended from one year to two years. The above measures will help Hong Kong accountants gain a wider access to the Mainland market.</p> <ul style="list-style-type: none"> <li>● To maintain Hong Kong’s position as a major international financial centre and the premier capital formation centre of our country, the SAR Government is committed to ensuring that the regulatory system of the</li> </ul>	<p>Mainland have produced notable results. By introducing the highest international standards and the best practices into the Mainland, they have helped promote the development of the accountancy profession there.</p> <ul style="list-style-type: none"> <li>● The HKICPA has built up a close working partnership with its Mainland counterparts, and has actively helped them align their financial reporting standards with the International Financial Reporting Standards. In May 2006, the HKICPA signed a joint declaration on the convergence of accounting standards with the China Accounting Standards Committee (CASC). It states that the new China Accounting Standards have substantially converged with the Hong Kong Financial Reporting Standards. In addition, the HKICPA and a number of its Mainland counterparts have conducted visits in the two places from time</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
	<p>accountancy profession of Hong Kong is on a par with international standards. The Financial Reporting Council will be set up in accordance with the Financial Reporting Council Ordinance enacted in July 2006 to strengthen the investigation of irregularities of auditors and non-compliances of financial statements relating to listed corporations and collective investment schemes. It is expected that the Financial Reporting Council will come into operation in early 2007.</p> <ul style="list-style-type: none"> <li>As at August 2006, about 50 Hong Kong accountancy firms have established business presence in the form of member offices, cooperation offices, liaison offices or representative offices in Guangdong Province. Such a move not only rides on the steady pace of the economic development in the province and introduces into the province international professional standards and the best practices, but also helps the access of Hong Kong's accountancy firms into the mainland market, resulting in a win-win situation for both sides.</li> </ul>	<p>to time and co-organised training courses and practice programmes so as to achieve a win-win situation through complementing each other's strengths. The HKICPA had signed agreements on mutual recognition of membership with eight prestigious chartered accountancy bodies in the world. In addition, mutual exemption is granted to certain papers in the Qualification Programme of the HKICPA and their equivalents in the examination of the Chinese Institute of Certified Public Accountants.</p> <ul style="list-style-type: none"> <li>In May 2006, the HKICPA, together with the Institute of Chartered Accountants in England and Wales (ICAEW), successfully hosted the "China and the Global Capital Markets" Conference in Hong Kong, bringing together senior government officials, representatives of regulatory bodies, academics, investors and Chinese</li> </ul>

<i>Sectors</i>	<i>Response and Actions by the Government</i>	<i>Response and Actions by the Industry</i>
		<p>enterprises active in international capital markets to discuss how China’s thirst for capital was affecting global capital markets and related topics such as the role of the accountancy profession in upgrading the financial reporting system of Chinese enterprises.</p> <ul style="list-style-type: none"> <li>● The HKICPA will also assist its members in accessing and expanding business in the Mainland market through, for example, setting up a “China Desk” to provide them with free information services, and disseminating through its website updated information about the Mainland laws. In Hong Kong, there are now more than 40 accounting firms which, through the establishment of management consultant companies, member firms or affiliated firms, provide Mainland enterprises with professional accountancy services.</li> </ul>