

Annex 1

Arrangements for Implementation of Zero Tariff on Trade in Goods

1. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as the "CEPA"), the Mainland and the Hong Kong Special Administrative Region have concluded this Annex on the arrangements for implementation of zero tariff on trade in goods.

2. Hong Kong shall continue to apply zero tariff to all imported goods of Mainland origin.

3. From 1 January 2004, the Mainland shall implement by stages zero tariff on imported goods of Hong Kong origin. The term "imported goods of Hong Kong origin" refers to those goods that fulfil the requirements stipulated in Annex 2 of the "CEPA". The responsible department of the Hong Kong Special Administrative Region Government and its approved certificate issuing bodies shall issue certificates of origin under the "CEPA" according to the relevant laws of Hong Kong. Importers of goods subject to zero tariff under the "CEPA" shall submit to the Mainland Customs the certificates of origin issued by the responsible department of the Hong Kong Special Administrative Region Government or its approved certificate issuing bodies in accordance with the procedures set out in Annex 3 of the "CEPA".

4. From 1 January 2004 the Mainland shall apply zero tariff to imported goods of Hong Kong origin as set out in Table 1 of this Annex. Table 1 forms an integral part of this Annex. Changes in the Mainland tariff codes will result in corresponding changes in the tariff codes set out in Table 1. In submitting applications for

goods subject to zero tariff, Hong Kong manufacturers should refer to the prevailing tariff codes of the Mainland in that year.

5. The Mainland shall apply zero tariff to imported goods of Hong Kong origin other than those set out in Table 1 of this Annex no later than 1 January 2006. The detailed implementation procedures are as follows:

(1) Application and Verification

1. From 1 January 2004, Hong Kong manufacturers may, in accordance with the relevant rules of the Hong Kong Special Administrative Region Government, submit applications for goods subject to zero tariff to the Hong Kong Trade and Industry Department.
2. The applicants shall present the Hong Kong Trade and Industry Department with information and data including description of the goods, production capacity or projected level of production.
3. The Hong Kong Trade and Industry Department and the Hong Kong Customs and Excise Department shall verify and certify the information provided by the applicants, and compile such information respectively into categories of goods currently produced and proposed to be produced.

(2) Confirmation and Consultation

1. Prior to 1 June each year, the Hong Kong Trade and Industry Department shall submit the consolidated information and data on description of goods, production capacity or projected level of production to the Ministry of Commerce.
2. In conjunction with other relevant Mainland departments, the Ministry of Commerce and the Hong

Kong Trade and Industry Department shall jointly examine and confirm the list of goods before 1 August of the same year.

3. After confirmation of the list of goods, the Customs General Administration and the Hong Kong Trade and Industry Department shall enter into consultations on the rules of origin for the relevant goods. The two sides shall complete the consultations on the rules of origin before 1 October of that year.

(3) Promulgation and Implementation

1. For goods under current production in Hong Kong, the Mainland shall, in accordance with the consensus reached between the two sides, add the list of goods and the corresponding rules of origin to Table 1 of this Annex and Table 1 of Annex 2 respectively. As from 1 January of the year following the completion of consultations, the Mainland shall, release the relevant imports on zero tariff basis in line with the “CEPA” upon presentation of the certificates of origin issued by the Hong Kong issuing authorities.
2. For products proposed to be produced, the Mainland shall, in accordance with the consensus reached between the two sides, add the rules of origin of the goods concerned into Table 1 of Annex 2. 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, add the list of goods to Table 1 of Annex 1. As from 1 January of the year following confirmation by both sides, the Mainland shall, upon presentation of the certificates of origin issued by the Hong Kong issuing authorities, release the relevant

imports on zero tariff basis in line with the “CEPA”.

3. Both sides shall promulgate the confirmed list of goods and the rules of origin prior to 1 December each year.

(4) The timetable for tariff reduction will be deferred by one year if information on goods seeking for zero tariff treatment under the “CEPA” is submitted by the Hong Kong Trade and Industry Department to the Ministry of Commerce after 1 June each year.

6. In the event that the implementation of this Annex causes substantial impact on the trade and relevant industries of either side, the two sides shall, at the request of one side, conduct consultations on the relevant provisions of this Annex.

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

Signed in duplicate in Hong Kong, this 29th day of September, 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)