

## [Cursory Translation]

### Annex 2

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## Part I Schedule of the Mainland<sup>①</sup>

### Table 1 (Negative List of Non-Rollback Provisions)

#### Notes

1. Pursuant to Article 9 (Non-Conforming Measures), the schedule of the Mainland in this Annex stipulates the existing measures which are not subject to some or all of the obligations imposed by the following provisions:
  - 1) Article 5 (National Treatment);
  - 2) Article 6 (Most-Favoured Treatment);
  - 3) Article 7 (Performance Requirements); or
  - 4) Article 8 (Senior Management, Boards of Directors and Entry of Personnel).
  
2. Each item stipulates that:
  - 1) **sector** refers to the corresponding sector of the item as agreed by the two sides;
  - 2) **obligations concerned** clarifies the provisions aforementioned in paragraph 1. Pursuant to sub-paragraph 1(i) of Article 9 (Non-Conforming Measures), the provisions as mentioned do not apply to the non-conformities of the **description** as referred to in paragraph 3; and
  - 3) **description** sets out the contents of the non-conforming measures of the item.
  
3. Pursuant to sub-paragraph 1(i) of Article 9 (Non-Conforming

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<sup>①</sup> For greater certainty, the Schedule in this Part does not apply to measures affecting any sectors and any forms of investments covered by the Agreement on Trade in Services of CEPA.

Measures) and subject to sub-paragraph 1(iii) of Article 9 (Non-Conforming Measures), the provisions of this Agreement listed in the **obligations concerned** of an item do not apply to the non-conformities in the **description** of that item.

4. When interpreting an item of the schedule, all parts of the item and the corresponding provisions of this Agreement for that item should be considered. Unless otherwise clearly provided in a particular item, the **description** prevails over all other parts in the interpretation of an item.
5. Where there is any overlap between Table 1 and Table 2, notwithstanding the obligations under paragraph 1 of Article 9 and this Annex, one side still holds the right to adopt or maintain the relevant measures under paragraph 2 of Article 9 and Table 2.
6. For the purpose of the schedule of the Mainland in this Annex:
  - 1) **Hong Kong investors** should meet the relevant requirements of Annex 1 to this Agreement.
  - 2) **Hong Kong investors shall not invest** refers to the fact that Hong Kong investors shall not invest directly or indirectly in the Mainland, including directly or indirectly possessing shareholding, shares of any amount, or other forms of investment interests.
  - 3) **the Mainland side being the controlling shareholder** refers to the situation that the sum of proportion of direct or indirect investments made by external investors (including

Hong Kong investors) shall not exceed 49%.

- 4) **the Mainland side being the corresponding controlling shareholder** refers to the sum of proportion of investments made by investors of the Mainland in a foreign-funded enterprise is larger than the proportion of investment made by external investors.
- 5) **restricted to equity joint venture** refers to the fact that only equity joint venture by investors from the two sides are allowed.
- 6) **investment proportion** refers to the proportion of accumulated investments or shareholding of direct or indirect investments made by an investor and its related parties in individual enterprises.
- 7) **Hong Kong financial institution** refers to an institution that is registered in Hong Kong and its establishment has been approved or permitted and is regulated by financial regulatory authorities in the area it is located.

**Table 1 Item 1 - Development of Exclusive Economic Zones  
and Continental Shelf**

<b>Sector:</b>	Development of Exclusive Economic Zones and Continental Shelf
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	Any organisations or individuals (including international organisations) from Hong Kong shall obtain the approval from the Central Government or relevant Mainland authorities to develop the natural resources of the Exclusive Economic Zones and continental shelf, or to drill for any purposes on the continental shelf, as stipulated in the Law on the Exclusive Economic Zone and the Continental Shelf.

## Table 1 Item 2 - Exploitation of Petroleum Oil and Natural Gas

<b>Sector:</b>	Exploitation of Petroleum Oil and Natural Gas
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	Hong Kong investors can only exploit petroleum oil, natural gas or coal seam gas through signing of production sharing contract with petroleum oil and gas companies <sup>②</sup> which are approved by the Central Government or relevant Mainland authorities to have the franchise of forming partnerships with foreign investments.

