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The Government of the Hong Kong Special Administrative Region

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Dear Sirs,

Notice to Exporters

Series 1 (USA) No. 43/2004
Series 2 (EU) No. 33/2004
Series 3 (Countries other than USA & EU) No. 30/2004

Certificate of Origin Circular No. 14/2004

Import Licensing (Textiles) Circular No. 2/2004

Textiles Trader Registration Circular No. 10/2004

Textiles Control Arrangements for 2005

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(I) INTRODUCTION

Further to the Notice to Exporters: Series 1 (USA) No. 35/2004, Series 2 (EU) No. 26/2004, Series 3 (Countries other than USA and EU) No. 24/2004 cum Certificate of Origin Circular No. 11/2004 all dated 15 October 2004 entitled "Textiles Control Arrangements from 2005 Onwards" which provided an outline of the textiles control system starting from 1 January 2005, this notice sets out the detailed arrangements for textiles import and export licensing, Production Notification (PN) and Certificate of Origin (CO) requirements for 2005.

(II) LICENSING ARRANGEMENT FOR TEXTILES IMPORT AND EXPORT

Import and Export Licensing Requirement

2. Under the Import and Export Ordinance and its subsidiary legislation, all import and export of textiles products (including textiles exports of non-Hong Kong origin), unless exempted, must be covered by valid import licences and export licences respectively issued by the Director-General of Trade and Industry. Exemptions are principally provided for under the Textiles Trader Registration Scheme (TTRS), in which case textiles traders so registered may cover their textiles import and export with notifications, subject to the details in paragraph 3. Other exemption provisions under the law are set out in paragraphs 16-17 below.

Change in Scope of Textiles Trader Registration Scheme

3. Subject to compliance with a set of conditions and within the validity period of registration, traders registered under the Textiles Trader Registration Scheme (TTRS) are exempted from the licensing requirement of the Import and Export Ordinance in respect of textiles which fall within the scope of the scheme. Starting from 1 January 2005, the scope of TTRS will be modified to cover imports and exports belonging to the following categories:

- (a) imports of textiles from the Mainland;
- (b) exports of textiles to the Mainland;
- (c) exports of textiles to those economies which have invoked safeguard measures against textiles and clothing products of the Mainland, currently the United States of America (USA); and
- (d) transhipment of textiles to and from any country or place.

The Special Export and Import Licensing (Textiles) Scheme for the USA market will be discontinued starting 1 January 2005 (see also paragraphs 39-42). Henceforth, the TTRS will also cover the export of knit-to-shape panels outside Hong Kong for processing and the re-import of finished or semi-finished piece-knitted garments into Hong Kong for eventual exportation to sensitive market abroad (currently the USA). Traders should however note

that the TTRS is not applicable to cover textiles shipments to or from countries which are subject to trade sanctions imposed by the United Nations.

4. Importers, exporters, manufacturers, carriers and freight forwarders, who are carrying on the business of importing or exporting textiles, or handling transshipment cargoes of textiles referred to in paragraph 3 above may apply for registration as a textiles trader under the TTRS. For registration procedures and the conditions of exemption, please refer to Appendix A.

Licensing Arrangement for Sensitive Markets

5. Traders should note that import of textiles from and export of textiles to sensitive markets must be covered by (i) notifications under the TTRS; or (ii) textiles licences on an individual consignment basis. With effect from 1 January 2005, the sensitive markets cover:

- (a) all textiles imports from and exports to the Mainland; and
- (b) exports to those economies which have invoked safeguard measures against textiles and clothing products of the Mainland, currently the USA.

6. Manufacturers and subcontractors producing cut-and-sewn garments for export to those markets referred to in paragraph 5(b) are also required to lodge a Production Notification (PN) with the Department on the day of or within 3 working days before the commencement of the major assembly work in Hong Kong. For details regarding the PN arrangement, please refer to paragraphs 23-30 below.

