

China-Macao Closer Economic Partnership Arrangement Supplement II

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The Summary of the Supplement II to CEPA

The Mainland and Macao broke a new ground of the existing dynamics for trade cooperation as the conclusion of the Supplement II to CEPA has been reached on 21 October this year. According to the new CEPA supplements, further liberalization measures respectively for trade in goods and in services have been hammered out, such as the zero tariff treatment to imports of all products originating from Macao, and the new commitment breakthrough for Macao in various existing service sectors.

With respect to zero tariff treatment, the Mainland will, according to the Supplement II to CEPA, start from 2006 to apply zero tariff for imports of all ‘made in Macao’ products. Macao enterprises therefore can, in line with the revised procedures, submit their applications for zero tariff to the Macao Economic Services. The Macao Economic Services shall undertake verification and certification proceedings in conformity with the relevant CEPA rules, and shall submit the proposed product coverage, prior to 1 March and 1 September respectively each year, to the Ministry of Commerce. Having had consultation with regard to the rules of origin of the products concerned, the implementation of zero tariff treatment will accordingly take effect on the following 1 July and 1 January respectively.

Further, both sides agreed to expand the criteria determining rules of origin in terms of ‘Made in Macao’. Whereas the basic principles such as “manufacturing or processing operations”, “change in tariff heading”, “value-added content”, “other criteria” or “mixed criteria” to be applied have not been fully justified in the context of substantial transformation, the “other additional conditions” will be introduced. As a result, both sides may agree upon to adopt other additional conditions (such as brand requirement, etc.) for such determination. Hence, the new determining rule by “other additional conditions” renders market opportunities of China to products originating from Macao. According to the result achieved by consultation this year in relation to zero tariff treatment, a total of 91 Mainland Customs Tariff Codes will enjoy the zero tariff on import, leading to an aggregate of 600 Macao products benefiting from zero tariff preference under CEPA in 2006.

As far as trade in services is concerned, having been in place the existing opening commitments with respect to legal, accounting, construction, audiovisual, distribution, banking, tourism, transport, and individually owned stores, the market access criteria

of the aforesaid services have been further relaxed. The main relaxing measures are as follows:

- (1) Legal services - To allow Macao law firms, which have set up representative offices in the Mainland, to operate in association with Mainland law firms that are located in the same province, autonomous region and municipality directly under the Central Government;
- (2) Accounting, auditing and bookkeeping services - The validity period of the “Temporary Business Permit” applied by Macao auditing firms and auditors to conduct temporary services in the Mainland is extended from 1 year to 2 years;
- (3) Construction and related engineering services - To lower the criteria of qualification assessment, for construction and engineering design enterprises and urban planning service enterprises being set up in the Mainland by Macao service suppliers. The respective performance in Macao and the Mainland of these enterprises can both be taken into account in assessing its qualification in the Mainland. Further, the provision on the residency requirement in the Mainland for Macao professionals and technical staff may be relaxed, whereby the length of stay in Macao is deemed as the length of stay in the Mainland;
- (4) Audiovisual services - To allow Macao service suppliers to construct or renovate cinema theatres for the operation of film screening business at various locations on a wholly-owned basis. To allow motion pictures of Cantonese version, co-produced by Macao and the Mainland, to be distributed and screened in Guangdong Province after obtaining the approval of relevant authorities in the Mainland while the import of motion pictures of Cantonese version produced by Macao shall be limited to channel from China Film Import and Export Company of China Film Group. Besides, Chinese language motion pictures, with more than 50% of the copyright hold by a Macao film production unit, shall be imported for distribution in the Mainland on a quota-free basis. To allow television drama co-produced by Macao and the Mainland to be subject to the same standard of the number of episodes as those television dramas produced by the Mainland;
- (5) Distribution services - To allow Macao service suppliers to set up enterprises in the Mainland on a wholly-owned, equity joint venture or contractual joint venture basis to operate commission agents’ services in respect of chemical fertilizers, processed oil and crude oil, as well as wholesale and retailing services in respect of chemical fertilizers. An individual Macao service supplier is allowed to supply capital to acquire the controlling interest of the company, but not exceeding 51%, if the supplier has established an accumulative total of more than 30 outlets in the Mainland to operate services in respect of books, newspapers, magazines, motor

vehicles, pharmaceutical products, pesticides, pesticides mulching films, chemical fertilizers, staple food, vegetable oil, edible sugar and cotton of various brands from different suppliers;

