

For information

LEGISLATIVE COUNCIL PANEL ON COMMERCE AND INDUSTRY

MAINLAND AND HONG KONG CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT (CEPA)

PURPOSE

This paper informs Members that the Administration signed the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) with the Central People's Government (CPG) on 29 June 2003. Details of the CEPA are set out in ensuing paragraphs. Copies of the text of the CEPA and the Agreed Minutes are at the Annex.

BACKGROUND AND JUSTIFICATION

2. The Mainland is Hong Kong's largest trading partner. Upon admission to the World Trade Organization (WTO), China has committed to phasing out gradually some market access restrictions in trade in goods and services. These liberalization measures will be enjoyed by Hong Kong and other WTO members under the Most Favoured Nation principle enshrined in the WTO agreements. However, extensive barriers in the form of tariffs, non-tariff measures and other market access restrictions will still remain. Successful conclusion of the CEPA is therefore of particular economic importance to Hong Kong as it would provide greater access into the Mainland market to Hong Kong companies and service providers **on an exclusive basis**. It would also have symbolic significance as the first successful free trade agreement endeavour of both sides.

3. During a duty visit to Beijing in December 2001, the Chief Executive obtained the agreement in principle of the CPG to his proposal of establishing a form of free trade area between the Mainland and the Hong Kong Special Administrative Region. To prepare for the discussions with the Mainland, we conducted a public consultation exercise in February and March 2002 to seek public views on the CEPA. We also consulted major trade-related advisory bodies as well as business and professional associations.

4. Both sides agreed to comply with the following principles for consultation:

- (a) the relevant WTO rules and the 'One country, Two systems' principle should be observed;
- (b) the CEPA should be mutually beneficial, and take into account the trends of economic developments in the two places;
- (c) the consultations should be progressive, starting with the less difficult areas;
- (d) the political, business and academic communities of the two places would be widely consulted in the process; and
- (f) both sides will work actively together to take forward the proposal with a view to achieving continuous process.

5. A number of high level and senior official meetings have been held since the CEPA consultations began in January 2002, and intensive talks have taken place in recent weeks. The outcome of consultation in the three main areas of the CEPA - namely trade in goods, trade in services, and trade and investment facilitation - are described below.

Trade in Goods

(a) Import Tariffs

6. At present, the Mainland maintains a tariff system for all imports. Since its admission to the WTO, the CPG has reduced progressively its import tariffs to an average of about 11% in 2003. According to China's accession terms, its average final bound rate is about 10% for all products (about 9% for industrial goods, and about 15% for agricultural products). Hong Kong's domestic exports to the Mainland are subject to tariffs at the same rates as goods from all other WTO members. According to our rough estimate, the tariffs payable for Hong Kong's domestic exports to the Mainland amounted to around \$1.2 billion in 2002.

7. Under the CEPA, we secured an early elimination of tariffs for Hong Kong's domestic exports to the Mainland, as follows :

- (a) zero tariff from 1 January 2004 for exports from Hong Kong meeting the rules of origin requirement (see paragraphs 9 and 10 below) in some 270 Mainland product codes, which cover some

electrical and electronics products, plastic articles, paper articles, textile and clothing, chemical products, pharmaceutical products, clocks and watches, jewellery, cosmetics, metal products, etc. As a result of this concession and China's commitments upon accession to the WTO, about 90% of the value of our domestic exports to the Mainland will enjoy zero tariff by 1 January 2004; and

- (b) zero tariff latest by 1 January 2006 upon applications by local manufacturers for other product codes maintained on China's tariff system meeting the CEPA rules of origin (see also paragraphs 9 and 10 below).

8. On the part of the HKSAR, we agreed to bind our existing zero import tariff regime with respect to all goods of Mainland origin and not impose restrictive regulations on trade in these goods. While this offer is over and above what we have committed to the WTO, its effect is no more than binding the status quo. Also, such a level of liberalization is consistent with the requirement of the WTO in respect of free trade agreements, particularly with respect to the more developed members.

(b) Rules of Origin

9. The two sides have to agree on a set of origin rules under the CEPA. Given that Hong Kong does not levy tariffs on imports from anywhere in the world, whether Mainland goods would meet the CEPA origin rules would not be a matter of concern to the Mainland and Hong Kong. On the other hand, Hong Kong goods would have to fulfil the CEPA origin requirements in order to be eligible for zero tariff.

10. The two sides are discussing the origin rules applicable to those products to be covered in the initial phase, with a view to reaching an agreement before end 2003 so that these products can enjoy zero tariff starting from 1 January 2004. For the remaining products, we aim to agree on their origin rules early, having regard to the submission of applications by local manufacturers. We will also discuss with the Mainland on cooperation to prevent illegal circumvention of the agreed origin rules.

(c) Other Trade Measures

11. The two sides also agreed not to take anti-dumping, countervailing and certain specific safeguard measures against goods of Mainland or Hong Kong origin. At the same time, the Mainland undertook

not to apply tariff rate quotas against goods of Hong Kong origin. We welcome the inclusion of such commitments and note that they are features of high standard free trade agreements. Yet, their practical effect on the trade between Mainland and Hong Kong will be insignificant as such measures either have not been applied against each other before or concern only goods of insignificant trade interest to Hong Kong.

Trade in Services

(a) Liberalization in market access

12. The CEPA will cover the following 17 sectors:

- ± management consulting services;
- ± convention services;
- ± advertising services;
- ± accounting services;
- ± construction and real estate services;
- ± medical and dental services;
- ± distribution services;
- ± logistics services;
- ± freight forwarding agency services;
- ± storage and warehousing services;
- ± transport services;
- ± tourism services;
- ± audiovisual services;
- ± legal services;
- ± banking services;
- ± securities services; and
- ± insurance services.

13. Broadly speaking, the Mainland's concessions permit earlier access to the Mainland market, **ahead of China's WTO timetable**, to Hong Kong companies and services providers. In some sectors like construction and real estate services, logistics services, transport services, distribution services, legal services, and audiovisual services, the Mainland's offer will extend **beyond its WTO commitments**.

14. Similar to trade in goods, we agreed to bind our existing services regime for, and undertake not to introduce new discriminatory measures against, services and services suppliers of the Mainland for those sectors listed in paragraph 12 above. This, again, is more than what we have committed to the WTO, but is in line with our free trade and open market policy. This is consistent with the requirement of the relevant WTO rules.

The two sides also agreed to pursue further liberalisation of services trade between the Mainland and Hong Kong through consultation under the CEPA.

(b) Definition of ‘Hong Kong companies’

15. The definition of ‘Hong Kong companies’ is key to the trade in services consultations. We consider it vitally important for Hong Kong and the Mainland that the CEPA must comply with the WTO rules on regional trade agreements. These rules stipulate that, as long as a company is incorporated under the law of a party to a regional trade agreement and has ‘substantive business operations’ in that place, it should be entitled to the benefits of that regional trade agreement. The underlying philosophy of this requirement is ‘national treatment’, meaning equitable treatment for both local and foreign entities. This philosophy is in line with the free market and level playing field principles that underpin the success of Hong Kong’s economy.

16. The two sides have reached agreement that, to be eligible for enjoying the benefits offered by the Mainland under the CEPA, a company must have ‘substantive business operations’ in the HKSAR as assessed on the basis of the following criteria:

- (a) the company must be incorporated under the laws of the HKSAR;
- (b) the company must pay profits tax in the HKSAR (or be exempted by law from paying such tax or no need to pay profits tax because of business loss);
- (c) the length of the company’s substantive business operations in the HKSAR;
- (d) the size and nature of business activity of the company’s office in the HKSAR; and
- (e) the proportion of the company’s staff force employed in the HKSAR.

The two sides agree to adopt a “sectoral” approach to take into account the unique characteristics of each individual service sector.

Trade and Investment Facilitation

17. Both sides have reached agreement on promoting co-operation in the following seven areas:

- ± customs clearance;
- ± quarantine and inspection, quality assurance and food safety;
- ± small and medium-sized enterprises;
- ± Chinese medicine and medical products;
- ± e-commerce;
- ± trade and investment promotion; and
- ± transparency in law and regulations.

IMPLICATIONS OF THE PROPOSAL

18. In terms of economic benefits, the CEPA has good potential to open up many more new business opportunities in the Mainland for Hong Kong. It will enhance the attractiveness of Hong Kong to those overseas investors that wish to access the Mainland market. The zero import tariff preference may attract to Hong Kong manufacturing of brand name products, or manufacturing process with high-value added content or substantial intellectual property input. The WTO-plus market liberalization measures for trade in services would give companies in Hong Kong a ‘first mover’ advantage. Obviously, it is up to the businessmen from Hong Kong and elsewhere in the world to decide whether and how they would like to leverage on the CEPA to gain greater access into the Mainland market. This will determine the scale of CEPA-induced business activities and the direct and indirect economic spin-offs for Hong Kong. At this point in time, it is difficult to quantify, with reasoned assumptions, the effects of these potential new opportunities. We shall of course spare no effort in encouraging the business sector in Hong Kong to make full use of the openings under the CEPA. We shall also include the business opportunities secured under the CEPA in attracting more foreign investment to Hong Kong.

19. There will be additional workload arising from, for example, further discussions of the preferential rules of origin for goods and enforcement of the CEPA provisions relating to trade in goods by the Trade and Industry Department and the Customs and Excise Department. There will also be further discussions on some services sectors as well as implementation of the agreed CEPA provisions on trade in services by various bureaux and departments. This additional work will be met by the concerned bureaux and departments from within their existing resources.

NEXT STEPS

20. We will launch a high-profile publicity programme. Activities already taken place include the signing ceremony and a press conference.

Background briefings for stakeholders such as business associations and the consular corps, as well as an open seminar, etc. will also be conducted.

