

Supplement to the Mainland and Hong Kong Closer Economic Partnership Arrangement

To further enhance the level of economic and trade exchanges and cooperation between the Mainland¹ and the Hong Kong Special Administrative Region (hereinafter referred to as “Hong Kong”), and pursuant to the requirements of the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “CEPA”) signed on 29 June 2003 and its Annexes signed on 29 September 2003, the two sides agreed to sign this Supplement to further liberalize trade in goods and trade in services in the Mainland for Hong Kong.

1. Trade in Goods

(1) From 1 January 2005, the Mainland shall apply zero tariff to imported goods of Hong Kong origin as set out in Annex 1 of this Supplement. Annex 1 of this Supplement is a supplement to Table 1 of Annex 1 of “CEPA”- “List of Hong Kong Origin Products for Implementation of Zero Import Tariff by the Mainland” .

(2) The rules of origin for imported goods of Hong Kong origin listed in Annex 1 of this Supplement, which were drawn up pursuant to Annex 2 of “CEPA” – “Rules of Origin for Trade in Goods”, are set out in Annex 2 of this Supplement. Annex 2 of this Supplement is a supplement to Table 1 of Annex 2 of “CEPA”- “Schedule on Rules of Origin of Hong Kong Goods Subject to Tariff Preference for Trade in Goods”.

2. Trade in Services

(1) From 1 January 2005, the Mainland shall further relax the

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

market access conditions for services and service suppliers of Hong Kong in the areas of legal, accounting, medical, audiovisual, construction, distribution, banking, securities, transport, freight forwarding agency, on the basis of Annex 4 of “CEPA” - “Specific Commitments on Liberalization of Trade in Services”, and shall expand the geographical and business scope of individually owned stores established in the Mainland by Hong Kong permanent residents with Chinese citizenship. The specific contents are detailed in Annex 3 of this Supplement.

(2) From 1 January 2005, the Mainland shall liberalize and relax the market access conditions for services and service suppliers of Hong Kong in the areas of patent agency, trademark agency, airport services, cultural entertainment, information technology, job referral agency, job intermediary, and professional qualification examinations. The specific contents are detailed in Annex 3 of this Supplement.

(3) Commitments in the area of construction and part of the commitments in the area of distribution, as set out in Annex 3 to this Supplement, have already been implemented from 28 August 2004. The specifics are set out in the specific commitments of construction and related engineering services, and distribution services in Annex 3 of this Supplement. The commitment with respect to Mainland branches of Hong Kong banks conducting insurance agents business, as set out in Annex 3 of this Supplement, shall be implemented from 1 November 2004.

(4) Annex 3 of this Supplement is a supplement and amendment to Table 1 of Annex 4 of “CEPA” – “The Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”. In the event of conflict between the provisions of the two instruments, the provisions of Annex 3 of this Supplement shall prevail.

(5) “Service suppliers” as referred to in Annex 3 of this Supplement should meet the relevant requirements of Annex 5 of “CEPA” – “Definition of “Service Supplier” and Related

Requirements”.

3. Supplements and Amendments to Annexes to “CEPA”

(1) Article 5(3)2. of Annex 1 of “CEPA” – “Arrangements for Implementation of Zero Tariff on Trade in Goods” is amended as follows: For goods proposed to be produced, the Mainland shall, in accordance with the consensus reached between the two sides, add the list of goods concerned to Table 1 of Annex 1 of “CEPA” and the rules of origin of the goods concerned to Table 1 of Annex 2 of “CEPA”. After the applicant has put the proposed goods into production, the Hong Kong Trade and Industry Department shall conduct verification jointly with the Hong Kong Customs and Excise Department and inform the Ministry of Commerce. The Mainland shall, after confirmation by both sides, release the relevant imports on zero tariff basis in line with “CEPA” upon presentation of the certificates of origin issued by the Hong Kong issuing authorities.

(2)The following is added to Article 3.1.2(2) of Annex 5 of “CEPA” – “Definition of “Service Supplier” and Related Requirements”: A Hong Kong service supplier providing air transport ground services should have obtained the relevant licence in the provision of the relevant air transport ground services in Hong Kong, and have engaged in substantive business operations for 5 years or more.

4. Annexes

The Annexes to this Supplement form an integral part of this Supplement.

5. Coming into Effect

This Supplement shall come into effect on the day of signature by the representatives of the two sides.

Signed in duplicate in Hong Kong, this 27th day of October, 2004 in the Chinese language.

Vice Minister of Commerce

People's Republic of China

(signature)

Financial Secretary

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

(signature)