- (6) Banking and other financial services (excluding insurance and securities) - To lower the operating capital requirement, for cases such as requiring operating capital to be injected into Mainland branches of Macao banks that operate on RMB and foreign exchange businesses to Mainland customers, individual assessment has been changed to overall assessment of all the branches. The operating capital of individual branches is allowed to be not less than RMB300 million, while the average operating capital of all branches in the Mainland reaches RMB500 million;
- (7) Tourism and travel related services - To relax the market access requirement for Macao travel agencies to operate business in the Mainland, the annual turnover requirement of the wholly-owned travel agency in the Mainland is lowered to USD25 million, while in the case of equity joint venture travel agency, the annual turnover requirement is lowered to USD12 million;
- (8) Transport services - To allow Macao service suppliers to set up wholly-owned companies in the Mainland to provide marine services, which includes: regular business services for towboats operation between ports in the Mainland and Macao, shipping undertaking, issuance of bills of lading, settlement of freight rates, signing of service contracts; ship maintenance and repair services; rental and trading services in respect of international maritime containers and trading services in respect of container parts; and ship examination services for vessels registered in Macao;
- (9) Airport services - To allow Macao service suppliers to set up air transport marketing agent enterprises in the form of equity joint venture or contractual joint venture in the Mainland. The registered capital requirement will be the same as that for Mainland enterprises;
- (10) Individually owned stores - To allow Macao permanent residents with Chinese citizenship to set up 4 additional categories of business in the form of individually owned stores in all provinces, autonomous regions, and municipalities directly under the Central Government in the Mainland. The categories include imports and exports of products and technology; photography and photographic processing services; washing, cleaning and dyeing services; and repair and maintenance of motor vehicles and motorcycles.

Courtesy Translation

Supplement II to the Mainland and Macao Closer Economic Partnership Arrangement

To further enhance the level of economic and trade exchanges and cooperation between the Mainland¹ and the Macao Special Administrative Region (hereinafter referred to as “Macao”), and pursuant to:

- the Mainland and Macao Closer Economic Partnership Arrangement (hereinafter referred to as “CEPA”) and its Annexes signed on 17 October 2003;
- the Supplement to the Mainland and Macao Closer Economic Partnership Arrangement (hereinafter referred to as “Supplement to CEPA”) signed on 29 October 2004;

the two sides agreed to sign this Supplement II on further liberalization of trade in goods and trade in services in the Mainland for Macao.

I. Trade in Goods

(1) From 1 January 2006, the Mainland shall fully implement zero tariff on imported goods of Macao origin². Imported goods subject to zero tariff must fulfill the rules of origin confirmed after consultation by both sides.

The rules of origin for goods of Macao origin for which consultations were completed by both sides in 2005 are listed in Annex 1 of this Supplement II. Annex 1 of this Supplement II is a supplement to Table 1 of Annex 2 of “CEPA” – “Schedule on Rules of Origin for Macao Goods Benefiting from Tariff Preference for Trade in Goods”.

Both sides agreed to amend the detailed implementation procedures in Article 5 of Annex 1 of “CEPA” – “Arrangements for Implementation of Zero Tariff on Trade in Goods” as follows:

“(1) Submission

- (1) From 1 January 2006, Macao manufacturers may submit lists of goods subject to zero tariff to the Macao Economic Services.
- (2) the Macao Economic Services shall, prior to 1 March and 1 September each year respectively, submit the list of goods verified and certified in accordance with relevant rules of the Macao Special Administrative Region Government to the Ministry of Commerce.

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

² Imported goods do not include those prohibited by the Mainland’s rules and regulations and those prohibited as a result of the implementation of international treaties by the Mainland, as well as products that the Mainland has made special commitments in relevant international agreements.

(2) Consultation and Promulgation

The Ministry of Commerce shall confirm and then pass the list of goods to the Customs General Administration. The Customs General Administration and the Macao Economic Services shall enter into consultation on the rules of origin for the relevant goods. The two sides shall complete the consultations on the rules of origin before 1 June and 1 December each year respectively, add the rules of origin of the relevant goods to Table 1 of Annex 2 of “CEPA”, and promulgate them.

(3) Implementation

The Mainland shall, no later than 1 July of the same year and 1 January of the following year respectively, release the relevant imports on zero tariff basis in line with “CEPA” upon presentation of the certificates of origin issued by the Macao Economic Services.”