Commerce, Industry and Technology Bureau
29 June 2003

[Courtesy English Translation]

**MAINLAND/HONG KONG
CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT
("CEPA")**

Preamble

To promote the joint economic prosperity and development of the Mainland¹ and the Hong Kong Special Administrative Region (hereinafter "the two sides"), to facilitate the further development of economic links between the two sides and other countries and regions, the two sides decided to sign the Mainland/Hong Kong Closer Economic Partnership Arrangement (hereinafter called "CEPA").

**CHAPTER 1
GENERAL PRINCIPLES**

Article 1
Objectives

To strengthen trade and investment cooperation between the Mainland and the Hong Kong Special Administrative Region (hereinafter called "Hong Kong") and promote joint development of the two sides, through the implementation of the following measures :

1. progressively reduce or eliminate tariffs and non-tariff barrier on substantially all the trade in goods between the two sides;
2. progressively achieve liberalization of trade in

¹ In "CEPA", the "Mainland" refers to the entire customs territory of China.

- services through reduction or elimination of substantially all discriminatory measures;
3. promote trade and investment facilitation.

Article 2

Principles

The conclusion, implementation and amendment of “CEPA” will adhere to the following principles :

1. to abide by the "one country, two system" principle;
2. to be consistent with the rules of the World Trade Organisation (hereinafter called the “WTO”);
3. to accord with the needs of both sides to adjust and upgrade their economic regime;
4. to achieve mutual benefits, complementarity and joint prosperity;
5. to take progressive action, dealing with the easier issues first.

Article 3

Inception and Development

1. From 1 January 2004, the two sides will implement the specific commitments in liberalization of trade in goods and services under “CEPA”.
2. The two sides will broaden and enrich the content of “CEPA” through continuous and further liberalization between them.

Article 4

Non-application of Specific Provisions in China's WTO Accession Documents

The two sides recognise that through over 20 years of reform and liberalisation, the market economy system of the Mainland has been continuously improving, and the mode of production and operation of Mainland enterprises is in line with the requirements of a market economy. The two sides agree that Articles 15 and 16 of the “Protocol on the Accession of the People's Republic of China to the WTO” and paragraph 242 of the “Report of the Working Party on the Accession of China” will not be applicable to trade between the Mainland and Hong Kong.

CHAPTER 2 TRADE IN GOODS

Article 5

Tariffs

1. Hong Kong will continue to apply zero tariff to all imported goods of Mainland origin.
2. From 1 January 2004, the Mainland will apply zero tariff to the import of those goods of Hong Kong origin as set out in Schedule 1 of Annex 1.
3. Not later than 1 January 2006, the Mainland will apply zero tariff to the import of goods of Hong Kong origin that are outside Schedule 1 of Annex 1. Detailed implementation procedures are set out in Annex 1.
4. Any new goods benefiting from elimination of import tariffs in accordance with paragraph 3 of this Article shall be

inserted into Annex 1.

Article 6

Tariff Rate Quota and Non-tariff Measures

1. One side will not apply any non-tariff measure that is inconsistent with WTO rules to goods imported and originated from the other side.
2. The Mainland will not apply tariff rate quota against goods of Hong Kong origin.

Article 7

Anti-dumping Measures

The two sides undertake that one side will not apply anti-dumping measures to goods imported and originated from the other side.

Article 8

Subsidies and Countervailing Measures

The two sides reiterate that they will abide by the WTO “Agreement on Subsidies and Countervailing Measures” and Article XVI of “the General Agreement on Trade and Tariffs 1994”, and undertake not to apply countervailing measures to goods imported and originated from each other.

Article 9

Safeguards

If because of the implementation of “CEPA”, the import of products in Annex 1 from one side to the other increases in such

quantities as to cause or threaten to cause serious injury to like or directly competitive products to the domestic industry to the other side, the affected side may after written notification temporarily suspend concessions in respect of these goods to the other side, and will, at the request of the other side, promptly commence consultations under Article 19 of “CEPA” so that an agreement may be reached.

CHAPTER 3 ORIGIN

Article 10 *Rules of Origin*

1. The rules of origin applicable under “CEPA” relating to preferential measures of trade in goods are set out in Annex 2.
2. To ensure the implementation of the preferential measures in respect of trade in goods, the two sides decide to strengthen and extend the content and scope of mutual assistance in administration, including the establishment and strict implementation of the procedures for issuing certificates of origin, the establishment of auditing and regulatory systems, the development of a computer link and electronic data interchange between the issuing and regulatory authorities of both sides. Details are set out in Annex 3.

CHAPTER 4 TRADE IN SERVICES

Article 11 *Market Access*

1. One side shall progressively reduce or eliminate

existing restrictive measures against services and service suppliers of the other side in accordance with the content and timetable set out in Annex 4.

2. At the request of one side, the two sides may through consultation pursue further liberalization of trade in services.

3. Any new measures on liberalization of trade in services implemented pursuant to paragraph 2 of this Article shall be inserted into Annex 4.

Article 12

Service Suppliers

1. The definition and related provisions on "service suppliers" under "CEPA" are set out in Annex 5.

2. A service supplier of another WTO Member that is a juridical person constituted under the laws of one side will be entitled to treatment granted under "CEPA", provided that it engages in substantive business operations in the area of that side.

Article 13

Financial Services Cooperation

The two sides shall adopt the following measures to further strengthen cooperation in the areas of banking, securities and insurance :

1. The Mainland supports state-owned commercial banks and certain shareholding commercial banks in re-locating their international treasury and foreign exchange trading centres to Hong Kong.

2. The Mainland supports Mainland banks in developing network and business activities in Hong Kong through acquisition.

3 The Mainland supports the full utilization of financial intermediaries in Hong Kong during the process of reform, restructuring and development of the financial sector in the Mainland.

4. The two sides will strengthen cooperation and information sharing between their financial regulators.

5. The Mainland will, following the principles of observing market discipline and enhancing regulatory efficiency, support eligible Mainland insurance companies and other companies, including private enterprises, in listing in Hong Kong.

Article 14

Cooperation on Tourism

1. In order to further promote the development of the tourism industry of Hong Kong, the Mainland will allow residents in Guangdong Province to visit Hong Kong individually. This measure will be implemented on a trial basis first in Dongguan, Zhongshan and Jiangmen and it will be extended to the entire Guangdong Province not later than 1 July 2004.

2. The two sides will strengthen cooperation on tourism promotion, including promotion of tourism between each other and development of external promotion programmes centered around the Pearl River Delta.

3. The two sides will cooperate to raise the service

standards of their tourism industries and protect the lawful rights of tourists.

Article 15

Mutual Recognition of Professional Qualifications

1. The two sides will encourage mutual recognition of professional qualifications and promote the exchange of professional talents between each other.

2. Competent authorities and professional bodies of both sides will in consultation with each other consider and design specific methodologies for mutual recognition of professional qualifications.

CHAPTER 5

TRADE AND INVESTMENT FACILITATION

Article 16

Measures

The two sides will pursue trade and investment facilitation through greater transparency, standards conformance and enhanced information exchange.

Article 17

Areas of Cooperation

1. The two sides will promote cooperation in the following areas :
 1. trade and investment promotion;
 2. customs clearance;
 3. quarantine and inspection of commodities, food safety

- and quality assurance;
 4. electronic commerce;
 5. transparency in law and regulations;
 6. small and medium-sized enterprises; and
 7. Chinese medicine and medical products.
2. Details on the cooperation in the areas listed in paragraph 1 of this Article are set out in Annex 6.
3. At the request of one side, the two sides may expand the scope and content of trade and investment facilitation through consultation.
4. Any new scope or content concluded under paragraph 3 of this Article shall be inserted into Annex 6.

CHAPTER 6 OTHER PROVISIONS

Article 18 *Exceptions*

“CEPA” and the provisions in its Annexes will not affect the Mainland or Hong Kong's ability to maintain or adopt exception measures consistent with the rules of the WTO.

Article 19 *Institutional Arrangements*

1. The two sides will set up a Joint Steering Committee (hereinafter called "Steering Committee"). The Steering Committee will comprise senior representatives or officials designated by the two sides.

2. Liaison Offices will be set up under the Steering Committee. Working groups may be set up as the need arises. Liaison offices will be set up in the Ministry of Commerce of the Central People's Government and the Commerce, Industry and Technology Bureau of the Hong Kong Special Administrative Region Government.

3. The functions of the Steering Committee include :

- (1) supervising the implementation of "CEPA";
- (2) interpreting the provisions of the "CEPA";
- (3) resolving disputes that may arise during the implementation of "CEPA";
- (4) drafting additions and amendments to the content of "CEPA";
- (5) providing steer on the work of the working groups;
- (6) dealing with any other business relating to the implementation of "CEPA".

4. The Steering Committee will meet at least once a year , and may convene special meetings within 30 days upon request by either side.

5. The two sides will consult to resolve any problems arising from the interpretation or implementation of "CEPA" in the spirit of friendship and cooperation. The Steering Committee shall make its decisions by consensus.

Article 20

Miscellaneous

1. Except as otherwise provided in "CEPA", any action taken under it will not affect or nullify the rights and obligations of one side under other existing agreements to which it is a party.

2. The two sides will endeavour to refrain from increasing restrictive measures that would affect the implementation of “CEPA”.

Article 21

Annexes

The Annexes to “CEPA” form an integral part of “CEPA”.

Article 22

Amendments

The provisions of “CEPA” or its Annexes may be amended in writing when the need arises. Any amendment will come into force after it has been signed by the duly authorised representatives of the two sides.

Article 23

Coming Into Effect

CEPA will come into force on the day of signature by the representatives of the two sides.

