

[Cursory Translation]

**SUPPLEMENT VIII TO THE MAINLAND AND HONG KONG
CLOSER ECONOMIC PARTNERSHIP ARRANGEMENT**

To further enhance the level of economic and trade exchanges and cooperation between the Mainland^① and the Hong Kong Special Administrative Region (hereinafter referred to as “Hong Kong”), and pursuant to:

- the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “CEPA”) signed on 29 June 2003 and its Annexes signed on 29 September 2003;
- the Supplement to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement to the CEPA”) signed on 27 October 2004;
- the Supplement II to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement II to the CEPA”) signed on 18 October 2005;
- the Supplement III to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement III to the CEPA”) signed on 27 June 2006;
- the Supplement IV to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement IV to the CEPA”) signed on 29 June 2007;
- the Supplement V to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement V to the CEPA”) signed on 29 July 2008;
- the Supplement VI to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement VI to the CEPA”) signed on 9 May 2009;

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

- the Supplement VII to the Mainland and Hong Kong Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement VII to the CEPA”) signed on 27 May 2010;

the two sides agreed to sign this Supplement VIII on further liberalization of trade in goods and trade in services in the Mainland for Hong Kong, strengthening cooperation in the areas of finance and tourism, and promoting trade and investment facilitation.

I. Trade in Goods

Both sides agreed to amend Article 5(1)3 of Annex 2 of “CEPA” – “Rules of Origin for Trade in Goods” as follows:

- “3. ‘value-added content’ refers to the total value of raw materials and component parts originating in one side, combined with labour costs and product development costs incurred in that side, being greater than or equal to 30% of the FOB value of the exporting goods, and that the final manufacturing or processing operations should be completed in the area of that side. The formula for calculation is as follows:

$$\frac{\text{value of raw materials} + \text{value of component parts} + \text{labour costs} + \text{product development costs}}{\text{FOB value of the exporting goods}} \times 100\% \geq 30\%$$

- (i) ‘product development’ refers to product development carried out in the area of one side for the purposes of producing or processing the exporting goods. Development expenses incurred should be related to the exporting goods. These expenses include fees payable for the development of designs, patents, patented technologies, trademarks or copyrights (collectively ‘these rights’) carried out by the manufacturer himself, fees payable to a natural or legal person in the area of one side for undertaking development of these rights, and fees payable for purchasing these rights owned by a natural or legal

person in the area of one side. The fees payable should be clearly identifiable under generally accepted accounting principles and the requirements of 'Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994';

- (ii) calculation of the above 'value-added content' will be consistent with generally accepted accounting principles and the 'Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994';
- (iii) where one side incorporates raw materials and component parts originating in the other side as part of the exporting goods, such raw materials and component parts should be regarded as originating in that side in the calculation of the value-added content of the exporting goods; the value-added content of such exporting goods should be greater than or equal to 30%, and moreover, when the value of raw materials and component parts originating in that other side is not taken into account, the value-added content should be greater than or equal to 15%;

The above amendments will be implemented with effect from 1 April 2012.

II. Trade in Services

1. From 1 April 2012, the Mainland shall further relax the market access conditions in 13 areas, namely, legal, construction, technical testing and analysis services and product testing services, placement and supply services of personnel, distribution, insurance, banking, securities, hospital services, tourism, road transport, qualification examinations for professionals and technicians and individually owned stores etc., on the basis of the commitments on liberalization of trade in services under "CEPA", "Supplement to the CEPA", "Supplement II to the CEPA", "Supplement III to the CEPA", "Supplement IV to the CEPA", "Supplement V to the CEPA", "Supplement VI to the CEPA" and "Supplement VII to the CEPA", and to introduce liberalization measures in 3 new areas, namely, interdisciplinary research and experimental development services, services incidental to manufacturing, and library, archive, museum and other cultural

services. The specific contents are detailed in the Annex of this Supplement VIII.

2. The Annex of this Supplement VIII is a supplement and amendment to Table 1 of Annex 4 of “CEPA” – “The Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex 3 of “Supplement to the CEPA”- “Supplements and Amendments to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex 2 of “Supplement II to the CEPA”- “Supplements and Amendments II to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex of “Supplement III to the CEPA” - “Supplements and Amendments III to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex of “Supplement IV to the CEPA” - “Supplements and Amendments IV to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex of “Supplement V to the CEPA” - “Supplements and Amendments V to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”, Annex of “Supplement VI to the CEPA” - “Supplements and Amendments VI to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong” and Annex of “Supplement VII to the CEPA” - “Supplements and Amendments VII to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Hong Kong”. In the event of conflict with the provisions of the other eight instruments, the provisions of the Annex of this Supplement VIII shall prevail.