(2) Article 5 of Annex 2 of “CEPA” – “Rules of Origin for Trade in Goods” is amended as follows:

“5. On the criteria for ‘substantial transformation’ set out in Article 2 (2) of this Annex, the two sides agree on the following:

(1) the criteria for determining ‘substantial transformation’ may include ‘manufacturing or processing operations’, ‘change in tariff heading’, ‘value-added content’, ‘other criteria’ or ‘mixed criteria’;

1. ‘manufacturing or processing operations’ refers to the principal manufacturing or processing operations carried out in the area of one side which confer essential characteristics to the goods derived after the operations;
2. ‘change in tariff heading’ refers to the processing and manufacturing operations of non-originating materials carried out in the area of one side and resulting in a product of a different four-digit tariff heading under the ‘Product Description and Harmonized System Codes’. Moreover, no production, processing or manufacturing operations will be carried out in countries or territories other than that side which will result in a change in the four-digit tariff heading;
3. ‘value-added content’ refers to the total value of raw materials, component parts, labour costs and product development costs exclusively incurred in one 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:

value of raw materials + value of component parts +

labour costs + product development costs

----- x 100% ≥ 30%

FOB value of the exporting goods

- (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’;
 4. ‘other criteria’ refers to methods agreed by both sides in determining ‘substantial transformation’, other than ‘manufacturing or processing operations’, ‘change in tariff heading’ and ‘value-added content’ as set out above.
 5. ‘mixed criteria’ refers to the use of two or more of the above criteria in determining origin.
- (2) other additional conditions. If the ‘substantial transformation’ criteria set out in paragraph (1) above are not adequate for determining origin, additional conditions can be used (such as brand requirement, etc) upon agreement by both sides.”

II. Trade in Services

(1) From 1 January 2006, the Mainland shall further relax the market access conditions in the areas of legal, accounting, audiovisual, construction, distribution, banking, tourism, transport and individually owned stores on the basis of the commitments on liberalization of trade in services under “CEPA” and “Supplement to CEPA”. The specific contents are detailed in Annex 2 of this Supplement II.

(2) Annex 2 of this Supplement II 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 Macao” and Annex 3 of “Supplement to CEPA” – “Supplements and Amendments to the Mainland’s Specific Commitments on Liberalization of Trade in Services for Macao”. In the event of conflict with the provisions of the other two instruments, the provisions of Annex 2 of this Supplement II shall prevail.

(3) “Service suppliers” as referred to in Annex 2 of this Supplement II shall meet the relevant requirements of Annex 5 of “CEPA” – “Definition of ‘Service Supplier’ and Related Requirements”.

III. Annexes

The Annexes to this Supplement II form an integral part of this Supplement II.

IV. Coming into Effect

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

Signed in duplicate in Macao, this 21st day of October, 2005 in the Chinese language.

Vice Minister of Commerce
People's Republic of China

Secretary for Economy and Finance
Macao Special Administrative Region
of the People's Republic of China

Courtesy Translation

Annex 1 :

Schedule on Rules of Origin for Macao Goods Benefiting from Tariff Preference for Trade in Goods in 2006 (I)

