

**Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
Third Phase of Trade Liberalization (CEPA III)
Specific Commitments on “Cinema Theatre Services”
and “Chinese Language Motion Pictures and Motion Pictures Jointly
Produced” and Related Implementation Details**

Introduction

According to Supplement II to CEPA signed on 18 October 2005, with effect from 1 January 2006, further liberalization measures are introduced under Annex 2 “Supplements and Amendments II to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong” of CEPA in respect of the “Cinema theatre services” and “Chinese language motion pictures and motion pictures jointly produced” under audiovisual services, making it easier for Hong Kong service suppliers to enter into the market.

Cinema theatre services

2. Currently, Hong Kong service suppliers are permitted to construct or renovate cinema theatres on a wholly-owned basis for the operation of film screening business in the Mainland. When making investment in the Mainland in respect of cinema theatre business, Hong Kong service suppliers should comply with the “Provisional Regulations on Investment in Cinemas by Foreign Investors”. To establish a wholly-owned company for film screening business, the required minimum capital is RMB ¥10,000,000 and it is stipulated that the company can construct or renovate one cinema theatre at a fixed location for film screening business. If another cinema theatre is to be established, another investment of RMB ¥10,000,000 is necessary.

3. CEPA III has relaxed the requirement. A Hong Kong service supplier is permitted to establish a wholly-owned company to construct or renovate more than one cinema theatre for film screening business at more than one location in the Mainland. The required minimum capital remains RMB ¥10,000,000.

4. The details of implementing the specific commitment in respect of the above cinema theatre services are as follows:

- (a) A company with a Certificate of Hong Kong Service Supplier issued by the Trade and Industry Department (TID) of Hong Kong Special Administrative Region (HKSAR) can make an application to the Ministry of Commerce of the People's Republic of China through the local foreign trade and economic supervisory department of the province or city where the service will be supplied.
- (b) Upon approval of the relevant Mainland authorities, the Hong Kong service supplier can construct or renovate cinema theatres at more than one location for the operation of film screening business on a wholly-owned basis, in compliance with "Provisional Regulation on Investment in Cinemas by

Foreign Investors", Decree No. 21 and Supplementary Provisions to the "Provisional Regulation on Investment in Cinemas by Foreign Investors", Decree No. 49 of the State Administration of Radio, Film and Television (SARFT) (國家廣播電影電視總局令第 21 號《外商投資電影院暫行規定》及令第 49 號《外商投資電影院暫行規定》的補充規定).

Chinese language motion pictures and motion pictures jointly produced

5. Currently, the motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution in the Mainland. Generally, a jointly produced motion picture shall be produced in Putonghua (A Putonghua version must be prepared if the motion picture is originally produced in Cantonese) before submission to the relevant Mainland authorities for examination and approval. Under CEPA III, no Putonghua version of Mainland-Hong Kong jointly produced motion picture originally produced in Cantonese is required for submission to the relevant Mainland authorities for examination and approval. Upon approval, the motion picture concerned can be distributed and screened in Guangdong Province.

6. The details of implementing the above specific commitment in respect of the distribution and screening of the Cantonese version of the jointly produced motion pictures are as follows:

- (a) The Hong Kong company concerned shall make an application to the SARFT through their Mainland partners for the examination and approval of the Cantonese version of the jointly produced motion picture.
- (b) Upon approval of the SARFT, the Cantonese version of the jointly produced motion picture can be distributed and screened in Guangdong Province by Mainland distributors.

7. Currently, a Chinese language motion picture produced by Hong Kong can be imported for distribution in the Mainland on a quota-free basis, after vetting and approval by the relevant Mainland authorities. A Hong Kong film company, however, must provide a Putonghua version of the motion picture before submission to the relevant Mainland authorities for examination and approval. Under CEPA III, the Hong Kong film company concerned no longer needs to prepare a Putonghua version of the motion picture originally produced in Cantonese for the purpose of examination. The motion pictures can be solely imported by the Film Import and Export Corporation of China Film Group Corporation for distribution and screening in Guangdong Province, after obtaining the approval of the relevant Mainland authorities.

8. The details of implementing the above specific commitment in respect of the distribution and screening of the Cantonese version of Hong Kong motion pictures are as follows:

- (a) A Hong Kong motion picture with the Certificate of Hong Kong Service Supplier issued by the TID of HKSAR can be solely imported by the exclusive Film Import and Export Corporation of China Film Group Corporation, which will make an application to the SARFT for examination and approval of the Cantonese version. The contact person of the Film Import and Export Corporation is Ms Wu Min (吳敏女士) (Tel. No.: 6226 8023, Fax: 6225 1044).
- (b) Upon approval of the SARFT, the Cantonese version of the Hong Kong motion picture can be distributed and screened in Guangdong Province.

9. At present, a Chinese language motion picture produced in Hong Kong shall be one made by a Hong Kong company and it owns more than 75% of the copyright of the motion picture concerned. Under CEPA III, the ownership requirement is reduced to more than 50%.

10. The details of implementing the above specific commitment in respect of the distribution and screening of Hong Kong motion pictures in the Mainland are as follows:

- (a) A Hong Kong company that owns more than 50% of the copyright of a motion picture shall make an application to the TID of HKSAR for a Certificate of Hong Kong Service Supplier.
- (b) After obtaining the certificate, the motion picture concerned can be solely imported for distribution in the Mainland on a quota-free basis through the exclusive Film Import and Export Corporation of China Film Group Corporation, which will make an application to the SARFT for examination and approval. Upon approval, the motion picture can be distributed and screened in the Mainland.

Television and Entertainment Licensing Authority
Hong Kong Special Administrative Region Government
January 2006