Signed in duplicate at Hong Kong, this ____ day of _____, 2003
in the Chinese language.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the

People's Republic of China

(signature)

(signature)

29 June 2003

[Courtesy English Translation]

**Record of the Consultations on the Elimination of Tariff for Goods of
Hong Kong Origin Imported to the Mainland
(namely Annex 1 of “CEPA”)**

The consultations on the Mainland and Hong Kong Closer Economic Partnership Arrangement between the Mainland and the Hong Kong Special Administrative Region Government (hereinafter called “CEPA”) was launched in Beijing on 25 January 2002.

Following many rounds of discussions, the two sides reached consensus on the main contents of Annex 1 of “CEPA”, and agreed to record the contents as follows:

1. The Mainland will apply zero tariff to imported goods of Hong Kong origin as set out in Schedule 1 of Annex 1 from 1 January 2004.
2. The Mainland will apply zero tariff to imported goods of Hong Kong origin other than those set out in Schedule 1 of Annex 1 not later than 1 January 2006. The detailed implementation procedures are as follows:
 - i) From 1 January 2004, Hong Kong manufacturers may submit applications to the responsible department of the Hong Kong Special Administrative Region Government for preferential tariff treatment. In their applications, the manufacturers should provide information on the description of their products, their production capacity, export capacity, etc. The designated agencies of the Hong Kong Special Administrative Region Government will assess, verify and consolidate the data provided by the manufacturers.
 - ii) The responsible department of the Hong Kong SAR Government will submit a consolidated product list to the responsible authorities of the Mainland not later than 1 June each year from 2005 onwards. Both sides will examine and confirm the product list, and enter into consultations on the origin rules for these products.
 - iii) Before 1 October each year, both sides will complete the ratification and consultations on the origin rules and tariff reduction programme for the products that are intended to benefit from tariff elimination in the following year; and announce the consensus reached in the consultations.

- iv) From 1 January each year, the Mainland will apply zero tariff to the products ratified in the preceding year, in accordance with the consensus reached in the consultations.
 - v) The product list submitted by the responsible department of the Hong Kong Special Administrative Region Government to the responsible authorities of the Mainland after 1 June each year will be included in the tariff reduction programme in the year after the following year.
3. In the event that the implementation of Annex 1 causes substantial impact on the trade and relevant sectors of either side, the two sides will conduct consultations on the relevant provisions in Annex 1 at the request of one side.
4. The two sides will sign Annex 1 of “CEPA” before 1 January 2004.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003

Table 1

List of Hong Kong Origin Products for Implementation of Zero Import Tariff by the Mainland