(i) Notifications under TTRS

7. With effect from 1 January 2005, there will be four types of notifications:

	<u>Type</u>	<u>Purpose</u>
(a)	Import Notification (IN) (TRA 552)	To cover imports of textiles from the Mainland
(b)	Export Notification I (EN I) (TRA 550)	To cover exports of textiles of Hong Kong origin to the Mainland or to economies which have applied safeguard measures on the Mainland, currently the USA
(c)	Export Notification II (EN II) (TRA 551)	To cover exports of textiles of non-Hong Kong origin to the Mainland or to economies which have applied safeguard measures on the Mainland, currently the USA

	<u>Type</u>	<u>Purpose</u>
(d)	Transshipment Notification (TN) (TRA 553)	To cover transshipments of textiles

Traders are requested to note that Export Notification III and Export Notification IV which are currently used to cover export of certain textiles samples of Hong Kong origin to the USA will not be in use after 31 December 2004. The specific licensing arrangements for textiles samples will also cease to apply (please see paragraph 15 below).

(ii) Textiles Licences

8. Alternatively, traders may cover their textiles shipments with consignment-specific textiles licences issued by the Director-General of Trade and Industry. There are two types of textiles licences:

	<u>Type</u>	<u>Purpose</u>
(a)	Import Licence (Textiles) Form 7 (TRA 23)	To cover imports of textiles from any country or place
(b)	Export Licence (Textiles) Form 4 (TIC 353)	To cover exports of textiles (irrespective of the place of origin) to any country or place

All licence applications have to be made in person to the Textiles Import and Export Licensing Unit on 1/F, Trade and Industry Department Tower, 700 Nathan Road, Mongkok, Kowloon until further notice. The Licensing Unit will be relocated to 2/F of the Tower at a later date in January 2005. Under normal circumstances, import licences and export licences, if approved, are ready for collection two clear working days after the date on which the applications are received.

9. To substantiate a proof of Hong Kong origin for textiles exports, it will be in traders' interest to take out a Certificate of Hong Kong Origin (CO) if the goods concerned are indeed products of Hong Kong. Although overseas may not generally require a CO to accompany every import consignment, it is advisable that traders can readily produce a CO to the importing end authorities (if so required) to evidence the origin of the goods. In this connection, traders are reminded to provide in the EN I or export licence application the corresponding Certificate of Hong Kong Origin number (if available).

Information to be Declared on Textiles Notification and Licence Application

10. In completing textiles notifications or making licence applications, traders are requested to note the following:

- (a) importers, exporters, manufacturers and subcontractors are required to enter their Business Registration (BR) number. Companies/registered businesses which fail to comply with this requirement and/or furnish incorrect information in relation to the BR number shall be deemed to have made a false declaration on the textiles notification or licence application and are liable to legal and/or administrative actions by the Department;
- (b) manufacturers and subcontractors should also provide their Factory Registration (FR) number in the "FR No." field for EN I and export licence applications if they have already registered for FR. Companies/registered businesses which fail to comply with this requirement and/or furnish incorrect information in relation to the FR number shall be deemed to have made a false declaration on the EN I and export licence application and are liable to legal and/or administrative actions by the Department;
- (c) in respect of textiles notification, a person acting and signing for and on behalf of an importer, an exporter, a manufacturer or a subcontractor should be the authorized signatory under the TTRS. In respect of textiles licence applications, a person acting and signing for and on behalf of an importer, an exporter, a manufacturer or a subcontractor should be the proprietor, a partner or a director as the case may be or other duly authorized representative of the company/registered business concerned. For a manufacturer or subcontractor registered under the FR, the person acting and signing for and on behalf of the manufacturer or subcontractor should be an authorized signatory under FR. Please note that any textiles notification or licence application that fails to comply with the above requirements and/or bears a signature or a company chop different from that kept in the Department's TTRS or FR records may result in rejection or deferment as appropriate; and
- (d) licence applications and textiles notifications covering shipments to sensitive markets abroad (other than the Mainland) must be completed in English. All other notifications and licence forms may be completed either entirely in English or entirely in Chinese.

An updated version of the guidance notes on how to complete different types of textiles notifications and licences for shipments in 2005 will be issued via the Department's web portal at <http://www.tid.gov.hk> in December 2004.