3. The two sides decided to amend Annex 5 of “CEPA”- “Definition of “Service Supplier” and Related Requirements” as follows:

1. To amend Article 3.1.2.(1) as:

“The nature and scope of the services provided in Hong Kong by a Hong Kong service supplier who intends to provide services in the Mainland should meet the requirements in Annex 4 and this Annex, and any restrictive requirements applicable to the nature and scope of the business of foreign investment entities in the laws, regulations and administrative regulations of the Mainland shall apply.”

2. To amend Article 6.1.1.(7) as:

“Original or copy of other relevant document(s) substantiating that the Hong Kong service provider engages in substantive business operations in Hong Kong, such as licences, permits, or confirmation letters issued by relevant authorities or bodies in Hong Kong relevant to the nature and scope of business in Hong Kong as required by the laws of Hong Kong, Annex 4 or this Annex.”

3. The above amendments will be implemented with effect from 1 April 2012.
4. “Service supplier” as referred to in the Annex of this Supplement VIII shall meet the relevant requirements of Annex 5 of “CEPA” – “Definition of “Service Supplier” and Related Requirements”.

III. Financial Cooperation

1. To support Mainland banks to make use of Hong Kong’s international financial platform to develop their international businesses on the premises of prudent operation.
2. To support Hong Kong insurance companies to enter the market through setting up business institutions or capital participation, so as to participate and share in the development of the Mainland insurance market. To enhance bilateral cooperation in areas such as development of insurance products, business operation and operational management, etc.

IV. Cooperation in Tourism

1. To jointly improve the quality of tourism services in the Mainland and Hong Kong; establish a coordination mechanism for strengthening the regulatory regime for the tourism market in the Mainland and Hong Kong; set the parameters for “honest and quality” practices of tourism enterprises; protect the lawful rights of tourists; and together strive for the healthy and orderly development of Mainland’s Hong Kong-bound tourism market.

2. To take forward the Mainland and Hong Kong's cooperation in overseas joint tourism promotion; joint development of "multi-destination" itineraries featuring the Mainland and Hong Kong; effective use of overseas tourism exhibitions for joint promotion; and closer cooperation between the overseas tourism offices of the two places.

3. To support the expansion of cooperation between the Mainland and Hong Kong tourism enterprises; encourage mutual entry of tourism enterprises and investments in the two places to enter each other's markets, support strategically Hong Kong service providers to set up travel agents in the Mainland; enhance the cooperation in research and development of tourism technologies and tourist attractions; and explore the way forward for cooperation in developing the tourism industry.

4. To introduce measures on joint personnel training, and for the development of the Mainland's tourism industry; and enhance support for developing Hong Kong as a homeport for cruise tourism.

V. Trade and Investment Facilitation

1. The two sides agreed to further strengthen cooperation in the areas of commodity inspection and quarantine, food safety and quality and standardization. Accordingly, the following are added to Article 5.2.2 of Annex 6 to "CEPA" - inspection and quarantine of animals and plants, and food safety :

"The two sides agreed to pursue active discussions on the 'Memorandum of Understanding between the General Administration of Quality Supervision, Inspection and Quarantine and the Commerce and Economic Development Bureau of Hong Kong on the Arrangements for the Inspection of Wines Imported into the Mainland through Hong Kong', so as to develop cooperation between the two sides actively."

2. The two sides agreed to further strengthen cooperation in the area of innovation and technology. Accordingly, the following subparagraphs 9.5.2.4 and 9.5.2.5 are added to Article 9.5.2 of Annex 6 to "CEPA", the contents of cooperation of which are:

“9.5.2.4 Further strengthen collaboration between the two places in the area of science and technology in coordination with the adoption and implementation of the national science and technology development plan for the 12th Five-year period and other relevant plans, for the purpose of further integration of Hong Kong’s science and technology resources into the national innovation system.

9.5.2.5 Strengthen the support on Hong Kong’s development in innovation and technology and continually expand new forms of cooperation in science and technology between the two places, such as to support the establishment of a branch of the Chinese National Engineering Research Centre in Hong Kong, and to set up a High-Tech Industrialization Base in an appropriate form in Hong Kong, etc.”

VI. Annex

The Annex to this Supplement VIII forms an integral part of this Supplement VIII.

VII. Coming into Effect

This Supplement VIII shall come into effect on the day of signature by the representatives of the two sides.

Signed in duplicate in Hong Kong, this 13th day of December, 2011 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