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|--|--------------------------------|---------------------------------------|
| 1 | 21050000 | Ice cream and other edible ice, whether or not containing cocoa | 24.2 | 0 |
| 2 | 27100054 | Lubricating oils | 6.0 | 0 |
| 3 | 28433000 | Gold compounds | 5.5 | 0 |
| 4 | 30041011 | Ampicillin | 6.0 | 0 |
| 5 | 30041012 | Amoxicillin | 6.0 | 0 |
| 6 | 30041013 | Penicillin V | 6.0 | 0 |
| 7 | 30041019 | Other medicaments containing penicillins | 6.0 | 0 |
| 8 | 30041090 | Other medicaments put up in measured doses, with penicillin or streptomycins | 6.0 | 0 |
| 9 | 30049054 | Essential balm | 3.0 | 0 |
| 10 | 30049059 | Other medicaments of Chinese type | 3.0 | 0 |
| 11 | 30049090 | Other medicaments put up in measured doses | 4.0 | 0 |
| 12 | 32041600 | Reactive dyes and preparations based thereon | 9.6 | 0 |
| 13 | 32041700 | Pigments and preparations based thereon | 6.5 | 0 |
| 14 | 32064900 | Other inorganic colouring matter and other preparations | 6.5 | 0 |
| 15 | 32081000 | Paints and varnishes etc., based on polyesters, and dissolved in a non-aqueous | 10.0 | 0 |
| 16 | 32089090 | Other paints and varnish solutions, dissolved in a nonaqueous medium | 10.0 | 0 |
| 17 | 32100000 | Other paints and varnishes; prepared water pigments of a kind used for finishing | 10.0 | 0 |
| 18 | 32151900 | Other printing ink | 8.2 | 0 |
| 19 | 33029000 | Other mixtures of odoriferous substances and mixtures with a basis of one or more of these substances, of a kind used as raw materials in industry | 21.7 | 0 |
| 20 | 33030000 | Perfumes and toilet waters | 18.3 | 0 |
| 21 | 33041000 | Lip make-up preparations | 18.3 | 0 |
| 22 | 33042000 | Eye make-up preparations | 18.3 | 0 |
| 23 | 33043000 | Manicure or pedicure preparations | 21.7 | 0 |
| 24 | 33049900 | Other beauty or make-up preparations | 22.3 | 0 |
| 25 | 35069900 | Other prepared glues and other prepared adhesives, not specified elsewhere | 15.0 | 0 |
| 26 | 38099100 | Other products and preparations, not specified elsewhere, of a kind used in the textile industry | 6.5 | 0 |
| 27 | 38249090 | Other chemical products, not elsewhere specified | 6.5 | 0 |
| 28 | 39031900 | Other polystyrene in primary forms | 11.8 | 0 |
| 29 | 39042200 | Plasticized polyvinyl chloride, in primary forms | 11.8 | 0 |
| 30 | 39151000 | Waste, parings and scrap, of polymers of ethylene | 11.8 | 0 |
| 31 | 39152000 | Waste, parings and scrap, of polymers of styrene | 11.8 | 0 |
| 32 | 39153000 | Waste, parings and scrap, of polymers of vinyl chloride | 11.8 | 0 |
| 33 | 39159000 | Waste, parings and scrap, of other plastics | 11.8 | 0 |
| 34 | 39204100 | Plates, sheets, film, foil and strip, of rigid polymers of vinyl chloride | 10.4 | 0 |
| 35 | 39204200 | Plates, sheets, film, foil and strip, of flexible polymers of vinyl chloride | 10.4 | 0 |
| 36 | 39209990 | Other non-cellular plates and sheets, of other plastics | 8.4 | 0 |
| 37 | 39211210 | Cellular polymers of vinyl chloride, combined with textile fabrics | 12.7 | 0 |
| 38 | 39231000 | Boxes, cases and similar articles, of plastics | 12.0 | 0 |
| 39 | 39232900 | Sacks and bags, of other plastics | 12.0 | 0 |
| 40 | 39239000 | Other articles for the conveyance or packing of goods, of plastics | 12.0 | 0 |
| 41 | 39269010 | Parts of machines or instruments, of plastics | 10.0 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|--|--------------------------------|---------------------------------------|
| 42 | 39269090 | Other articles of plastics | 12.0 | 0 |
| 43 | 41041000 | Whole bovine skin leather, of a unit surface area not exceeding 2.6 square meter | 6.4 | 0 |
| 44 | 41043990 | Other leather of bovine or equine animals | 7.2 | 0 |
| 45 | 48051000 | Semi-chemical fluting paper (corrugating medium) | 10.4 | 0 |
| 46 | 48056000 | Other thin uncoated paper and paperboard | 6.3 | 0 |
| 47 | 48058000 | Other thick uncoated paper and paperboard | 10.4 | 0 |
| 48 | 48101200 | Thick writing and printing paper and paperboard, coated with inorganic substance | 7.0 | 0 |
| 49 | 48102900 | Other writing and printing paper and paperboard, coated with inorganic substance | 7.0 | 0 |
| 50 | 48109100 | Multi-ply paper and paperboard, coated with inorganic substance | 7.0 | 0 |
| 51 | 48119000 | Other coated, impregnated or covered paper and paperboard | 7.5 | 0 |
| 52 | 48191000 | Cartons, boxes and cases, of corrugated paper or paperboard | 11.7 | 0 |
| 53 | 48192000 | Folding cartons, boxes and cases, of non-corrugated paper or paperboard | 11.7 | 0 |
| 54 | 48211000 | Printed paper or paperboard labels of all kinds | 10.0 | 0 |
| 55 | 48239090 | Other paper and articles of paper | 13.3 | 0 |
| 56 | 49111090 | Other trade advertising material and the like | 7.5 | 0 |
| 57 | 49119900 | Other printed matters | 7.5 | 0 |
| 58 | 50072019 | Other fabrics of bombyx mori silk | 13.4 | 0 |
| 59 | 51071000 | Yarn of combed wool, not put up for retail sale | 8.0 | 0 |
| 60 | 51121900 | Fabrics of combed wool, of a weight exceeding 200g/square meter | 16.7 | 0 |
| 61 | 52051100 | Cotton single yarn, measuring high decitex, carded, not put up for retail sale | 5.0 | 0 |
| 62 | 52051200 | Cotton single yarn, measuring medium decitex, carded, not put up for retail sale | 5.0 | 0 |
| 63 | 52052200 | Cotton single yarn, measuring medium decitex, combed, not put up for retail sale | 5.0 | 0 |
| 64 | 52053200 | Cotton multiple or cabled yarn, measuring medium decitex, carded, not put up for | 5.0 | 0 |
| 65 | 52054200 | Cotton multiple or cabled yarn, measuring medium decitex, combed, not put up for | 5.0 | 0 |
| 66 | 52083200 | Lighter weight plain weave cotton fabric, dyed | 10.0 | 0 |
| 67 | 52083300 | Light weight 3-thread or 4-thread twill cotton fabric, dyed | 10.0 | 0 |
| 68 | 52083900 | Other light weight cotton fabrics, dyed | 10.0 | 0 |
| 69 | 52084200 | Light weight plain weave cotton fabric, of yarns of different colours | 10.0 | 0 |
| 70 | 52084900 | Other light weight cotton fabrics, of yarns of different colours | 10.0 | 0 |
| 71 | 52091200 | Heavy weight 3-thread or 4-thread twill cotton fabric, unbleached | 11.8 | 0 |
| 72 | 52093100 | Heavy weight plain weave cotton fabric, dyed | 11.8 | 0 |
| 73 | 52093200 | Heavy weight 3-thread or 4-thread twill cotton fabric, dyed | 11.8 | 0 |
| 74 | 52093900 | Other heavy weight cotton fabrics, dyed | 11.8 | 0 |
| 75 | 52094100 | Heavy weight plain weave cotton fabric, of yarns of different colours | 11.8 | 0 |
| 76 | 52094200 | Heavy weight twill cotton fabric (denim), of yarns of different colours | 10.0 | 0 |
| 77 | 52094300 | Heavy weight 3-thread or 4-thread twill cotton fabric, of yarns of different colours | 11.8 | 0 |
| 78 | 52103100 | Light weight plain weave cotton fabric mixed with man-made fibres, dyed | 12.6 | 0 |
| 79 | 53091900 | Other fabrics of mainly flax | 12.4 | 0 |
| 80 | 53092900 | Other fabrics of flax, mixed with other textile materials | 12.4 | 0 |
| 81 | 54011010 | Sewing thread of synthetic filaments, not put up for retail sale | 8.2 | 0 |
| 82 | 54074200 | Fabrics of mainly nylon, dyed | 18.7 | 0 |
| 83 | 54074300 | Fabrics of mainly nylon, of yarns of different colours | 18.7 | 0 |
| 84 | 54075200 | Fabrics of mainly textured polyester filaments, dyed | 18.7 | 0 |
| 85 | 54076100 | Other fabrics, of mainly non-textured polyester filaments | 18.7 | 0 |
| 86 | 54077200 | Other fabrics, of mainly synthetic filaments, dyed | 18.7 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|--|--------------------------------|---------------------------------------|
| 87 | 54079200 | Other fabrics of synthetic filaments mixed with other textile materials, dyed | 18.7 | 0 |
| 88 | 55081000 | Sewing thread of synthetic staple fibres | 11.0 | 0 |
| 89 | 55093200 | Multiple or cabled yarn, of mainly acrylic or modacrylic staple fibres, not put up for | 11.0 | 0 |
| 90 | 55121900 | Other fabrics, of mainly polyester | 18.7 | 0 |
| 91 | 55129900 | Other fabrics, of mainly synthetic fibres | 18.7 | 0 |
| 92 | 55132100 | Light weight plain weave fabric of polyester fibres, mixed with cotton, dyed | 18.7 | 0 |
| 93 | 55161200 | Fabrics, of mainly artificial staple fibres, dyed | 17.3 | 0 |
| 94 | 58012200 | Cut corduroy, of cotton | 12.5 | 0 |
| 95 | 58042100 | Mechanically made lace of man-made fibres | 17.3 | 0 |
| 96 | 58062000 | Narrow fabrics, containing by weight 5% or more of elastomeric yarn or rubber thread | 16.7 | 0 |
| 97 | 58071000 | Woven labels, badges and similar articles of textile materials, not embroidered | 16.7 | 0 |
| 98 | 59031020 | Imitation leather impregnated, coated, with polyvinyl chloride | 13.0 | 0 |
| 99 | 59031090 | Other textile fabrics impregnated, coated, with polyvinyl chloride | 13.2 | 0 |
| 100 | 59032090 | Other textile fabrics impregnated, coated, with polyurethane | 13.2 | 0 |
| 101 | 59039090 | Other textile fabrics impregnated, coated, with other plastics | 13.2 | 0 |
| 102 | 60019200 | Knitted or crocheted pile fabrics, of man-made fibres | 16.0 | 0 |
| 103 | 60023010 | Cotton knitted or crocheted fabric of a width exceeding 30cm | 12.5 | 0 |
| 104 | 60023090 | Other knitted or crocheted fabrics of a width exceeding 30cm | 16.0 | 0 |
| 105 | 60024200 | Warp knit fabric of cotton | 12.5 | 0 |
| 106 | 60029200 | Other knitted or crocheted fabrics of cotton | 12.5 | 0 |
| 107 | 60029300 | Other knitted or crocheted fabrics of man-made fibres | 16.0 | 0 |
| 108 | 61046200 | Women's or girls' trousers, bib and brace overalls etc., knitted or crocheted and of | 17.7 | 0 |
| 109 | 61051000 | Men's or boys' shirts, knitted or crocheted and of cotton | 17.7 | 0 |
| 110 | 61052000 | Men's or boys' shirts, knitted or crocheted and of man-made fibres | 21.3 | 0 |
| 111 | 61059000 | Men's or boys' shirts, knitted or crocheted and of other textile materials | 20.5 | 0 |
| 112 | 61061000 | Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted and of cotton | 17.7 | 0 |
| 113 | 61062000 | Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted and of man-made fibres | 21.3 | 0 |
| 114 | 61069000 | Women's or girls' blouses, shirts and shirt-blouses, knitted or crocheted and of other textile materials | 20.5 | 0 |
| 115 | 61071100 | Men's or boys' underpants, briefs, knitted or crocheted and of cotton | 16.3 | 0 |
| 116 | 61083100 | Women's or girls' nightdresses and pyjamas, knitted or crocheted and of cotton | 16.3 | 0 |
| 117 | 61091000 | T-shirts, singlets, etc., knitted or crocheted and of cotton | 16.3 | 0 |
| 118 | 61099090 | T-shirts, singlets, etc., knitted or crocheted and of other textile materials | 19.5 | 0 |
| 119 | 61101010 | Jerseys, pullovers etc., knitted or crocheted and of Angora, Tibetan, Kashmir or similar goats wool | 19.5 | 0 |
| 120 | 61101020 | Jerseys, pullovers etc., knitted or crocheted and of wool | 19.5 | 0 |
| 121 | 61101030 | Jerseys, pullovers etc., knitted or crocheted and of rabbit or hare hair | 19.5 | 0 |
| 122 | 61101090 | Jerseys, pullovers etc., knitted or crocheted and of other animal hair | 19.5 | 0 |
| 123 | 61102000 | Jerseys, pullovers etc., knitted or crocheted and of cotton | 14.0 | 0 |
| 124 | 61103000 | Jerseys, pullovers etc., knitted or crocheted and of man-made fibres | 19.0 | 0 |
| 125 | 61109010 | Jerseys, pullovers etc., knitted or crocheted and of silk or silk waste | 19.5 | 0 |
| 126 | 61109090 | Jerseys, pullovers etc., knitted or crocheted and of other textile materials | 19.5 | 0 |
| 127 | 61112000 | Babies' garments and clothing accessories, knitted or crocheted and of cotton | 16.3 | 0 |
| 128 | 61179000 | Parts of garments or of clothing accessories, knitted or crocheted and of other textile | 19.5 | 0 |
| 129 | 62034210 | Men's or boys' Arabian trousers, of cotton | 18.5 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|---|--------------------------------|---------------------------------------|
| 130 | 62034290 | Men's or boys' trousers, bib and brace overalls, etc., of cotton | 18.5 | 0 |
| 131 | 62043200 | Women's or girls' jackets, of cotton | 17.7 | 0 |
| 132 | 62043300 | Women's or girls' jackets, of synthetic fibres | 21.3 | 0 |
| 133 | 62045200 | Skirts and divided skirts, of cotton | 16.3 | 0 |
| 134 | 62046200 | Women's or girls' trousers, bib and brace overalls, etc., of cotton | 17.7 | 0 |
| 135 | 62046300 | Women's or girls' trousers, bib and brace overalls, etc., of synthetic fibres | 21.3 | 0 |
| 136 | 62052000 | Men's or boys' shirts, of cotton | 17.7 | 0 |
| 137 | 62053000 | Men's or boys' shirts, of man-made fibres | 20.5 | 0 |
| 138 | 62059090 | Men's or boys' shirts, of other textile materials | 20.5 | 0 |
| 139 | 62063000 | Women's or girls' blouses, shirts and shirt-blouses, of cotton | 17.7 | 0 |
| 140 | 62064000 | Women's or girls' blouses, shirts and shirt-blouses, of man-made fibres | 21.3 | 0 |
| 141 | 62069000 | Women's or girls' blouses, shirts and shirt-blouses, of other textile materials | 20.5 | 0 |
| 142 | 62082200 | Women's or girls' nightdresses and pyjamas, of man-made fibres | 19.0 | 0 |
| 143 | 62179000 | Parts of garments or of clothing accessories, non-knitted or crocheted | 19.5 | 0 |
| 144 | 63025190 | Other table linen, of cotton | 16.3 | 0 |
| 145 | 64069900 | Parts of footwear, gaiters etc., of other materials | 17.0 | 0 |
| 146 | 70195900 | Other woven fabrics of glass fibres | 12.0 | 0 |
| 147 | 70200011 | Conductivity glass | 10.5 | 0 |
| 148 | 71023100 | Unworked or simply worked non-industrial diamonds | 3.0 | 0 |
| 149 | 71131100 | Articles of jewellery and parts, of silver | 26.7 | 0 |
| 150 | 71131910 | Articles of jewellery and parts, of gold | 26.7 | 0 |
| 151 | 71131990 | Articles of jewellery and parts, of other precious metal | 35.0 | 0 |
| 152 | 71132000 | Articles of jewellery and parts, of base metal clad with precious metal | 35.0 | 0 |
| 153 | 71141100 | Articles of silversmiths' wares and parts | 35.0 | 0 |
| 154 | 71141900 | Articles of goldsmiths' and silversmiths' wares and parts, of precious metal | 35.0 | 0 |
| 155 | 71142000 | Articles of goldsmiths' and silversmiths' wares and parts, of base metal clad with precious metal | 35.0 | 0 |
| 156 | 71151000 | Catalysts in the form of wire cloth or grill, of platinum | 3.0 | 0 |
| 157 | 71159010 | Articles of precious metal or of metal clad with precious metal, for technical or laboratory use | 3.0 | 0 |
| 158 | 71159090 | Articles of precious metal or of metal clad with precious metal, for other use | 35.0 | 0 |
| 159 | 71161000 | Articles of natural or cultured pearls | 35.0 | 0 |
| 160 | 71162000 | Articles of precious or semi-precious stones | 35.0 | 0 |
| 161 | 71171100 | Cuff-links and studs of base metal | 35.0 | 0 |
| 162 | 71171900 | Other imitation jewellery of base metal | 24.7 | 0 |
| 163 | 71179000 | Other imitation jewellery of materials not specified elsewhere | 35.0 | 0 |
| 164 | 73181500 | Other screws and bolts | 8.0 | 0 |
| 165 | 73269090 | Other articles of iron or steel, not for technical use | 10.4 | 0 |
| 166 | 74040000 | Copper waste and scrap | 1.5 | 0 |
| 167 | 74081900 | Other refined copper wire, of which the maximum cross-sectional dimension not exceeding 6mm | 4.0 | 0 |
| 168 | 74092100 | Brass plates, sheets and strip, in coils | 7.0 | 0 |
| 169 | 74092900 | Other brass plates, sheets and strip | 7.0 | 0 |
| 170 | 74099000 | Other copper alloy plates, sheets and strips | 7.0 | 0 |
| 171 | 74101100 | Refined copper foil, not backed | 4.0 | 0 |
| 172 | 74102100 | Refined copper foil, backed | 4.0 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|---|--------------------------------|---------------------------------------|
| 173 | 76011000 | Unwrought aluminum | 5.0 | 0 |
| 174 | 76020000 | Aluminum waste and scrap | 1.5 | 0 |
| 175 | 76061190 | Other rectangular aluminum plates, sheets and strip | 6.0 | 0 |
| 176 | 76061240 | Rectangular aluminum alloy plates, sheets and strip, of a thickness exceeding 0.35mm | 6.0 | 0 |
| 177 | 76069100 | Aluminum plates, sheets and strip, not rectangular | 6.0 | 0 |
| 178 | 76069200 | Aluminum alloy plates, sheets and strip, not rectangular | 10.0 | 0 |
| 179 | 80030000 | Bars, rods, profiles and wire, of tin and tin alloys | 8.0 | 0 |
| 180 | 83089000 | Beads and spangles of base metal | 10.5 | 0 |
| 181 | 84159010 | Parts of air-conditioning machines of a refrigerating effect not exceeding 4000 Cal per | 10.0 | 0 |
| 182 | 84435990 | Other printing machinery | 8.0 | 0 |
| 183 | 84514000 | Washing, bleaching or dyeing machines | 8.4 | 0 |
| 184 | 84518000 | Other machinery within HS heading 84.51, not specified elsewhere | 12.0 | 0 |
| 185 | 84798962 | Automatic coreslice adhering machines | 3.6 | 0 |
| 186 | 84804100 | Moulds for metal or metal carbides, injection or compression types | 8.0 | 0 |
| 187 | 84807900 | Other moulds for rubber or plastics | 5.0 | 0 |
| 188 | 84818019 | Other valves, not specified elsewhere | 7.0 | 0 |
| 189 | 84821000 | Ball bearings | 8.0 | 0 |
| 190 | 85011010 | Electric motors for use in toys, of an output not exceeding 37.5W | 24.5 | 0 |
| 191 | 85011091 | Micromotors with a housing diameter of 20mm or more but not exceeding 39mm | 11.2 | 0 |
| 192 | 85011099 | Other micromotors, of an output not exceeding 37.5W | 9.0 | 0 |
| 193 | 85013100 | DC electric motors and generators, of an output not exceeding 750W | 12.0 | 0 |
| 194 | 85030010 | Parts for micromotors for use in toys | 12.0 | 0 |
| 195 | 85030020 | Parts for AC generators, of an output exceeding 350 MVA | 3.0 | 0 |
| 196 | 85030030 | Parts for wind-powered electric generating sets | 3.0 | 0 |
| 197 | 85030090 | Parts for other electric motors, electric generating machine (sets) | 8.0 | 0 |
| 198 | 85043190 | Other electrical transformers, having a power handling capacity not exceeding 1kVA | 7.2 | 0 |
| 199 | 85044090 | Other static converters, not specified elsewhere | 10.0 | 0 |
| 200 | 85049019 | Parts of other transformers | 8.0 | 0 |
| 201 | 85049090 | Parts of other static converters and inductors | 8.0 | 0 |
| 202 | 85051190 | Other permanent magnets. of metal | 7.0 | 0 |
| 203 | 85051900 | Permanent magnets, of non metal | 7.0 | 0 |
| 204 | 85061000 | Primary cells and primary batteries of manganese dioxide | 20.0 | 0 |
| 205 | 85068000 | Other primary cells and primary batteries | 14.0 | 0 |
| 206 | 85073000 | Nickel-cadmium electric accumulators | 10.0 | 0 |
| 207 | 85078010 | Nickel-hydrogen accumulators | 12.0 | 0 |
| 208 | 85079010 | Parts of lead-acid accumulators | 10.0 | 0 |
| 209 | 85079090 | Parts of other electric accumulators | 8.0 | 0 |
| 210 | 85089000 | Parts of electro-mechanical tools for working in the hand, with self-contained electric | 6.6 | 0 |
| 211 | 85099000 | Parts of electro-mechanical domestic appliances | 12.0 | 0 |
| 212 | 85139010 | Parts of torches | 14.0 | 0 |
| 213 | 85139090 | Parts of other portable electric lamps designed to function by their own source of | 14.0 | 0 |
| 214 | 85152110 | Aligning tube welding machines | 10.0 | 0 |
| 215 | 85152190 | Other fully or partly automatic machines for resistance welding of metal | 10.0 | 0 |
| 216 | 85158000 | Other welding machines and apparatus | 8.0 | 0 |
| 217 | 85169010 | Parts for electric soil heating apparatus and electric heating resistors | 8.0 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|------------|----------------------------|--|--------------------------------|---------------------------------------|
| 218 | 85169090 | Other parts of products within HS heading 85.16 | 14.6 | 0 |
| 219 | 85181000 | Microphones and stands | 10.0 | 0 |
| 220 | 85189000 | Parts of products within HS heading 85.18 | 10.5 | 0 |
| 221 | 85221000 | Pick-up cartridges | 35.0 | 0 |
| 222 | 85229010 | Parts and accessories for turntables (record decks) or record-players | 27.0 | 0 |
| 223 | 85229021 | Transport mechanisms of cassette recorders | 27.0 | 0 |
| 224 | 85229030 | Other parts and accessories for video recording or reproducing apparatus | 30.0 | 0 |
| 225 | 85229090 | Other parts of products within HS headings 85.19 to 85.21 | 20.0 | 0 |
| 226 | 85239000 | Other prepared unrecorded media for sound recording or similar recording of other phenomena | 8.3 | 0 |
| 227 | 85291010 | Aerials and parts for radar apparatus and radio navigational aid apparatus | 1.5 | 0 |
| 228 | 85299030 | Parts of walkie-talkie | 8.0 | 0 |
| 229 | 85299049 | Parts of television cameras of other use | 12.0 | 0 |
| 230 | 85299060 | Parts for radio-broadcast receivers and their combinations | 15.0 | 0 |
| 231 | 85299090 | Parts of products within HS headings 85.25 to 85.28 | 4.0 | 0 |
| 232 | 85318010 | Buzzers | 15.0 | 0 |
| 233 | 85361000 | Fuses, for a voltage not exceeding 1000 V | 10.0 | 0 |
| 234 | 85364900 | Relays, for a voltage exceeding 60 V | 10.0 | 0 |
| 235 | 85371010 | Other numerical control panels | 5.0 | 0 |
| 236 | 85371090 | Other apparatus for electric control or the distribution of electricity | 8.4 | 0 |
| 237 | 85372090 | Other apparatus for electric control or the distribution of electricity | 8.4 | 0 |
| 238 | 85389000 | Parts of products within HS headings 85.35, 85.36 or 85.37 | 7.0 | 0 |
| 239 | 85392991 | Electric filament lamps, not specified elsewhere, of a voltage 12 V or less | 12.0 | 0 |
| 240 | 85404000 | Data/graphic display tubes, colour, with a phosphor dot screen pitch smaller than | 8.0 | 0 |
| 241 | 85441100 | Copper winding wire | 10.0 | 0 |
| 242 | 85444190 | Other electric conductors, fitted with connectors, for a voltage not exceeding 80 V | 4.0 | 0 |
| 243 | 85445190 | Other electric conductors, fitted with connectors, for a voltage exceeding 80 V but not exceeding 1000 V | 7.0 | 0 |
| 244 | 85445990 | Other electric conductors, for a voltage exceeding 80 V but not exceeding 1000 V | 13.8 | 0 |
| 245 | 90011000 | Optical fibre bundles and cables | 7.0 | 0 |
| 246 | 90012000 | Sheets and plates of polarizing material | 8.0 | 0 |
| 247 | 90019000 | Other optical elements, not specified elsewhere, within HS heading 90.01 | 8.0 | 0 |
| 248 | 90021990 | Other objective lenses, not specified elsewhere, within HS heading 90.02 | 15.0 | 0 |
| 249 | 90069110 | Parts and accessories for cameras specially designed | 8.0 | 0 |
| 250 | 90069120 | Parts and accessories for instant print cameras | 5.0 | 0 |
| 251 | 90069191 | Automatic focal setting units for cameras | 10.0 | 0 |
| 252 | 90069192 | Shutter units for cameras | 10.0 | 0 |
| 253 | 90069199 | Other parts and accessories for other cameras | 10.0 | 0 |
| 254 | 90138010 | Hand magnifying glasses | 12.0 | 0 |
| 255 | 90138090 | Other liquid crystal devices and optical appliances | 5.0 | 0 |
| 256 | 90139010 | Parts and accessories for lasers and telescopes | 6.0 | 0 |
| 257 | 90139090 | Other parts and accessories of products within HS heading 90.13 | 8.0 | 0 |
| 258 | 90318090 | Other measuring or checking instruments, appliances and machines, not specified | 5.0 | 0 |
| 259 | 91021100 | Other electrically operated wrist-watches, with mechanical display | 15.0 | 0 |
| 260 | 91021200 | Other electrically operated wrist-watches, with opto-electronic display | 23.0 | 0 |
| 261 | 91031000 | Electrically operated clocks with watch movements | 23.0 | 0 |