Licensing Arrangement for Non-sensitive Markets

Comprehensive Licence - Scope and Applicability

11. Comprehensive Import Licence (Textiles) and Comprehensive Export Licence (Textiles) will be introduced as from 1 January 2005 to cover respectively import of textiles from and export of textiles to countries or places other than those set out in paragraph 5(a)-(b) above (i.e. the non-sensitive economies). Alternatively, traders may continue to apply for Export Licence (Textiles) Form 4 (TIC 353) or Import Licence (Textiles) Form 7 (TRA 23) to cover individual shipments as appropriate. Specimens of comprehensive import and

export licences are at Appendices B and C for reference. The salient features of a comprehensive licence are as follows:

- (a) Comprehensive import or export licence can cover multiple shipments imported and exported by the licence holder respectively, regardless of the product type, quantities, importing or exporting countries or places (except sensitive markets, and countries subject to trade sanctions imposed by the United Nations) and country of origin of the goods.
- (b) Application for comprehensive import and export licence need only be made once by an individual or company/registered business and the licence issued will be valid for 12 months.
- (c) When an application is approved, all the comprehensive licences so issued will bear the same validity period of 12 months.
- (d) The licence holder can log on the Department's designated online service for comprehensive licence with the pre-assigned login ID and password through any computer workstations with Internet access to obtain and print out separate comprehensive licence to cover each individual import or export shipment as appropriate. Separate comprehensive import or export licence will bear a unique reference number.
- (e) There is no limit or restriction on the number of comprehensive licences to be obtained and printed out within the validity period.
- (f) No fee will be charged for the application for comprehensive licence and for access to the designated service for comprehensive licence during 2005, subject to the review of the overall textiles import and export arrangements in end 2005.

12. The Department will start receiving applications for comprehensive licence on **30 November 2004** and successful applicants may start printing out licences through the Department's designated online service from **22 December 2004**. Details on the application procedures and conditions of the comprehensive licence are set out in Appendix D.

13. Traders are requested to note that the issue of comprehensive licence is subject to the compliance of the prescribed conditions of licence. If applicants of comprehensive licences fail to observe the licensing conditions, the Director-General of Trade and Industry may refuse the issue of such licence, revoke the current licence, or refuse to issue a fresh comprehensive licence to a particular applicant when the current one has expired.

Licensing Arrangement for Textiles Transshipment

14. As in the current arrangement, carriers and freight forwarders should use Transshipment Notification (TRA 553) for the purpose of handling transshipment cargoes of textiles, subject to the compliance with the prevailing conditions of use and all other conditions set out in the relevant Textiles Trader Registration Circulars. Alternatively,

carriers and freight forwarders may make use of individual import and export licences or notifications for import and subsequent re-export of a textiles transshipment. In this respect, the applicable import and export licences/notifications will follow the arrangements set out in paragraphs 5-13 above.

Licensing Arrangement for Sample Shipments

15. With effect from 1 January 2005, sample shipments will be treated the same as any commercial shipments and subject to the same licensing arrangements as detailed in paragraphs 5-13 above. The existing instant licensing service for issuance of export licences covering commercial samples will be discontinued starting 1 January 2005.

Exemptions from Licensing Requirement

16. As in the current arrangement, woven or knitted fabric swatches and sample yarn imported by air and not exceeding 0.8 m² in size in respect of fabric swatches and 1.2 kilograms in weight in respect of each type of yarn are exempted from import licensing.

17. Licensing requirement for non-commercial shipments will be further relaxed. The following textiles products will be exempted from licensing requirement if they are in a quantity which is reasonable having regard to the purpose for which they are imported or exported:

- (a) textiles articles that are imported or exported by an individual for his personal use or as a bona fide gift to another individual; and
- (b) textiles articles constituting part of the provisions required for consumption by the crew or passengers of the vessel, aircraft or vehicle on which the article is carried.

Amendment and Cancellation of Licence/Textiles Notification

18. Traders are reminded that requests for amendments to any particulars of a notification after its lodgement should be made within 14 working days after the day on which the textiles are imported or exported. Requests for amendment to particulars on an approved textiles import or export licence should similarly be made before shipment of the goods or within 14 working days after the date on which the goods are imported or exported. If a licence is not used for shipment within its validity period, the licence should be cancelled within 14 working days after the expiry date. It should be emphasized that the approval of requests for cancellation or amendment will be considered on individual merits of each case and is not automatic.

