

Annex 2

Supplements and Amendments II to the Mainland's Specific Commitments on Liberalization of Trade in Services for Hong Kong¹

| | |
|------------------------|---|
| Sectors or sub-sectors | 1. Business services |
| | A. Professional services |
| | a. Legal services (CPC861) |
| Specific commitments | <p>1. To allow a Hong Kong law firm (office) that has set up a representative office in the Mainland to operate in association with one Mainland law firm situated in the province, autonomous region or municipality where its representative office is situated.</p> <p>2. A Hong Kong resident who is allowed to practise in the Mainland will practise in one Mainland law firm only, and will not simultaneously be employed by the representative office set up by a law firm of a foreign country in China, or the representative office set up by a law firm of Hong Kong or Macao in the Mainland.</p> |

¹ Sectoral classification is based on WTO's GATS Services Sectoral Classification List (GNS/W/120). For the contents of the sectors, reference is made to the relevant CPC, United Nations Provisional Central Product Classification.

| | |
|------------------------------|--|
| Sectors or sub-sectors | 1. Business services |
| | A. Professional services |
| | b. Accounting, auditing and bookkeeping services (CPC862) |
| Specific commitments | The validity period of the "Temporary Business Permit", applied by Hong Kong accounting firms for the purpose of conducting business on a temporary basis in the Mainland, is extended from one year to two years. |

| | |
|------------------------|--|
| Sectors or sub-sectors | <p>1. Business services</p> <hr/> <p>A. Professional services</p> <p>d. Architectural services (CPC8671)</p> <p>e. Engineering services (CPC8672)</p> <p>f. Integrated engineering services (CPC8673)</p> <p>g. Urban planning services and landscape architectural services (except general urban planning) (CPC8674)</p> |
| Specific commitments | <p>1. For construction and engineering design enterprises and urban planning service enterprises set up in the Mainland by Hong Kong service suppliers, the performance of the enterprises both in Hong Kong and in the Mainland is taken into account in assessing the qualification of the enterprises in the Mainland.</p> <p>2. To relax the following requirements under Article 15 of the Ministry of Construction Decree No. 114 "Regulations on Administration of Foreign-Invested Construction and Engineering Design Enterprises", namely, on the criteria for application for construction and engineering design enterprise qualifications by a wholly foreign-owned construction and engineering design enterprise set up by a Hong Kong service supplier in the Mainland , the number of Hong Kong residents qualified as certified architects or certified engineers in China and the number of Hong Kong residents having the relevant design experience should not be less than 1/4 of the total certified professionals and total key technical personnel required under the qualification grading criteria; on the criteria for</p> |

application for construction and engineering design enterprise qualifications by an equity or contractual joint venture construction and engineering design enterprise set up by a Hong Kong service supplier in the Mainland, the number of Hong Kong residents qualified as certified architects or certified engineers in China and the number of Hong Kong residents having the relevant design experience should not be less than 1/8 of the total certified professionals and total key technical personnel required under the qualification grading criteria.

3. For urban planning service enterprises, in the form of equity joint ventures or contractual joint ventures, set up in the Mainland by two or more Hong Kong service suppliers, the performance of all individual enterprises both in Hong Kong and in the Mainland can be combined together in assessing the qualification of the equity joint ventures or contractual joint ventures enterprises in the Mainland.

4. To relax the requirement of the residential period in the Mainland for Hong Kong professional and technical staff by counting their period of residence in Hong Kong as their period of residence in the Mainland.

| | |
|------------------------------|--|
| Sectors or sub-sectors | 2. Communications services |
| | D. Audiovisual services |
| | <p>Videos distribution services (CPC83202), Sound recording products distribution services</p> <p>Cinema theatre services</p> <p>Chinese language motion pictures and motion pictures jointly produced</p> <p>Technical services of cable television</p> <p>Jointly produced television dramas</p> |
| Specific commitments | <p>Cinema theatre services</p> <p>Hong Kong service suppliers are permitted to establish wholly-owned companies in the Mainland, each of which may construct or renovate more than one cinema theatre at more than one location for the operation of film screening business.</p> |
| | <p>Chinese language motion pictures and motion pictures jointly produced</p> <p>1. The Cantonese version of motion pictures co-produced by Hong Kong and the Mainland is permitted to be distributed and screened in Guangdong Province, after obtaining the approval of the relevant authorities in the Mainland; the Cantonese version of motion pictures produced by Hong Kong and solely imported by the Film Import and Export Corporation of the China Film Group Corporation is permitted to be</p> |

| | |
|--|---|
| | <p>distributed and screened in Guangdong Province, after being examined by and obtaining the approval of the relevant authorities in the Mainland.</p> <p>2. The import of Chinese language motion pictures made by production companies which are set up in accordance with the relevant laws of the Hong Kong Special Administrative Region and which own more than 50% of the copyright of the motion pictures concerned¹ is exempted from quota restrictions for distribution in the Mainland, after being examined by and obtaining the approval of the relevant authorities in the Mainland.</p> |
| | <p>Jointly produced television dramas</p> <p>Television dramas co-produced by the Mainland and Hong Kong should be subject to the same standard on the number of episodes as that applicable to Mainland domestically-produced television dramas.</p> |