| Serial No. | Mainland 2001 Tariff Codes | Product Description | Mainland 2003 MFN Tariff Rates | Mainland 2004 Tariff Rates Under CEPA |
|-------------------|-----------------------------------|--|---------------------------------------|--|
| 262 | 91051100 | Electrically operated alarm clocks | 23.0 | 0 |
| 263 | 91081100 | Complete and assembled electrically operated watch movements, with mechanical | 16.0 | 0 |
| 264 | 91081200 | Complete and assembled electrically operated watch movements, with opto-electronic display | 16.0 | 0 |
| 265 | 91081900 | Other complete and assembled electrically operated watch movements | 16.0 | 0 |
| 266 | 91089900 | Other complete and assembled mechanically operated watch movements | 16.0 | 0 |
| 267 | 91112000 | Cases of base metal | 14.0 | 0 |
| 268 | 91132000 | Watch straps, watch bands and watch bracelets, and parts of base metal | 14.0 | 0 |
| 269 | 91149000 | Other clock or watch parts | 14.0 | 0 |
| 270 | 95039000 | Other toys, not specified elsewhere | 7.0 | 0 |
| 271 | 96062200 | Buttons of base metal | 17.0 | 0 |
| 272 | 96071100 | Slide fasteners fitted with chain scoops of base metal | 21.0 | 0 |
| 273 | 96071900 | Other slide fasteners | 21.0 | 0 |