19. Amendment or cancellation requests of licence and notification should be made on the following standard forms as appropriate:

	<u>Form No.</u>	<u>Form Title</u>
(a)	TID 82	Textiles export licence: Request for Amendment
(b)	TID 83	Textiles import licence: Request for Amendment
(c)	TID 84	Textiles notification : Request for Amendment
(d)	TID 87	Textiles export licence: Request for Cancellation
(e)	TID 88	Textiles import licence: Request for Cancellation
(f)	N/A	Textiles notification : Request for Cancellation

These standard forms are downloadable from the Trade and Industry Department's web portal (<http://www.tid.gov.hk/english/aboutus/form/publicform/download.html>) or are obtainable from the Textiles Import and Export Licensing Unit on 1/F, Trade and Industry Department Tower, 700 Nathan Road, Mongkok, Kowloon until further notice. The Licensing Unit will be relocated to 2/F of the Tower at a later date in January 2005.

20. Traders should note that acceptance by the Department of a request for amendment to or cancellation of a licence or notification is without prejudice to any legal and/or administrative action which the Director-General of Trade and Industry may take in respect of the licence or notification concerned if it is discovered that the parties concerned are in breach of any of the provisions of the Import and Export Ordinance or the conditions of the textiles control arrangements. Should it be revealed that a licence or notification is involved in any malpractice, legal and/or administrative action may be taken against the trader concerned irrespective of whether a request for amendment to or cancellation of the licence or notification has been made within the stipulated timeframe and accepted by the Department.

Timetable for Accepting Licence Applications for 2005 Shipments

21. The Department will accept applications for Export Licence (Textiles) Form 4 covering shipments in 2005 from **22 December 2004**. Any such export licences approved in 2004 will be endorsed to the effect that they will not be valid for shipment until **1 January 2005**. Export licences are normally valid for 28 days and are not transferable. Likewise, the comprehensive import or export licence that are printed out in 2004 will only be valid for shipment starting **1 January 2005**.

22. Please note that EN I should only be valid for shipment to the USA starting **1 January 2005**. Registered textiles traders who intend to lodge EN I in 2004 for textiles shipment to the USA in 2005 must ensure that the textiles consignments are to be shipped out of Hong Kong on or after 1 January 2005. In this connection, the term "shipped" means that

the goods in question are exported from Hong Kong and clear of Hong Kong waters en route to the destination markets. In the event that the Director-General decides that within the context of textiles control arrangements the goods have been shipped before midnight on 31 December 2004, legal and/or administrative actions may be taken against the company/registered business concerned.

(III) PRODUCTION NOTIFICATION ARRANGEMENT

Background

23. The PN arrangement is implemented to ensure that the origin-conferring process for the manufacture of cut-and-sewn garments for export to certain designated markets has taken place in Hong Kong. Under the current arrangement, manufacturers producing cut-and-sewn garments for export to such markets are required to lodge PN on the day of or within three working days prior to the commencement of the major assembly work in Hong Kong.

Change in Scope of PN

24. As from 1 January 2005, the scope of the PN arrangement will be modified to cover only cut-and-sewn garments intended for export to places that have applied safeguard actions against textiles and clothing imports from the Mainland, currently the USA. Hence the PN requirement will be maintained for all cut-and-sewn garments destined for the USA after 2004, unless otherwise exempted under paragraph 27 below. The PN requirement in respect of cut-and-sewn garments for export to the EU and Canada will be discontinued after 31 December 2004.

Validated PN to Support Subsequent CO Application

25. A validated PN is a requisite supporting document for subsequent application for CO covering the export of the garments concerned to the USA. For the purpose of supporting CO applications, all validated PNs, regardless of whether they are validated in or after 2004, will be valid for three months from the date of validation or until cancellation of the PN, whichever is the earlier. Traders may lodge requests for extension of validity for another three months. As from 1 January 2005, applications for CO covering cut-and-sewn garments for export to the EU and Canada will no longer require the support of validated PNs. Details of the post-2004 certification arrangements are set out in paragraphs 31-38 below.