For the purpose of land-based petroleum oil, natural gas or coal seam gas, when the franchise is completely liberalised to Mainland investors, Hong Kong investors are allowed to perform exploitation of land-based petroleum oil, natural gas or coal seam gas the form of equity joint venture or cooperation.

For greater certainty, the investments made by Hong Kong investors in the exploitation of non-

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<sup>②</sup> For the purpose of this item, "Petroleum oil and gas companies which are approved by the Central Government or relevant Mainland authorities to have the franchise of forming partnerships with foreign investments" refers to companies that have been approved by the Central Government or relevant Mainland authorities to be responsible for forming partnerships with foreign investments in the exploitation of land-based petroleum oil resources (petroleum oil and natural gas businesses), marine petroleum oil resources (petroleum oil and natural gas businesses) and coal seam gas business respectively. The companies currently responsible for forming partnerships with foreign investments in the business of land-based petroleum oil exploitation are China National Petroleum Corporation and China Petrochemical Corporation (Sinopec Group); the company responsible for forming partnerships with foreign investments in the business of marine petroleum oil exploitation is China National Offshore Oil Corporation; while the companies exploiting coal seam gas include China United Coalbed Methane Corporation, Limited and other companies designated by the State Council. The above companies hold the franchise of performing exploration, development and production of petroleum oil and natural gas in partnership with foreign enterprises in the zones (waters) approved by the State Council.

conventional resources, such as oil shale, oil sands or shale gas, are not restricted by the measures of this item.

### **Table 1 Item 3 - Exploitation and Smelting of Mineral Products**

**Sector:** Exploitation and Smelting of Mineral Products

**Obligations** National Treatment (Article 5)

**concerned:**

**Description:**

1. Hong Kong investors shall not invest in the exploitation of rare earths. Investments of Hong Kong investors in smelting and separation of rare earths are restricted to equity joint ventures.
2. Hong Kong investors shall not invest in the exploitation of tungsten, molybdenum, tin, antimony or fluorite.
3. Hong Kong investors are restricted to equity joint ventures in the investment of graphite exploitation.



## **Table 1 Item 4 - Manufacture of Transportation Carriers**

<b>Sector:</b>	Manufacture of Transportation Carriers
<b>Obligations concerned:</b>	National Treatment (Article 5) Performance Requirements (Article 7)
<b>Description:</b>	<ol style="list-style-type: none"><li>1. The shareholding percentage of the Mainland side with respect to investments by Hong Kong investors in the manufacture of vehicles (passenger and commercial vehicles) or specialised vehicles shall not be less than 50%.</li><li>2. A Hong Kong investor may establish at most two equity joint venture enterprises manufacturing vehicle products of the same category (passenger or commercial vehicles). Investors who form equity joint ventures with Mainland partners to acquire other Mainland automobile manufacturing enterprises are exempted from the above restriction.</li><li>3. The Mainland side must be the controlling shareholder in the investments of Hong Kong investors in the manufacture of ground effect or water effect aeroplanes and the manufacture of drones and aerostats.</li></ol>

## Table 1 Item 5 - Franchise Authorised by the Government

<b>Sector:</b>	Franchise Authorised by the Government
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	Hong Kong investors shall not invest in the production of tobacco leaves, cigarettes, re-dried tobacco leaves, cigars, smoking tobacco and other tobacco products <sup>③</sup> .

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<sup>③</sup> For the purpose of this item, tobacco products refer to products entirely or partially produced with tobacco leaves as the raw ingredient for inhaling, sucking, chewing or snorting.

## Table 1 Item 6 - Atomic Energy

**Sector:** Atomic Energy

**Obligations** National Treatment (Article 5)

**concerned:**

**Description:** Hong Kong investors shall not invest in the exploitation, smelting, purification, conversion or isotope separation of radioactive mineral resources or the production and processing of nuclear fuels.