[Courtesy English Translation]

**Record of the Consultations on Rules of Origin
(namely Annex 2 of “CEPA”)**

The consultations on the Mainland and Hong Kong Closer Economic Partnership Arrangement between the Mainland and the Hong Kong Special Administrative Region Government (hereinafter called “CEPA”) was launched in Beijing on 25 January 2002.

1. Both sides acknowledge the importance of formulating the rules of origin under “CEPA” to the smooth implementation of tariff preference for trade in goods.
2. Both sides have exchanged views and entered into consultations on formulating the rules of origin under “CEPA”.
3. Both sides will continue consultations on the rules of origin under “CEPA”, and seek to reach a consensus as early as possible with a view to signing Annex 2 of “CEPA” before 1 January 2004.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003

[Courtesy English Translation]

**Record of Consultations on Certificates of Origin and
Enforcement Co-operation
(namely Annex 3 of “CEPA”)**

The consultations on the Mainland and Hong Kong Closer Economic Partnership Arrangement between the Mainland and the Hong Kong Special Administrative Region Government (hereinafter called “CEPA”) were launched in Beijing on 25 January 2002.

1. Both sides acknowledge the importance of formulating procedures for the issue of certificates of origin under “CEPA” and of strengthening enforcement co-operation between the two sides to the smooth implementation of tariff preference for trade in goods under “CEPA”.
2. Both sides have exchanged views and conducted consultations on the procedures for issuing certificates of origin under “CEPA” and on enforcement co-operation between the two sides.
3. Both sides shall continue consultations on the procedures for issuing certificates of origin under “CEPA” and on enforcement co-operation between the two sides. Both parties will seek to reach a consensus as early as possible with a view to signing Annex 3 of “CEPA” before 1 January 2004.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003

<Courtesy English Translation>

Record of the Consultations on Trade in Services (namely Annex 4 of “CEPA”)

The consultations on the Mainland/Hong Kong Closer Economic Partnership Arrangement (hereafter called “CEPA”) were launched in Beijing on 25 January 2002.

The two sides reached consensus on the main contents of Annex 4 of “CEPA” after many rounds of consultations, and agreed to record the contents as follows :

1. Starting from 1 January 2004, Hong Kong undertakes not to impose any new discriminatory measures on Mainland’s services and services providers for those services sectors covered in this Record.
2. The two sides will, through consultations, explore the extent for Hong Kong to further liberalize trade in services for the Mainland.
3. Starting from 1 January 2004, the Mainland shall accord to Hong Kong services and services providers the following specific commitments :

(I) Management Consulting

Hong Kong companies are permitted to establish in the Mainland wholly-owned enterprises to provide management consulting services other than those relating to legal, accounting, auditing and certification, etc. The detailed requirements on the registered capital are set out in the provisions in the Mainland's “Company Law”.

(II) Convention Services

Hong Kong companies are permitted to supply convention services in the Mainland on a wholly-owned basis.

(III) Advertising

Hong Kong companies are permitted to establish wholly-owned advertising firms in the Mainland.

(IV) Accounting Services

1. Hong Kong accountants who have already qualified as Chinese Certified Public Accountants (CPAs) and practised in the Mainland (including partnership) are treated on par with Chinese CPAs for the purpose of the requirement for annual working hours in the Mainland.
2. The validity of the “Temporary Auditing Business Permit” for Hong Kong accounting firms to conduct auditing services in the Mainland is lengthened from 6 months to 1 year.

(V) Real Estate and Construction

1. Real Estate

- (1) Hong Kong companies are permitted to engage, in the form of wholly-owned operations, in activities relating to self-owned or leased properties for high standard real estate projects in the Mainland.
- (2) Hong Kong companies are permitted to provide, in the form of wholly-owned operations, real estate services on a fee or contract basis in the Mainland.

2. Construction Professional Services

Hong Kong consultancy firms are permitted to set up wholly-owned enterprises in the Mainland.

3. Construction and Related Engineering Services

- (1) For construction enterprises set up in the Mainland by Hong Kong companies, both the performance of the enterprises in Hong Kong and in the Mainland are taken into account in assessing the qualification of the construction enterprises in the Mainland. However, the number of managerial and technical staff in the construction enterprises in the Mainland shall be the actual number working there.
- (2) Hong Kong invested construction enterprises in the Mainland are exempted from the foreign investment restrictions when undertaking Chinese-foreign joint construction projects. In accordance with the current requirements, Hong Kong invested construction enterprises may partner with Mainland construction enterprises to jointly bid for those Mainland construction projects which are technically difficult for Mainland construction enterprises to undertake on their own.
- (3) Hong Kong invested enterprises in the Mainland shall follow the relevant rules and laws in the Mainland for application of construction quality certificates and licences to commence construction works. Hong Kong invested enterprises in the Mainland that have acquired the construction quality certification are permitted to bid for construction projects in all parts of the Mainland.
- (4) Hong Kong companies are permitted to wholly acquire construction enterprises in the Mainland.

(VI) Medical and Dental

1. The majority of medical personnel employed by Hong Kong-Mainland joint venture hospitals or clinics can be Hong Kong permanent residents.
2. The maximum duration of the licence to provide short-term medical services in Mainland is extended from 1 year to 3 years for doctors who are eligible to practise in the Hong Kong Special Administrative Region. The detailed registration procedures are similar to those applicable to foreign doctors for practising in the Mainland for a short period of time.
3. Hong Kong permanent residents who can provide proof that they have acquired a medical degree from Hong Kong University or Chinese University of Hong Kong and are eligible to practise in Hong Kong (having completed 1 year internship in Hong Kong) are permitted to sit the Mainland's qualification examination. A "medical practitioner's qualification certificate" will be issued to those that pass the examination.
4. Hong Kong permanent residents who have acquired a Chinese medicine degree from Chinese University of Hong Kong or Hong Kong Baptist University and are eligible to practise in Hong Kong are permitted to sit the Mainland's qualification examination on the condition that they have completed 1 year's internship in a third-level Chinese medicine hospital in the Mainland and have passed the performance test; or that they have been practising in Hong Kong for more than 1 year. A "doctor's qualification certificate" will be issued to those that pass the examination.

(VII) Distribution Services

1. Commission Agents' Services and Wholesale Trade Services (excluding salt and tobacco)
 - (1) Hong Kong enterprises are permitted to supply

commission agents' services and wholesale trade services in the Mainland on a wholly-owned basis, and to set up wholly-owned external trading companies in the Mainland.

(2) The entry requirements for Hong Kong services suppliers are lowered as follows:

(a) For setting up a wholesale commercial enterprise: the minimum average annual sales value in the previous 3 years is lowered from the current requirement of US\$2.5 billion to US\$30 million. The minimum asset in the previous year is lowered from the current requirement of not lower than US\$300 million to US\$10 million; the minimum registered capital for setting up a wholesale company is lowered from RMB 80 million to RMB 50 million. Their respective requirements for setting up a wholesale commercial enterprise in the Central and Western Region are lowered from US\$2.5 billion to US\$20 million and from RMB 60 million to RMB 30 million.

(b) For setting up a wholesale commercial enterprise: the minimum average annual sales value in the previous 3 years is lowered from the current requirement of US\$2.5 billion to US\$30 million. The minimum asset in the previous year is lowered from the current requirement of not lower than US\$300 million to US\$10 million; the minimum registered capital for setting up a wholesale company is lowered from RMB 80 million to RMB 50 million. Their respective requirements for setting up a wholesale commercial enterprise in the Central and Western Region are lowered from US\$2.5 billion to US\$20 million and from RMB 60 million to RMB 30 million.

(3) No geographic restrictions for Hong Kong wholly-owned company (enterprise) providing

commission agents' services or wholesale trade services in the Mainland.

