

<Courtesy English Translation>

Record of Consultations on Further Liberalization under the Mainland and Hong Kong Closer Economic Partnership Arrangement

The progress of the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter called “CEPA”) has been smooth since its full implementation from 1 January 2004. “CEPA” has played a positive role in raising the level of economic and trade exchanges and cooperation between the Mainland¹ and the Hong Kong Special Administrative Region, and in enhancing economic development of the two places.

Pursuant to the provisions of Articles 3.2 and 19.3 of “CEPA”, the Mainland and the Hong Kong Special Administrative Region launched consultations on further liberalization under the framework of “CEPA” on 20 May 2004. After several rounds of thorough exchanges and consultations, the two sides reached consensus in the High Level Meeting of the Joint Steering Committee of “CEPA” held on 27 August 2004 on the second batch of goods of Hong Kong origin to which the Mainland will apply zero tariff and on the main contents of liberalization and further relaxation of market access conditions in the Mainland for services and service suppliers of Hong Kong, and agreed to record such consensus as follows:

1. Trade in Goods

(1) The Mainland agreed to apply zero tariff to the second batch of 713 goods (Mainland 2004 tariff codes, and likewise hereinafter) of Hong Kong origin from 1 January 2005. The description and tariff codes of the goods are detailed in Annex 1 of this Record. Together with the 374 goods which have already been subject to zero tariff since 1 January 2004, the total number of goods of Hong Kong

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

origin which the Mainland committed to apply zero tariff will have reached 1087.

(2) The two sides will complete the consultations on the rules of origin of the above goods before 1 October 2004.

(3) Pursuant to the procedures prescribed by "CEPA", the two sides will add the description, tariff codes and the rules of origin of the second batch of goods of Hong Kong origin which will be subject to zero tariff to respectively Table 1 of Annex 1 of "CEPA" - "List of Hong Kong Origin Products for Implementation of Zero Import Tariff by the Mainland" and 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) The Mainland agreed to further relax the market access conditions for services and service suppliers of Hong Kong in eleven areas - legal, accounting, medical, audiovisual, construction, distribution, banking, securities, transport, freight forwarding agency and individually owned stores, on the basis of Annex 4 of "CEPA" - "Specific Commitments on Liberalization of Trade in Services" signed on 29 September 2003. Specific contents are detailed in Annex 2 of this Record.

(2) The Mainland agreed to liberalize and relax the market access conditions for services and service suppliers of Hong Kong in eight areas - patent agency, trade mark agency, airport services, cultural entertainment, information technology, job referral agency, job intermediary, and professional qualification examinations. Specific contents are detailed in Annex 2 of this Record.

(3) Except for commitments made in the area of construction and part of the commitments made in the area of distribution which

will be implemented with effect from the day after the signing of this Record, the commitments on liberalization stated in Annex 2 of this Record will be implemented with effect from 1 January 2005.

(4) "Service suppliers" referred to in Annex 2 of this Record should meet the relevant requirements of Annex 5 of "CEPA", unless otherwise stated in Annex 2 of this Record.

3. The two sides will complete the amendments and additions to the relevant Annexes of "CEPA" and sign the relevant texts before 1 December 2004.

4. This Record was signed in duplicate in the Chinese language.

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)

27 August 2004

Beijing

(Courtesy English Translation)

Annex 2:

**Specific Contents on
Further Liberalization of Trade in Services for Hong Kong**

1. Legal services

Hong Kong lawyers providing professional assistance at the request of Mainland law firms on the basis of individual cases will not be required to apply for a Hong Kong legal consultant permit.

2. Accounting, auditing and bookkeeping services

2.1. To allow consultancy companies in the Mainland established by Hong Kong accountants that have satisfied the requirements of the Mainland's "Provisional Measures for the Administration of the Provision of Bookkeeping Services" to provide bookkeeping services. Hong Kong accountants providing bookkeeping services should have obtained the Mainland's accounting qualification certificate. In addition, the person in charge of the bookkeeping services should hold the relevant Mainland's professional qualification (professional title) of accountant or above.

2.2. When Hong Kong accountants apply for a practising licence in the Mainland, the length of auditing experience that they have acquired in Hong Kong is equivalent to the length of auditing experience acquired in the Mainland.

3. Medical and dental services

3.1. To allow Hong Kong permanent residents who are legally eligible to practise in Hong Kong and have practised for 5 completed years to open clinics in the Mainland on the condition that they have obtained the practicing certificate of the Mainland's qualification examinations. Matters relating to the application for and registration of opening clinics should be handled in accordance with Mainland regulations.

3.2. To allow Hong Kong permanent residents who are legally eligible to practise western medicine and dentistry to sit the Mainland's qualification examinations (excluding Chinese medicine practitioners).

3.3. To allow Hong Kong permanent residents who have acquired a Chinese

medicine full-time degree from the University of Hong Kong, the Chinese University of Hong Kong or the Hong Kong Baptist University and are legally eligible to practise in Hong Kong to sit the Mainland's qualification examinations on the condition that they have completed 1 year's continuous internship under the instruction of qualified practitioners in a third-level traditional 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.