## **Table 1 Item 7 - All Sectors**

**Sector:** All Sectors

**Obligations** National Treatment (Article 5)

**concerned:**

**Description:** With respect to the sectors involved in the non-conforming measures in Table 1 and Table 2 of Annex 2 to this Agreement, the relevant Mainland authorities will administer the admission of investments by Hong Kong investors.

## Table 1 Item 8 - All Sectors

<b>Sector:</b>	All Sectors
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	<p>1. Hong Kong investors investing in the Mainland shall register for foreign exchange in accordance with regulations, and comply with relevant regulations on foreign exchange management with respect to the opening of accounts, transmission of capital, receiving and paying, cross-border securities investment quotas, etc. Hong Kong investors using Renminbi (RMB) for investments in the Mainland shall comply with the relevant regulations with respect to cross-border RMB business management.</p> <p>2. Unless otherwise provided in the following paragraphs, Hong Kong investors shall not trade via their own accounts or accounts of others in the exchange markets, open markets or over-the-counter markets in the Mainland<sup>④</sup>, or invest in the Mainland by other means:</p> <ol style="list-style-type: none"><li>1) money market instruments (including cheque, bill, deposit certificate);</li><li>2) foreign exchange;</li><li>3) derivative products including, but not limited</li></ol>

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<sup>④</sup> For greater certainty, Hong Kong investors shall not become ordinary members of stock exchanges or members of futures exchanges.

to, futures and options;

- 4) exchange rate and interest rate instruments, including products such as swaps, forward rate agreements, etc.;
- 5) transferable securities (except B-shares);
- 6) other negotiable instruments and financial assets.

3. Notwithstanding the requirements in paragraph 2 of this provision, Hong Kong investors, provided that they meet the requirements set by the Central Government or relevant authorities in the Mainland, shall be allowed to open relevant securities accounts and relevant futures accounts, including but not limited to:

- 1) Qualified Foreign Institutional Investors (including QFII and RQFII)<sup>⑤</sup>;
- 2) Hong Kong permanent residents working and living in the Mainland;
- 3) Hong Kong investors investing with reference to the strategic investment regime for foreign investors investing in Mainland listed companies;
- 4) Hong Kong natural persons as participants of equity incentive scheme of Mainland listed

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<sup>⑤</sup> For the purpose of this item, Qualified Foreign Institutional Investors (including QFII and RQFII) engaging in stocks or futures exchange etc. are subject to the following restrictions: need to obtain qualification approval of the China Securities Regulatory Commission and the quotas granted by the State Administration of Foreign Exchange, and to comply with the relevant requirements with respect to qualification approval, quotas, shareholding ratio, scope of investments, transmission of capital, lock-up period and proportional limitation of assets etc.

companies;

- 5) Hong Kong investors engaging in trades in specific types of Mainland futures;
- 6) nominee holders of Hong Kong investors participating in Shanghai Connect or Shenzhen Connect (i.e. Hong Kong Securities Clearing Company Limited);
- 7) nominee holders of Hong Kong investors participating in Bond Connect (i.e. debt securities custody and settlement institutions in Hong Kong designated by the Hong Kong Monetary Authority).

4. Notwithstanding the requirements in paragraph 2 of this provision, Hong Kong investors, provided that they meet the requirements set by the Central Government or relevant authorities in the Mainland, shall be allowed to invest in the interbank bond market:

- 1) Monetary authorities in Hong Kong, international financial organisations or sovereign wealth funds shall be allowed to engage in bond transactions in cash, bond repurchase, bond lending, bond futures, as well as interest rate swaps, forward rate agreements and other transactions approved by the People's Bank of China (PBOC) in the interbank market.

- 2) Qualified financial institutions such as Hong Kong commercial banks, insurance companies, securities firms, fund management companies and other asset management institutions, and their investment products, as well as mid-to long-term institutional investors such as pension funds, charity funds, endowment funds etc. shall be allowed to engage in trading approved by the PBOC, such as bond transaction in cash in the interbank bond market.
- 3) Qualified Foreign Institutional Investors (including QFII and RQFII) are allowed to engage in transactions approved by the PBOC, such as bond transaction in cash in the interbank bond market.
- 4) Hong Kong RMB business clearing banks or Hong Kong participating banks that have already entered the interbank bond market shall be allowed to engage in transactions in bond repurchase.