PN Arrangement During End 2004

26. Before the modified scope of PN takes effect as from 1 January 2005, manufacturers producing cut-and-sewn garments for export to the EU and Canada are still required to lodge PN with the Department if the major assembly work commences before 1 January 2005. The Department will continue to accept and process PNs (including fresh applications, re-submissions, as well as requests for amendment, extension and cancellation) destined for the EU and Canada lodged via Electronic Data Interchange (EDI) until **11:00 p.m. on 31 December 2004**. Traders should note that the Department will not accept any PNs for the EU and Canada markets lodged after 11:00 p.m. on 31 December 2004.

Nor will the Department entertain requests for amendment, extension and cancellation of such PNs validated in 2004.

PN Exemptions

27. In line with the revised licensing exemptions as detailed in paragraph 17 above, exemptions from the PN requirement after 2004 will also be extended to cut-and-sewn garments exported by an individual and are either for his personal use or as a bona fide gift to another individual. The updated list of PN exemptions to be effective from 1 January 2005 is set out at Appendix E for traders' ease of reference.

28. Traders should note that cut-and-sewn garments that are exempted from the PN requirement will be subject to the same origin rule of "assembly of parts into garments" as with other cut-and-sewn garments claiming Hong Kong origin.

Authenticity of Manufacturer's Identity on PN

29. As foreshadowed in Certificate of Origin Circulars No. 16/2003 of 2 June 2003 and No. 9/2004 of 28 July 2004, in order to safeguard the interest of the trade and as a measure to step up the integrity of Hong Kong's origin certification system, the Department has since 2 June 2003 introduced the requirement that any person who lodges a PN for and on behalf of the manufacturer (and the subcontractor) must be an authorised signatory under the Factory Registration (FR). Traders should note that, with effect from **1 January 2005**, any PN which is not lodged by an authorised signatory of the company/registered business concerned as kept in the Department's FR record will be deferred or rejected as appropriate.

Important Information and Conditions of PN

30. Apart from the above changes, the lodgement procedures and conditions of PN after 2004 will remain essentially the same as under the existing arrangement. Salient points are recapitulated below:

- (a) Before lodging a PN, manufacturers (and subcontractors as the case may be) must have first registered for FR. All local subcontracting of principal manufacturing processes should obtain prior approval from the Department under the Local Subcontracting Arrangement (LSA);
- (b) Lodgement of PN after the commencement of major assembly work will normally not be accepted;
- (c) A full set of the prevailing Conditions of PN applicable to all PNs is reproduced at Appendix F for traders' compliance;

- (d) Under the PN arrangement, certain PN component parts, minor accessories and subsidiary processes are allowed to be subcontracted outside Hong Kong without affecting the origin status of the finished garments. The prevailing permissible limit of component parts and subsidiary processes which may be done elsewhere is set out in Appendix I to Certificate of Origin Circular No. 1/02 dated 19 January 2002; and
- (e) The “Guidance Notes on Lodging Production Notification (PN) by using Electronic Data Interchange (EDI)” issued on 2 June 2003 will still be valid until 31 December 2004. An updated version of the Guidance Notes to be effective from 1 January 2005 will be issued via the Department’s web portal at <http://www.tid.gov.hk> in December 2004.

(IV) CERTIFICATE OF ORIGIN REQUIREMENT

31. To substantiate a proof of Hong Kong origin for textiles exports, it will be in traders’ interest to take out a Certificate of Hong Kong Origin (CO) if the goods concerned are indeed products of Hong Kong. Although overseas may not generally require a CO to accompany every import consignment, it is advisable that traders can readily produce a CO to the importing end authorities (if so required) to evidence the origin of the goods. In applying for a CO, traders are advised to note the changes in CO requirement in respect of the USA, the EU and the Canada markets with effect from 1 January 2005. Salient points of such changes are set out below:

- (a) CO applications covering cut-and-sewn garments to the USA market must be supported by valid PN. The declaration requirement of PN details in the CO applications to the USA market remains the same. The applications will be deferred if the PN details are inadequate;
- (b) In respect of CO applications covering knitted cut-and-sewn garments to the USA market, applicants are required to declare in the field “Principal Process(es) Done by Manufacturer and Outworker in HK” of the Electronic Data Interchange – CO (EDI-CO) system that the processes done in Hong Kong are “sewing/linking/stitching of parts into garment”¹ ;
- (c) CO applications covering cut-and-sewn garments to the EU and the Canada markets will no longer be required to be supported by PN; and
- (d) The Department and other five Government Approved Certification Organizations² will cease to apply the current stamp (i.e. I further certify that the goods described above meet the origin rules of the European Union) on the CO certificate covering textiles exports to the EU market.

¹ If linking and/or stitching is (are) not the required process(es) in the entire manufacturing process leading to the manufacture of the finished product, it (they) is (are) not required to be declared in the applications.

² The five Government Approved Certification Organizations are the Hong Kong General Chamber of Commerce; Federation of Hong Kong Industries; the Chinese Manufacturers’ Association of Hong Kong; the Indian Chamber of Commerce, Hong Kong and the Chinese General Chamber of Commerce.

Cross Year CO Applications Involving Production Notifications

32. CO applications covering cut-and-sewn garments to the USA, the EU and the Canada markets which have been deferred in 2004 but are re-submitted in 2005 are required to be covered by their original PNs issued in 2004 notwithstanding the discontinuation of PN arrangement for exports to the EU and Canada markets in 2005. Besides, traders should ensure that in submitting CO amendments in 2005 to amend the COs issued in 2004, the amendments should also be supported by the original PNs issued in 2004.

Revised Origin Rule for Piece-knitted Garments Effective 1 January 2005

33. The origin rule for piece-knitted garments with effect from 1 January 2005 will be revised as follows:

<u>Origin Criteria</u>	<u>Principal Processes</u>
Manufacture from yarn; <u>or</u>	Knitting of knit-to-shape panels ³ ; <u>or</u>
Manufacture from knit-to-shape panels ³	Assembling of knit-to-shape panels into piece-knitted garments

34. In respect of CO applications covering piece-knitted garments, applicants are required to declare in the field “Principal Process(es) Done by Manufacturer and Outworker in HK” of the EDI-CO system the relevant and applicable principal processes set out above. For details of the revised origin rule, please contact CO Section at 2398 5545 or the Customer Service Centre of the Certification Branch at 2398 5525.

35. Notwithstanding Hong Kong’s adoption of a revised origin rule for piece-knitted garments starting 1 January 2005, traders are reminded to find out from their overseas buyers for any specific requirements they will need to observe before exportation of the goods, including but not limited to the classification and origin labelling requirements, etc.

Factory Registration Requirement

36. Factory Registration (FR) will continue to be a pre-requisite for manufacturers and subcontractors intending to lodge a PN, apply for a CO, or participate in the Outward Processing Arrangement (OPA) and Local Subcontracting Arrangement (LSA). For details of the registration procedures, please contact the Central Registration Office at 2398 5512 or the Customer Service Centre of the Certification Branch at 2398 5525, or refer to the Department’s web portal: http://www.tid.gov.hk/english/import_export/cert/cert_aboutco_factory.html.

³ Knit-to-shape panels are panels knitted to shape ready for assembly without further manufacturing process other than minor trimming and/or cutting of the collar to shape.

Local Subcontracting Arrangement

37. Manufacturers employing local subcontractors to carry out the principal process(es) of manufacture or entire production of goods must obtain prior approval from the Trade and Industry Department by registering under the Local Subcontracting Arrangement (LSA). For details of LSA, please contact the Factory Registration Section of Certification Branch. For piece-knitted garments, panel knitters will be subject to the LSA requirement with effect from 1 January 2005. Details will be announced in separate Certificate of Origin Circular to be issued in December 2004 (see also paragraph 38 below).