- (4) The commission agents' services and wholesale trade services provided by Hong Kong enterprises in the Mainland in respect of books, newspapers, magazines, pharmaceuticals, pesticides, mulching film, chemical fertilizers, processed oil and crude oil remain subject to China's commitments under the World Trade Organization.

2. Retail Trade Services (excluding tobacco)

- (1) Hong Kong investors are permitted to establish wholly-owned retail commercial enterprises in the Mainland.
- (2) The entry requirements for Hong Kong investors to set up a retail commercial enterprise are lowered as follows: the minimum average annual sales value of the enterprise in the previous 3 years is lowered from the current requirement of US\$2 billion to US\$100 million; the minimum asset in 1 year prior to application is lowered from US\$200 million to US\$10 million; the minimum registered capital for setting up a retail commercial enterprise is lowered from the current requirement of RMB 50 million to RMB 10 million. The minimum registered capital for setting up a retail commercial enterprise in the Central and Western Region is lowered from RMB 30 million to RMB 6 million.
- (3) Hong Kong enterprises are permitted to set up retailing enterprises in all cities at the prefectural level in the Mainland, and cities at the county level in Guangdong Province.
- (4) Hong Kong companies are permitted to set up wholly-owned retail enterprises for sale of motor vehicles (up to 30 chain outlets). Chain stores with more than 30 outlets remain subject to

China's commitments under the World Trade Organization.

- (5) The retailing services provided by Hong Kong enterprises in the Mainland in respect of books, newspapers, magazines, pharmaceuticals, pesticides, mulching film, chemical fertilizers, staple food, vegetable oil, edible sugar, cotton and processed oil remain subject to China's commitments under the World Trade Organization.
- (6) Hong Kong permanent residents with Chinese citizenship are permitted to set up, in accordance with the relevant laws and administrative rulings, individually owned retail stores in Guangdong to provide retailing services excluding franchising operation without the prior approval applicable to foreign investments. The sales area of such stores shall not exceed 300 square metres.

3. Franchising

Hong Kong enterprises are permitted to engage in franchising on a wholly-owned basis in the Mainland. Relevant regulations for franchising will be separately announced.

(VIII) Logistics

Hong Kong companies are permitted to set up wholly-owned enterprises in the Mainland to provide logistics services, which include road transport, storage and warehousing, loading and unloading, value adding processing, packaging, delivery and related information and consultancy services for ordinary road freight; freight transport agency services within the Mainland; and the management and operation of logistics services through electronic means.

(IX) Freight Forwarding Agency Services

1. Hong Kong companies are permitted to supply freight transport agency services in the Mainland on a wholly-owned basis.
2. The minimum registered capital requirement for international freight forwarding agency companies set up in the Mainland by Hong Kong companies will be the same as that for Mainland enterprises.

(X) Storage and Warehousing Services

1. Hong Kong companies are permitted to set up wholly-owned enterprises in the Mainland to supply storage and warehousing services.
2. The minimum registered capital requirement for storage and warehousing companies set up in the Mainland by Hong Kong companies will be the same as that for Mainland enterprises.

(XI) Transport Services

1. Road Transport Services
 - (1) Hong Kong companies are permitted to set up wholly-owned enterprises in the Mainland to provide road freight transport services.
 - (2) Hong Kong companies are permitted to provide direct non-stop road freight transport services between Hong Kong and each province in the Mainland.
 - (3) Hong Kong companies are permitted to set up wholly-owned passenger transport enterprises in the Western Region of the Mainland to provide road passenger transport services.
2. Maritime Transport Services

- (1) Hong Kong companies are permitted to set up wholly-owned enterprises in the Mainland to operate international ship management services, storage and warehousing for international maritime freight, container station and depot services, and non-vessel operating common carrying services.
- (2) Hong Kong shipping companies are permitted to set up wholly-owned shipping companies in the Mainland to provide regular business services for vessels that they own or operate, such as shipping undertaking, issuance of bills of lading, settlement of freight rates, signing of service contracts, etc.
- (3) Hong Kong shipping companies are permitted to use liner vessels serving main routes to move, without any restrictions, empty containers that they own or rent, as long as customs procedures are observed.

(XII) Tourism Services

1. Hotels and Restaurants

Hong Kong companies are permitted to construct, renovate and operate hotels, apartment buildings and restaurant establishments in the Mainland on a wholly-owned basis.

2. Travel Agency

There will be no geographical restriction for joint venture travel agencies formed by Hong Kong travel agencies in the Mainland.

(XIII) Audiovisual Services

1. Video and Sound Recording Products Distribution Services

Hong Kong companies are permitted to establish in the Mainland joint ventures with majority ownership (not exceeding 70%) to engage in the distribution of audiovisual products (including products on motion pictures).

2. Motion Pictures

- (1) Chinese language motion pictures produced by Hong Kong companies are permitted to be imported for distribution in the Mainland on a quota-free basis upon vetting and approval by the relevant Mainland authority.
- (2) Motion pictures produced jointly by Hong Kong and the Mainland are to be treated as Mainland movies for distribution in the Mainland.
- (3) For motion pictures produced jointly by Hong Kong and the Mainland:
 - (a) the ceiling on the percentage of Hong Kong personnel shall be lifted, but at least one-third of the leading artistes must be from the Mainland;
 - (b) the restriction that the story of the motion picture must take place in the Mainland is removed, but the plot or leading characters must be related to the Mainland.

3. Cinema Theatre Services

Hong Kong companies are permitted to construct and/or renovate cinema theatres on a joint venture or co-operation basis; majority ownership by Hong Kong companies is allowed.

(XIV) Legal Services

1. The minimum residency requirement for all Hong Kong

representatives in the Mainland representative offices of Hong Kong law firms is shortened from 6 months to 2 months each year.

2. The minimum residency requirement is waived for all Hong Kong representatives stationed in the Mainland representative offices of Hong Kong law firms located in Shenzhen and Guangzhou.
3. Hong Kong practitioners are permitted to work for Mainland law firms.
4. The 15 Hong Kong lawyers who have acquired Mainland legal professional qualifications are permitted to intern and practise on non-litigation legal work.
5. Hong Kong permanent residents with Chinese citizenship are permitted to sit the legal qualifying examination in the Mainland and acquire Mainland legal professional qualification. The conditions for the application and the procedures for examination and qualification are set out in the “State Judiciary Examination Implementation Arrangement” jointly issued by the Supreme People’s Court, the Supreme People’s Procuratorate and the Ministry of Justice.
6. Those that have fulfilled the conditions in item 5 above are permitted to engage in non-litigation legal work in Mainland law firms. The internship arrangement in Mainland law firm, the application and approval for obtaining a qualification licence, the conditions to form partnership with Mainland law firms, and the supervisory and legal responsibility when practicing in the Mainland, etc. are subject to the provisions set out in “Solicitor Law of the People's Republic of China”.
7. Hong Kong law firms which have representative offices in the Mainland are permitted to run business jointly with Mainland law firms, except in the form of partnership. Hong Kong lawyers therein cannot engage in Chinese law practice. The Ministry of

Justice will lay down the administration for this type of cooperation.

(XV) Banking

1. The asset requirement for both Hong Kong banks and Hong Kong finance companies wishing to enter the Mainland market is reduced to US\$ 6 billion. This is also the reduced minimum asset requirement for setting up branches and body corporates. Banks can choose to set up branches or body corporates, while finance companies can only set up body corporates.
2. The existing requirement for a Hong Kong bank to set up a representative office before establishing a joint venture bank or joint venture finance company, or for a Hong Kong finance company to set up a representative office before establishing a joint venture finance company, is removed.
3. The requirement for conducting RMB business by Mainland branches of Hong Kong banks is lowered as follows:
 - (1) The minimum requirement of prior business operation in the Mainland is reduced from 3 years to 2 years;
 - (2) Profitability assessment is made on basis of the overall profitability position of all branches instead of the profitability position of individual branch.

(XVI) Securities

1. Hong Kong Exchanges and Clearing Limited is permitted to set up a representative office in Beijing, in accordance with procedures followed by foreign securities exchanges.
2. Hong Kong professionals are permitted to apply to practise in the Mainland according to relevant procedures.

(XVII) Insurance

1. After obtaining the Mainland's professional qualifications in actuarial science, Hong Kong residents with Chinese citizenship are permitted to practise in the Mainland without prior approval.
2. Groups formed by Hong Kong insurance companies through strategic mergers are permitted to enter the Mainland insurance market subject to established market access conditions (global assets of over US\$ 5 billion; more than 30 years of establishment experience in a World Trade Organization member by one of the Hong Kong insurance companies in the group; and a representative office established in the Mainland by one of the Hong Kong insurance companies in the group for 2 consecutive years).
3. Hong Kong residents are permitted to practise in the Mainland after obtaining the Mainland's insurance qualifications.
4. The maximum limit of capital participation in a Mainland insurance company is raised from 10% to 15% for a Hong Kong insurance company.
4. In the event that the implementation of Annex 4 causes substantial impact on the trade and relevant sectors of either side, the two sides will conduct consultations on the relevant provisions in Annex 4 at the request of one side.
5. The two sides shall sign Annex 4 of the "CEPA" before 1 January 2004.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003

<Courtesy English Translation>

Record of the Consultations on the Definition of “Service Suppliers” and Related Requirements (namely Annex 5 of “CEPA”)

The consultations on the Mainland and Hong Kong Closer Economic Partnership Arrangement between the Mainland and the Hong Kong Special Administrative Region (hereinafter called “CEPA”) were launched in Beijing on 25 January 2002.

After several rounds of discussions the two sides reached consensus on the main contents of Annex 5 of “CEPA”, and agreed to record the contents as follows:

1. Definition of “service suppliers”

The two sides will continue to consult on the definition of “service suppliers” under “CEPA” with reference to the rules of the General Agreement on Trade in Services of the World Trade Organisation, and will seek to reach consensus as soon as possible.