5. Notwithstanding the requirements in paragraph 2 of this provision, Hong Kong investors, provided that they meet the requirements offset by the Central Government or relevant authorities in the Mainland, shall be allowed to engage in foreign exchange



transactions in the Mainland interbank foreign exchange market: monetary authorities in Hong Kong, official reserve management institutions, international financial organisations, sovereign wealth funds, RMB business clearing banks, or Hong Kong participating banks of RMB purchase and sales business that meet certain requirements.

## Table 1 Item 9 - All Sectors

<b>Sector:</b>	All Sectors
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	<p>1. Hong Kong investors shall neither engage in business operations in the Mainland in the form of sole proprietors, nor become members of farmers' professional cooperatives.</p> <p>2. Hong Kong investors shall not establish foreign-funded partnership enterprises with respect to the industries, areas or businesses containing restrictions of "Hong Kong investors shall not invest", "the Mainland side being the controlling shareholder", "the Mainland side being the corresponding controlling shareholder" as set out in Table 1 and Table 2 of Annex 2 to this Agreement, as well as those with required foreign capital ratio.</p>

## Table 2 (Negative List of Rollback Provisions)

### Notes

1. Pursuant to Article 9 (Non-Conforming Measures), the schedule of the Mainland in this Annex stipulates, with respect to specific sectors, sub-sectors or activities, that the Mainland may maintain the existing restrictive measures or adopt revised or more restrictive measures that do not conform with the obligations under the following provisions:

- 1) Article 5 (National Treatment);
- 2) Article 6 (Most-Favoured Treatment);
- 3) Article 7 (Performance Requirements); or
- 4) Article 8 (Senior Management, Boards of Directors and Entry of Personnel).

2. Each item stipulates that:

- 1) **sector** refers to the corresponding sector of the item as agreed by the two sides;
- 2) **obligations concerned** clarifies the provisions mentioned in paragraph 1. Pursuant to paragraph 2 of Article 9 (Non-Conforming Measures), the provisions as mentioned do not apply to the non-conformities in the sectors, sub-sectors or activities listed in relevant provisions; and
- 3) **description** set out the scope of the sectors, sub-sectors or activities of the item.

3. Pursuant to paragraph 2 of Article 9 (Non-Conforming Measures), the provisions of this Agreement listed in the obligations

concerned of an item do not apply to the sectors, sub-sectors or activities in the description of that item.

4. For the purpose of the schedule of the Mainland in this Annex, **Hong Kong investors** should meet the relevant requirements of Annex 1 to this Agreement.

## Table 2 Item 1 - Atomic Energy

<b>Sector:</b>	Atomic Energy <sup>⑥</sup>
<b>Obligations concerned:</b>	National Treatment (Article 5) Performance Requirements (Article 7) Senior Management, Boards of Directors and Entry of Personnel (Article 8)
<b>Description:</b>	The Mainland reserves the right to adopt measures with respect to spent fuel reprocessing, nuclear facility decommissioning, radioactive waste disposal, and business in nuclear import.

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<sup>⑥</sup> For greater certainty, this item does not apply to Hong Kong investors investing in the construction and operation of nuclear power stations, and technologies in isotope, radiation and laser.

## **Table 2 Item 2 - Traditional Arts and Crafts and Chinese Medicines**

<b>Sector:</b>	Traditional Arts and Crafts and Chinese Medicines
<b>Obligations concerned:</b>	National Treatment (Article 5) Performance Requirements (Article 7) Senior Management, Boards of Directors and Entry of Personnel (Article 8)
<b>Description:</b>	The Mainland reserves the right to adopt or maintain any measures with respect to the traditional arts and crafts <sup>⑦</sup> in the production of rice paper and inksticks etc. The Mainland reserves the right to adopt or maintain any measures with respect to the application of processing techniques such as steaming, stir-frying, broiling or calcining of Chinese medicine decoction pieces, and the production of proprietary Chinese medicinal products formulated with confidential prescriptions.