Outward Processing Arrangement

38. The Outward Processing Arrangement (OPA) enables manufacturers registered with the Trade and Industry Department to subcontract outside Hong Kong the subsidiary or minor finishing processes without affecting the eligibility of such goods for attaining Hong Kong origin status. A prerequisite for participation in the OPA is that the goods concerned must have undergone the principal manufacturing processes in Hong Kong which are sufficient to qualify them as of Hong Kong origin. In accordance with the revised origin rule for piece-knitted garments as detailed in paragraph 33 above, with effect from 1 January 2005 the outward processing of non-origin conferring operations in knit-to-shape garments will be regulated under OPA in place of the existing controls under the Special Export and Import Licensing (Textiles) Scheme. Additional requirements under the OPA for piece-knitted garments will be announced in separate Certificate of Origin Circular to be issued in December 2004.

(V) TRANSITIONAL ARRANGEMENT FOR RE-IMPORTATION OF PIECE-KNITTED GARMENTS UNDER SPECIAL EXPORT AND IMPORT LICENSING (TEXTILES) SCHEME

39. Starting from 1 January 2005, the Special Export and Import Licensing (Textiles) Scheme which is currently implemented to cover the import into and/or export from Hong Kong of finished and semi-finished piece-knitted garments and knit-to-shape panels, for eventual exportation to the USA in the form of finished or semi-finished piece-knitted garments will be discontinued.

40. The Department will implement a transitional arrangement until 30 April 2005 to allow re-importation of piece-knitted garments manufactured from panels knitted in Hong Kong and exported for outward assembling under Special Export Licence (Textiles) Form 8a during 2004. In this connection, the Department will continue to accept applications for Special Import Licence (Textiles) Form 8b supported by special export licence Form 8a issued within six months until **28 April 2005**. All Form 8b licences so issued will be valid for 28 days or until 30 April 2005, whichever is the earlier, for the purpose of re-importing piece-knitted garments into Hong Kong.

41. Licence applications have to be made in person to Customer Service Centre of Textiles Controls Branch, 2/F, Trade and Industry Department Tower, 700 Nathan Road, Mongkok, Kowloon. No fees will be charged for the application and issue of Form 8b between 1 January 2005 and 30 April 2005. For straightforward cases, the licence will normally be issued one clear working day from the date of application.

42. For piece-knitted garments neither knitted nor assembled in Hong Kong under the existing Special Licensing Scheme, traders should make use of either Import Notification or Import Licence (Form 7) to cover import of such garments into Hong Kong starting 1 January 2005, whether or not the knit-to-shape panels have been respectively imported and exported under Special Export Licence (Textiles) Form 8c and Form 8d during 2004.

(VI) FEES AND CHARGES

43. With the abolition of quotas, quota-related textiles application and service fees will no longer be applicable after 2004 (please see Appendix G). The fees and charges for other textiles-related services for 2005 are set out at Appendix H. The level of fees and charges is subject to review in end 2005 alongside the review on the overall textiles import and export arrangements.

(VII) COMPLIANCE WITH CONSIGNMENT CHECK, PRODUCTION CHECK AND FACTORY AUDIT CHECK REQUIREMENTS

44. In order to uphold the integrity of the textiles import and export control system, the Trade and Industry Department, in conjunction with the Customs and Excise Department, will continue to conduct various forms of checks including consignment check, production check and factory audit check to verify the accuracy of material particulars or other relevant information declared on import licences/export licences/comprehensive licences/certificates of origin/production notifications/textiles notifications, so as to verify the production capacity of a factory against its export performance and to ensure that the provisions of the textiles import and export control system are being complied with. Compliance of consignment check, production check and factory audit check requirements is a condition of licence, certificate of origin, production notification, Textiles Trader Registration as well as Factory Registration. For details of consignment check, production check and factory audit check requirements, please refer to Notice to Exporters: Series 1 (USA) No. 66/2003, Series 2 (EU) No. 51/2003, Series 3 (Countries other than USA and EU) No. 56/2003, Certificate of Origin Circular No. 22/2003 cum Certificate of Preference Circular No. 19/2003 all dated 14 November 2003.

45. Failure to comply with any of consignment check, production check or factory audit check requirements or failure to render all necessary assistance and co-operation to officers of the Customs and Excise Department in conducting the checks including the provision of sample(s) of any article for the retention of officers of the Customs and Excise Department for examination and inspection purposes may be liable to legal and/or administrative actions as elaborated in paragraphs 48-50.