3.4. Hong Kong permanent residents who are legally eligible to practise western medicine, dentistry and Chinese medicine in the Hong Kong Special Administrative Region are not required to sit the Mainland's qualification examinations for the purpose of short term practice in the Mainland.

4. Information technology services

To allow Hong Kong service suppliers to apply for computer information system integration qualification certification in accordance with the provisions of the relevant laws, regulations and rules of the Mainland.

5. Audiovisual services

5.1. Hong Kong service suppliers are permitted to construct or renovate cinema theatres for the operation of film screening business on a wholly-owned basis.

5.2. Motion pictures co-produced by Hong Kong and the Mainland are permitted to be processed outside the Mainland after obtaining the approval of the State Administration of Radio, Film and Television.

5.3. Hong Kong service suppliers are permitted to establish wholly owned companies in pilot areas in the Mainland to engage in the distribution of Mainland produced motion pictures after obtaining the approval of the State Administration of Radio, Film and Television.

5.4. Television programmes co-produced by Hong Kong and the Mainland are permitted to be broadcast and distributed in the same way as Mainland produced television programmes after being examined by the relevant Mainland authorities.

5.5. Hong Kong companies engaging in the operation of cable television network are permitted to provide professional technical services related to cable television networks in Guangdong as a pilot area after obtaining the approval of the

relevant Mainland authorities.

6. Construction and related engineering services

6.1. Hong Kong service suppliers who have already obtained the certificate of approval for establishment of enterprises with investment of Taiwan, Hong Kong and Macao in the Mainland but have not yet obtained the construction enterprise qualification certificate may apply, before 1 December 2004, for a certificate for undertaking single construction project based on their signed construction contract and "Construction Qualification Certificate for Taiwan, Hong Kong and Macao Enterprise". Subject to the preliminary vetting and agreement of construction administration department at provincial level, the application will be processed by the Ministry of Construction.

6.2. Construction enterprises in the Mainland set up by Hong Kong service suppliers may submit the performance of the enterprises for construction contracts outside the Mainland when applying for construction enterprise qualification certificate.

6.3. The residency requirement is waived for Hong Kong permanent residents employed as engineering technical staff and financial managerial staff in construction enterprises in the Mainland set up by Hong Kong service suppliers.

6.4. There will be no restriction on the proportion of Hong Kong permanent residents being project managers approved by the qualification administration authorities for construction enterprises in the Mainland set up by Hong Kong service suppliers.

6.5. The commitments in relation to construction and related engineering services stated above will come into effect from the day after the signing of the Record of Consultations.

7. Distribution services

7.1. Retailing services: to allow Hong Kong service suppliers to set up, in the form of wholly-owned operations, retail commercial enterprises in the Mainland in respect of books, newspapers, magazines, pharmaceutical products, pesticides, mulching films and processed oil with effect from the day after the signing of the Record of Consultations.

7.2. Wholesale trade services and commission agents' services: to allow Hong Kong service suppliers to set up, in the form of wholly-owned operations, wholesale and commission agents' commercial enterprises in the Mainland in respect of books, newspapers, magazines, pharmaceutical products, pesticides and mulching films with effect from the day after the signing of the Record of Consultations.

7.3. Retailing of motor vehicles: to allow Hong Kong service suppliers to set up, in the form of wholly-owned operations, retail enterprises in the Mainland for motor vehicles in accordance with the relevant motor vehicle distribution rules in the Mainland. Threshold requirements for setting up the above enterprises are waived for Hong Kong service suppliers. Those requirements are that "the average annual sales value of a Hong Kong service supplier in the preceding 3 years is not less than US\$100 million; the minimum asset in the previous year is US\$10 million; the minimum registered capital for setting up a motor vehicle retail enterprise in the Mainland is RMB 10 million. For setting up a motor vehicle retail enterprise in the Central and Western Region, the minimum registered capital is RMB 6 million."

8. Banking services

To allow Mainland branches of Hong Kong banks to conduct insurance agents business after obtaining approval.

9. Securities and futures services

To allow intermediary agencies, which are registered with the Securities and Futures Commission of Hong Kong and which satisfy the requirements of the China Securities Regulatory Commission, to set up joint venture futures brokerage companies in the Mainland. The proportion of Hong Kong shareholding should not exceed 49% (including shareholding of related parties). The scope of business and capital requirements of joint venture futures brokerage companies are the same as those for Mainland enterprises.

10. Transport services

10.1. To allow passenger transport companies operating franchised bus services in Hong Kong to set up wholly-owned or joint venture enterprises in Mainland cities at the municipal level to provide passenger public transport and hire car services at those cities.