¹ Hong Kong residents should comprise more than 50% of the total principal personnel in the motion pictures concerned. Principal personnel includes personnel performing the roles of director, screenwriter, leading actor, leading actress, supporting actor, supporting actress, producer, cinematographer, editor, art director, costume designer, action choreographer, and composer of the original film score.

| | |
|------------------------|---|
| Sectors or sub-sectors | <p>4. Distribution services</p> <p>A. Commission agents' services (excluding salt and tobacco)</p> <p>B. Wholesale trade services (excluding salt and tobacco)</p> <p>C. Retailing services (excluding tobacco)</p> |
| Specific commitments | <p>1. To allow Hong Kong service suppliers to operate commission agents' services in respect of chemical fertilizers, processed oil and crude oil, and wholesale trade services and retailing services in respect of chemical fertilizers, on a wholly-owned, equity joint venture, or contractual joint venture basis.</p> <p>2. For the same Hong Kong service supplier which opens more than 30 stores accumulatively in the Mainland, if the commodities for sale include books, newspapers, magazines, automobiles (this restriction to be lifted from 11 December 2006), pharmaceutical products, pesticides, mulching films, chemical fertilizers, staple food, vegetable oil, edible sugar and cotton, and the above commodities are of different brands and come from different suppliers, the Hong Kong service supplier is allowed to become the controlling shareholder, with the proportion of capital contribution not exceeding 51%¹.</p> |

¹ If the commodity for sale is processed oil, Mainland's commitments to members of the World Trade Organization are still applicable.

| | |
|------------------------|--|
| Sectors or sub-sectors | <p>7. Financial services</p> <p>B. Banking and other financial services (excluding insurance and securities)</p> <p>a. Acceptance of deposits and other repayable funds from the public;</p> <p>b. Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction;</p> <p>c. Financial leasing;</p> <p>d. All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts (including import and export settlement);</p> <p>e. Guarantees and commitments;</p> <p>f. Trading for own account or for account of customers: foreign exchange.</p> |
| Specific commitments | <p>The level of operating funds required of Mainland branches of Hong Kong banks for offering renminbi and foreign currency businesses to local customers will be assessed on the basis of all Mainland branches of the bank concerned rather than each branch individually, and on the condition that the average level of operating funds of all Mainland branches of the bank concerned is over RMB500 million, the requirement on the level of operating fund of an individual branch should not be less than RMB300 million.</p> |

| | |
|------------------------|--|
| Sectors sub-sectors | <p>or 9. Tourism and travel related services</p> <p>A. Hotels (including apartment buildings) and restaurants (CPC641-643)</p> <p>B. Travel agency and tour operator (CPC7471)</p> <p>D. Others</p> |
| Specific commitments | <p>To lower the entry requirement in the Mainland for Hong Kong travel agencies: the annual business turnover of the Hong Kong travel enterprises should not be less than US\$25 million for setting up wholly owned travel agencies in the Mainland; and not less than US\$12 million for setting up joint venture travel agencies in the Mainland.</p> |

| | |
|------------------------|---|
| Sectors or sub-sectors | <p>11. Transport services</p> <p>A. Maritime transport services</p> <p>H. Auxiliary services</p> <p>International transport (freight and passengers transport and towing services) (CPC7211, 7212, 7214, less cabotage transport services)</p> <p>Container station and depot services</p> <p>Other</p> |
| Specific commitments | <p>1. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide, for tugs that they operate between Hong Kong and Mainland ports, regular services such as shipping undertaking, issuance of bills of lading, settlement of freight rates and signing of services contracts, etc.¹</p> <p>2. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide ship maintenance and repair services.</p> <p>3. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide services of international ocean container leasing, buying and selling as well as trading of container parts.</p> |

¹ The requirement that “50% or more of the ships owned by it, calculated in terms of tonnage, should be registered in Hong Kong” as set out in Annex 5 of “CEPA” is not applicable to Hong Kong service suppliers which provide towing services.

| | |
|--|---|
| | 4. To allow Hong Kong service suppliers to set up wholly-owned companies in the Mainland to provide ship survey services for ships registered in Hong Kong. |
|--|---|

| | |
|------------------------------|---|
| Sectors or sub-sectors | 11. Transport services |
| | C. Air transport services |
| | <p>Airport operation services (excl. cargo handling) (CPC74610)</p> <p>Other supporting services for air transport (CPC74690)</p> <p>Sales and marketing services for air transport</p> |
| Specific commitments | To allow Hong Kong service suppliers to set up enterprises in the form of equity joint venture or contractual joint venture in the Mainland to provide air transport sales agency services. The registered capital requirement will be the same as that for Mainland enterprises. |

| | |
|------------------------|---|
| Sectors or sub-sectors | Service sectors (sectors not set out in GNS/W/120) Individually owned stores |
| Specific commitments | To allow Hong Kong permanent residents with Chinese citizenship to set up, in accordance with the relevant Mainland laws, regulations and administrative regulations, individually owned stores in all provinces, autonomous regions, municipalities directly under the Central Government in the Mainland without being subject to the approval procedures applicable to foreign investments, to provide the following four kinds of services (excluding franchising operation): import and export of goods and technologies; photography and photographic processing services; washing, cleaning and dyeing services; and repair and maintenance of motor vehicles and motorcycles. No more than 8 persons should be engaged in the operation of the individually owned stores, and the business area of such stores should not exceed 300 square meters. |