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<sup>⑦</sup> For the purpose of this item, traditional arts and crafts refer to a variety of handicrafts and techniques that have a long history, involve exquisite skills, have been passed on from generation to generation, have complete technical processes, have been made of natural materials, have a distinct ethnic style and local features, and are renowned domestically and overseas.

### Table 2 Item 3 - Land

<b>Sector:</b>	Land
<b>Obligations</b>	National Treatment (Article 5)
<b>concerned:</b>	Performance Requirements (Article 7) Senior Management, Boards of Directors and Entry of Personnel (Article 8)
<b>Description:</b>	The Mainland reserves the right to adopt or maintain any measures with respect to restricting Hong Kong investors and their investments in the use of or contracting for the operation of agricultural lands <sup>⑧</sup> .

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<sup>⑧</sup> For the purpose of this item, agricultural lands refer to lands directly used for agricultural production, including cultivated land, forest land, grassland, land for irrigation and water conservancy, and water surfaces for aquaculture etc.

## Table 2 Item 4 - All Sectors

<b>Sector:</b>	All Sectors
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	<p>1. The Mainland, on the basis of foreign debts management system, reserves the right to adopt measures with respect to the borrowing of foreign debts by domestic enterprises and individuals.</p> <p>2. Notwithstanding the requirements in paragraph 1 of this provision, Hong Kong investors shall be allowed to provide Renminbi and foreign currency financing to Mainland domestic enterprises under the policy framework of Nationwide Macro-prudential Management of Full-scale Cross-border Financing.</p>



## Table 2 Item 5 - All Sectors

<b>Sector:</b>	All Sectors
<b>Obligations concerned:</b>	National Treatment (Article 5)
<b>Description:</b>	The Mainland reserves the right to adopt or maintain any measures with respect to policy-based or development financial services <sup>⑨</sup> received by Mainland investors and their investments.

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<sup>⑨</sup> For the purpose of this item, when this Agreement comes into effect, policy-based financial services refer to the relevant financial services provided by the Export-Import Bank of China, Agricultural Development Bank of China, and China Export and Credit Insurance Corporation; and development financial services refer to the relevant financial services provided by China Development Bank.

## Table 2 Item 6 - All Sectors

<b>Sector:</b>	All Sectors
<b>Obligations</b>	National Treatment (Article 5)
<b>concerned:</b>	Performance Requirements (Article 7) Senior Management, Boards of Directors and Entry of Personnel (Article 8)
<b>Description:</b>	<p>The Mainland reserves the right to adopt or maintain any measures with respect to the assessment, transfer and disposal of any types of interests resulting from direct or indirect investments by the government in an enterprise.</p> <p>For greater certainty, this item does not apply to the assessment, transfer or disposal of any types of interests resulting from direct or indirect investments by the government in an enterprise, if following the transaction, the relevant assets will no longer be owned by the government.</p>

## Table 2 Item 7 - Minority Nationalities

<b>Sector:</b>	Minority Nationalities <sup>⑩</sup>
<b>Obligations</b>	National Treatment (Article 5)
<b>concerned:</b>	Performance Requirements (Article 7) Senior Management, Boards of Directors and Entry of Personnel (Article 8)
<b>Description:</b>	The Mainland reserves the right to adopt or maintain any measures with respect to any rights of or preferential measures accorded to an area where people of a minority nationality live in a concentrated community in order to balance economic development and maintain social fairness.

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<sup>⑩</sup> For the purpose of this item, minority nationalities refer to the 55 nationalities other than Han nationality out of the 56 nationalities confirmed by the Central Government, with population lower than that of the Han nationality.

## Part II Schedule of Hong Kong <sup>⑪</sup> <sup>⑫</sup>

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<sup>⑪</sup> This is implemented in accordance with the relevant provisions of this Agreement. Non-conforming measures reserved by Hong Kong will be listed in this Annex after consultation between the two sides.

<sup>⑫</sup> For greater certainty, the Schedule in this Part does not apply to measures affecting any sectors and any forms of investments covered by the Agreement on Trade in Services of CEPA.