(VIII) IMPORTANT NOTES

46. Traders are requested to note that goods claiming Hong Kong origin must have undergone principal process(es) of manufacture in Hong Kong. These are process(es) which permanently and substantially change the shape, nature, form or utility of the basic materials used in manufacture, as laid down by the Director-General of Trade and Industry in Certificate of Origin Circulars.

(IX) WARNING

47. The Trade and Industry Department works closely with the Customs and Excise Department, through checks and inspections, to ensure compliance with the provisions of the textiles import and export control system. The Department takes a serious view of traders who breach any of the provisions of the textiles import and export control system. A company/registered business which commits an offence under the Import and Export Ordinance is liable upon conviction to a maximum penalty of a fine of HK\$500,000 and two years' imprisonment.

48. Moreover, it is the Department's policy to take administrative actions against importers/exporters/manufacturers/subcontractors and any other parties concerned in cases of malpractice relating to the importation, exportation, re-exportation and/or transshipment of textile products, or infringement of textiles origin rules, independent and irrespective of any prosecution action which may be instituted against them. The Department also reserves the right to take administrative actions where, in its view, there is evidence which shows a company/registered business' involvement in any form of malpractice including falsifying of particulars affecting any licence / certificate of origin / production notification / textiles notification or document in support thereof.

49. Administrative actions may be taken against cases of transshipment fraud or other textiles related malpractice irrespective of, among others, the following circumstances:

- (a) whether the companies/registered businesses concerned are involved in the import, export, re-export and/or transshipment of textiles products or are parties to the licence / certificates of origin / production notifications / textiles notifications;
- (b) whether the shipment has been effected; or
- (c) whether licences, certificates of origin, production notifications and/or textiles notifications have been applied for, lodged, amended, cancelled or withdrawn.

50. These administrative actions may involve, but shall not necessarily be confined to, any or all of the following: suspension and revocation of any exemption and/or registration granted under the Textiles Trader Registration Scheme without refund of the registration fee, and the refusal to renew any exemption and/or registration granted; suspension of all licensing facilities and all certification facilities including those relating to production notification; rejection of a licence/certificate of origin application or refusal to validate production notification; or in the event that a licence/certificate of origin/production

notification has already been issued/validated, cancellation, suspension and/or revocation of a licence/certificate of origin/production notification. In this eventuality, the Department will not accept any responsibility that may arise from the administrative actions so taken.

(X) **ENQUIRIES**

51. Should you require further information on this subject, please contact the following units:

<u>Units</u>	<u>Location</u> ⁴	<u>Telephone No.</u>
Customer Service Centre of the Textiles Controls Branch	2/F	2398 5288
Customer Service Centre of the Certification Branch	3/F	2398 5525
Textiles Trader Registration Scheme Unit	12/F	2398 5472
Textiles Import and Export Licensing Unit	1/F	2398 5464
Central Registration Office	1/F	2398 5512

Yours faithfully,



(Anthony HW SUEN)
for Director-General of Trade and Industry

Electronic services for Production Notification and Certificate of Origin enable traders to make the relevant applications directly through their office computer faster and easier. Electronic service has now been extended to the submission of Cargo Manifests and Textiles Notifications. For details and enquiries, please call Tradelink at **2599 1700**.

For free online access to selected Trade Information Circulars, please visit Trade and Industry Department's web portal at **www.tid.gov.hk**.

For enquiries and complaints about factory audit check, factory inspection, production verification and consignment checks, please contact the Customs and Excise Department at the following telephone numbers:

Factory Audit Check Division.....	2398 5218
Consignment and Factory Inspection Division 1	2398 5240
Consignment and Factory Inspection Division 2	2417 6011
Complaint Hotline	8100 3553

Note : The Chinese text of this Notice is for reference only. In case of discrepancies between the English and Chinese texts, the English text shall for all purposes be conclusive.

⁴ The Textiles Trader Registration Scheme Unit, Textiles Import and Export Licensing Unit and Central Registration Office will be relocated to 2/F, Trade and Industry Department Tower, 700 Nathan Road, Mongkok, Kowloon some time in January 2005.