2. Qualifying criteria for “Hong Kong company”

(I) With respect to convention services, management consulting services, advertising services, transport services, distribution services, freight forwarding agency services, storage and warehousing services, logistics services, tourism services, audio visual services, real estate services, and construction and related engineering services, the qualifying criteria for “Hong Kong company” are:

To enjoy the treatment of “CEPA” in providing the above mentioned services, the relevant Hong Kong enterprise must meet the following conditions:

1. The enterprise must be registered and established pursuant to the Companies Ordinance or other relevant ordinances of the Hong Kong Special Administrative Region. The two parties will consult to determine what the other relevant ordinances are. Registered overseas companies and their offices in Hong Kong are not included.

2. The enterprise must engage in substantive business operations in Hong Kong. The criteria for determination are:

- (1) The nature and scope of business of the enterprise in Hong Kong

The business in the Mainland that the enterprise intends to engage in must be of the same nature as that the enterprise engages in Hong Kong, and must be within the scope of actual operation of the enterprise in Hong Kong. The enterprise must provide relevant supporting materials, for example business registration

certificate, company annual report or business operation invoices, etc. as evidence.

(2) The enterprise must pay profits tax of Hong Kong

During the period of substantive operation, the enterprise must be liable to pay Hong Kong profits tax. And it must provide relevant supporting materials, for example, profits tax returns or tax payment receipts, etc. (if as a result of losses, the enterprise does not need to pay profits tax, it will still meet the relevant qualification if it can prove that it has engaged in substantive business operation in the Special Administrative Region).

(3) The years of substantive operations of the enterprise in Hong Kong

The enterprise that applies for the provision of the above mentioned services in the Mainland must be registered and established in Hong Kong, and have operated substantively for 3 years or more. With respect to construction and related engineering services, the enterprise must be registered and established in Hong Kong and have operated substantively for 5 years or more. For Hong Kong

enterprises that provide real estate services, there is no limitation on the years of substantive operations in Hong Kong.

- (4) The enterprise must own or rent business premises in Hong Kong to engage in substantive operations. The scale of its business premises must be commensurate with the scope and the scale of the business of the enterprise. The ordinary liaison offices, “mail box companies” or enterprises specifically established for providing certain services to their parent companies cannot enjoy preferences under “CEPA”.

With respect to maritime transport services under transport services, 50% or more of the ships owned by the enterprise, calculated in terms of tonnage, must be registered in Hong Kong.

- (5) Employment of staff by the enterprise in the Special Administrative Region

The enterprise must employ in Hong Kong 50 % or more of its total staff.

The two sides will further consult on the specific methodology with respect to the implementation of the above mentioned qualifying criteria for “Hong Kong company”.

(II) Qualifying criteria for “Hong Kong company” applicable to the banking sector:

To enjoy the treatment of “CEPA” for the banking sector, the relevant enterprise of Hong Kong must meet the following conditions:

1. The enterprise must be a bank or a finance company registered and established pursuant to the Companies Ordinance of the Hong Kong Special Administrative Region and authorized under the Banking Ordinance of the Hong Kong Special Administrative Region.
2. The enterprise must engage in substantive business operations in Hong Kong. The criteria for determination are:
 - (1) The nature and scope of business of the enterprise in Hong Kong

The enterprise must be authorized by the Chief Executive of the Hong Kong Monetary Authority to

engage in banking business in Hong Kong. The business in the Mainland that the enterprise intends to engage in must be of the same nature as that the enterprise engages in Hong Kong, and must be within the scope of operation of the enterprise in Hong Kong. The enterprise must provide relevant supporting materials, for example, business registration certificate, company annual report or business invoices, etc. as evidence.

(2) The enterprise must pay profits tax of Hong Kong

During the period of substantive operations, the enterprise must pay Hong Kong profits tax. And it must provide relevant supporting materials, for example, profits tax returns or tax payment receipts, etc. (if as a result of losses, the enterprise does not need to pay profits tax, it will still meet the relevant qualification if it can prove that it has conducted substantive business in Hong Kong).

(3) The years of substantive operations of the enterprise in Hong Kong

The enterprise must have engaged in substantive operations for 5 years or more in Hong Kong since the

Hong Kong Monetary Authority granted it a banking licence.

(4) The enterprise must own or rent business premises in Hong Kong to engage in substantive operations. The scale of its business premises must be commensurate with the scope and the scale of the business of the enterprise. The ordinary liaison offices, “mail box companies” or enterprises specifically established for providing certain services to their parent companies cannot enjoy preferences under “CEPA”.

(5) Employment of staff by the enterprise in the Special Administrative Region

The enterprise must employ in Hong Kong 50 % or more of its total staff.

(III) Qualifying criteria for “Hong Kong company” applicable to the insurance sector:

To enjoy the treatment of “CEPA” for the insurance sector, the relevant enterprise of Hong Kong must meet the following conditions:

1. The enterprise must be registered and established pursuant to the Companies Ordinance of the Hong Kong Special Administrative Region. Registered overseas companies and their offices in Hong Kong are not included.

2. The enterprise must engage in substantive business operations in Hong Kong. The criteria for determination are:

(1) The nature and scope of business of the enterprise in Hong Kong

The enterprise must be authorized under the Insurance Companies Ordinance of the Hong Kong Special Administrative Region to engage in substantive insurance or insurance brokerage business in Hong Kong. The business in the Mainland that the enterprise intends to engage in must be of the same nature as that the enterprise engages in Hong Kong, and must be within the scope of operation of the enterprise in Hong Kong. The enterprise must provide relevant supporting materials, for example business registration certificate, company annual report or business invoices, etc. as evidence.

(2) The enterprise must pay profits tax of Hong Kong

During the period of substantive operations, the enterprise must pay Hong Kong profits tax. And it must provide relevant supporting materials, for example, profits tax returns or tax payment receipts, etc. (if as a result of losses, the enterprise does not need to pay profits tax, it will still meet the relevant qualification if it can prove that it has undergone substantive business in Hong Kong).

(3) The years of substantive operations of the enterprise in Hong Kong

The enterprise must have engaged in substantive insurance or insurance brokerage business in Hong Kong for 5 years or more.

(4) The enterprise must own or rent business premises in Hong Kong to engage in substantive operations. The scale of its business premises shall be commensurate with the scope and the scale of the business of the enterprise. The ordinary liaison offices, “mail box companies” or enterprises specifically established for providing certain

services to their parent companies cannot enjoy preferences under “CEPA”.

(5) Employment of staff by the enterprise in Hong Kong

The enterprise must employ in Hong Kong 50 % or more of its total staff.

3. Qualifying criteria for “Hong Kong law firm”

- (1) The law firm concerned must be a registered Hong Kong law firm in accordance with the Legal Practitioners Ordinance of the Hong Kong Special Administrative Region;
- (2) The sole proprietor and all the partners of the law firm concerned must be registered practising lawyers in Hong Kong;
- (3) The main scope of business of the law firm concerned must be to provide domestic legal services in Hong Kong; and
- (4) The law firm concerned or its partners must pay Hong Kong profits tax.

4. The two parties will sign Annex 5 of “CEPA” on or before 1 January 2004.

Vice Minister of Commerce

Financial Secretary

People's Republic of China

Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003

<Courtesy English Translation>

Record of the Consultations on Trade and Investment Facilitation Measures (namely Annex 6 of “CEPA”)

The consultations on the Mainland/Hong Kong Closer Economic Partnership Arrangement (hereinafter called “CEPA”) were launched in Beijing on 25 January 2002.

With a view to further strengthening economic and trade cooperation between the Mainland and Hong Kong, the two sides conducted consultations on various measures relating to trade promotion and investment facilitation, and agreed the contents of cooperation in the following seven areas:

1. Trade and Investment Promotion

The two sides will strengthen mutual trade and investment promotion and cooperate in the joint development of international markets for products and engineering works.

2. Customs Clearance Facilitation

The two sides will establish a customs information exchange system, and explore the feasibility of data networking and the development of electronic customs clearance at control points. The two sides will strengthen their customs clearance risk management ability and enhance efficiency in customs clearance through technical cooperation.

3. Quarantine and Inspection of Commodities, Food Safety and Quality Assurance

The two sides will strengthen cooperation in the inspection and monitoring of electrical and mechanical products and other consumer products, sanitary and phytosanitary

measures, food safety, health and quarantine supervision, product certification and accreditation, and standardisation management, etc.

4. Electronic Commerce

The two sides will strengthen the cooperation in the research and formulation of rules, standards and regulations of electronic commerce; in the corporate use, promotion and training, etc. of electronic commerce; and in electronic government.

5. Transparency in Laws and Regulations

The Mainland notes that Hong Kong has built up a good foundation in respect transparency of laws and regulations, and the Mainland is also actively fulfilling its WTO commitments. The two sides will strengthen cooperation and strive to provide information to their commercial and industrial enterprises with a view to promoting bilateral economic and trade flow.

6. Cooperation of Small and Medium-Sized Enterprises

The two sides will strengthen information exchange between small and medium-sized enterprises of the two sides, organize exchanges and visits between the enterprises of the two sides, and explore jointly the strategy and support policy for the development of small and medium-sized enterprises.

7. Cooperation in Chinese Medicine and Medical Products

The two sides will strengthen information sharing in regulation formulation, development strategy and direction of development, etc. for Chinese medicine and medical products; enhance the competitive edge of each side; jointly promote the commercialisation of Chinese medicine and

medical products; and conduct promotions in the international market.

In order to implement the above trade and investment facilitation measures, the two sides agree to build on and strengthen the existing liaison mechanism.

The two sides will sign Annex 6 of “CEPA” before 1 January 2004, and bring it into force thereafter.

Vice Minister of Commerce
People's Republic of China

Financial Secretary
Hong Kong Special
Administrative Region of the
People's Republic of China

(signature)

(signature)

29 June 2003