10.2. To allow passenger transport companies operating franchised bus services and companies operating non-franchised bus services (Guangdong-Hong

Kong cross-boundary coach services) in Hong Kong to set up joint venture enterprises in Guangdong, Guangxi, Hunan, Hainan, Fujian, Jiangxi, Yunnan, Guizhou and Sichuan to provide direct inter-city passenger bus services.

10.3. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide supplies services other than fuel and water (e.g. components and parts or food, etc) to vessels owned or managed by their parent companies.

10.4. To allow Hong Kong service suppliers to set up wholly-owned shipping companies in the Mainland to provide shipping agency services for vessels owned or operated by their parent companies, including customs declaration and inspection, and use of common commercial bills of lading or multimodal transport documents for conducting multimodal transport services.

10.5. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide port cargo loading and unloading services.

10.6. To allow Hong Kong service suppliers to set up wholly-owned shipping companies in the Mainland to provide regular business services for feeders that they operate between Hong Kong and ports that are opened to foreign vessels in the Mainland, such as shipping undertaking, issuance of bills of lading, settlement of freight rates, signing of service contracts, etc.

11. Freight forwarding agency services

To allow freight forwarding agency enterprises in the Mainland established by Hong Kong services suppliers to set up branch offices upon full payment of registered capital.

12. Airport services

12.1. Airport management services: to allow Hong Kong service suppliers to provide, in the form of cross-border supply, joint venture or wholly-owned operations, contract management services for small and medium airports. The period of validity of the contract should not exceed 20 years.

To allow Hong Kong service suppliers to provide, in the form of cross-border supply, consumption abroad, joint venture or wholly-owned operations, airport management training and consultation services.

12.2. Ground services: to allow Hong Kong service suppliers to provide, in the form of wholly-owned operations, the following seven types of air transport ground services in the Mainland:

- (1) agency services;
- (2) loading and unloading control, communication, and departure control system;
- (3) unit load devices management;
- (4) passenger and baggage services;
- (5) cargo and mail services;
- (6) ramp services;
- (7) aircraft services.

The qualifying criteria for "Hong Kong service suppliers" in this paragraph, as far as the "nature and scope of business" and the "years of operation required" are concerned, means Hong Kong service suppliers who have obtained the relevant licences in Hong Kong and are dedicated to the provision of the relevant air transport ground services and have engaged in substantive business operations for five years or more.

13. Individually owned stores

To allow Hong Kong permanent residents with Chinese citizenship to set up individually owned stores in all provinces, autonomous regions, municipalities directly under the Central Government in the Mainland to provide retailing services, food and beverage services, hair dressing services, beauty treatment services, bathing services and repair services of goods for daily uses.

14. Professionals and technicians qualification examinations

To allow eligible Hong Kong residents to take the 30 qualification examinations for professionals and technicians in the Mainland, including the qualification examinations for registered architect, registered structural engineer, registered civil engineer (geotechnical), construction supervising engineer, cost engineer, registered town planner, estate agent, registered safety engineer, registered nuclear safety engineer, builder, registered facility engineer, registered chemical engineer, registered civil engineer (harbour and waterway), registered facility supervising engineer, environmental impact assessment engineer, real estate appraiser, registered electrical engineer, accounting technician, assistant accountant, accountant professional qualification (professional title), certified tax accountant, certified asset appraiser,

prosthetist and orthotist, mining rights assessor, registered consulting engineer, international business personnel, land registration agent, gemstone quality examiner, translator and computing technology and software.

15. Cultural entertainment

15.1. To allow Hong Kong service suppliers to set up performing venues in the

15.2. To allow Hong Kong performing arts agencies to set up branches in the Mainland.

15.3. To allow Hong Kong service suppliers to set up performance agencies in the Mainland on an equity joint venture or contractual joint venture basis.

15.4. To allow Hong Kong service suppliers to set up internet culture business units and internet online service business premises in the Mainland with the Mainland party holding majority shareholding.

15.5. To allow Hong Kong service suppliers to set up art galleries, art shops and art work exhibition units in the Mainland on an equity joint venture, wholly-owned or contractual joint venture basis.

16. Trade mark agency

To allow Hong Kong service suppliers to conduct, after registering with the Administration for Industry and Commerce at the provincial level and acquiring the statutory operating body qualification, trade mark agency business in the Mainland.

17. Job referral agency

To allow Hong Kong service suppliers to set up wholly-owned job referral agencies in the Mainland. The minimum registered capital is US\$125,000.

18. Job intermediary

To allow Hong Kong service suppliers to set up joint-venture job intermediaries in the Mainland. The minimum registered capital is US\$125,000. The proportion of Hong Kong service suppliers' shareholding should not exceed 70% and the Mainland partner intermediary must have been established for over 1 year.

19. Patent agency

19.1. To allow eligible Hong Kong permanent residents with Chinese citizenship to take the National Qualification Examination for Patent Agents in the Mainland.

19.2. Hong Kong permanent residents with Chinese citizenship who have obtained the National Qualification Examination for Patent Agents may become partners or shareholders of patent agencies that have been permitted to be established in the Mainland.