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
1	04100010	Salanganes' nests	(a) Spraying wet, taking out feathers, drying and setting; and (b) to fulfill the value-added content requirement.
2	12112010	Fresh or dried American ginseng	American ginseng harvested or collected in Macao.
3	20081999	Other nuts and seeds	Manufactured from unprocessed nuts and seeds. The principal processes are baking or cooking. If seasoning or/and coating is/are required, it/they must also be done in Macao.
4	22011010	Mineral waters, not containing added sugar nor flavoured.	(a) Manufactured from water in its natural state. The principal processes are purification, sterilisation and addition of minerals; and (b) to fulfill the value-added content requirement.
5	22019010	Natural waters	Purification and sterilisation.
6	22089090	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; other spirits and spirituous beverages	(a) Mixing, extracting essential liquids and regulating; and (b) to fulfill the value-added content requirement.
7	28510010	Distilled water for human consumption	Manufactured from natural water. The principal processes are filtration, distillation and sterilisation.
8	30045000	Other medicaments containing vitamins or other products of heading 29.36	Manufactured from chemical ingredients. The principal processes are dissolving and mixing according to proportion, ratio or scale to form tablets, cream or ointment, oral liquid preparation (elixir, oral solution, suspension), lotion, capsules or other forms of pharmaceutical products.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
9	30049051	Medicated liquors or wines, (mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses or in forms or packings for retail sale)	Manufactured from chemical ingredients. The principal processes are dissolving and mixing according to proportion, ratio or scale to form tablets, cream or ointment, oral liquid preparation (elixir, oral solution, suspension), lotion, capsules or other forms of pharmaceutical products.
10	38101000	Pickling preparations for metal surfaces; soldering, brazing or welding powders and pastes consisting of metal and other materials	Manufactured from chemical reaction of natural or chemical materials.
11	39011000	Polyethylene, in primary forms, specific gravity < 0.94	(1)Manufactured from polymers, cross linker and other chemical ingredients. The principal processes are blending or mixing, melting or fusion, extruding and pelletising; or (2)Manufactured from plastic wastes. The principal processes are granulating, extruding and cutting.
12	39012000	Polyethylene, in primary forms, specific gravity \geq 0.94	(1)Manufactured from polymers, cross linker and other chemical ingredients. The principal processes are blending or mixing, melting or fusion, extruding and pelletising; or (2)Manufactured from plastic wastes. The principal processes are granulating, extruding and cutting.
13	39021000	Polypropylene, in primary forms	1. Non-regenerated materials: Change in Tariff Heading; 2. Regenerated materials: Change in Tariff Heading, and products are produced from (a) Waste and scrap articles collected in Macao which are produced from consumption in Macao and fit only for the recovery of raw materials; or (b) Waste and scrap which are produced from processing or manufacturing operations in Macao and fit only for the recovery of raw materials.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
14	39033000	Acrylonitrile-butadiene-styrene (ABS) copolymers, in primary forms	1. Non-regenerated materials: Change in Tariff Heading; 2. Regenerated materials: Change in Tariff Heading, and products are produced from (a) Waste and scrap articles collected in Macao which are produced from consumption in Macao and fit only for the recovery of raw materials; or (b) Waste and scrap which are produced from processing or manufacturing operations in Macao and fit only for the recovery of raw materials.
15	39076019	Other Poly (ethylene terephthalate), in the form of slices or chips, of non-high viscosity	1. Non-regenerated materials: Change in Tariff Heading; 2. Regenerated materials: Change in Tariff Heading, and products are produced from (a) Waste and scrap articles collected in Macao which are produced from consumption in Macao and fit only for the recovery of raw materials; or (b) Waste and scrap which are produced from processing or manufacturing operations in Macao and fit only for the recovery of raw materials.
16	39076090	Other Poly (ethylene terephthalate), in primary forms	1. Non-regenerated materials: Change in Tariff Heading; 2. Regenerated materials: Change in Tariff Heading, and products are produced from (a) Waste and scrap articles collected in Macao which are produced from consumption in Macao and fit only for the recovery of raw materials; or (b) Waste and scrap which are produced from processing or manufacturing operations in Macao and fit only for the recovery of raw materials.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
17	39151000	Waste, parings and scrap, of polymers of ethylene	(1) Waste and scrap articles collected in Macao which are produced from consumption in Macao and fit only for the recovery of raw materials; or (2) Waste and scrap which are produced from processing or manufacturing operations in Macao and fit only for the recovery of raw materials.
18	39201090	Other plates, sheets, film, foil and strip, of polymers of ethylene, non-cellular	(1)Manufactured from rubber or plastics. The principal process is moulding; or (2)Manufactured from plastics/plastic granules or sheetings. The principal processes are pressing and cutting.
19	39202090	Other plates, sheets, film, foil and strip of polymers of propylene, non-cellular	(1)Manufactured from rubber or plastics. The principal process is moulding; or (2)Manufactured from plastics/plastic granules or sheetings. The principal processes are pressing and cutting.
20	39204900	Plates, sheets, film, foil and strip, of polymers of vinyl chloride, containing by weight less than 6% of plasticisers	(1)Manufactured from rubber or plastics. The principal process is moulding; or (2)Manufactured from PVC sheets. The principal processes are pressing and cutting.
21	39206200	Plates, sheets, film, foil and strip of poly (ethylene terephthalate)	(1)Manufactured from rubber or plastics. The principal process is moulding; or (2)Manufactured from plastics/plastic granules or sheetings. The principal processes are pressing and cutting.
22	46029000	Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from goods of heading 46.01 (of non-vegetable materials)	Change in Tariff Heading.
23	51071000	Yarn of combed wool, not put up for retail sale	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
24	51072000	Yarn of combed fibre of wool mixed with other fibres, not put up for retail sale	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
25	55096100	Yarn of acrylic or modacrylic staple fibres, mixed with wool or fine animal hair, not put up for retail sale	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
26	55096900	Other yarn of acrylic or modacrylic staple fibres, mixed with other fibres, not put up for retail sale	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
27	55102000	Other yarn of artificial staple fibres, mixed with wool or fine animal hair, not put up for retail sale	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
28	56031210	Nonwovens of man-made filaments, impregnated, coated, covered or laminated, weighing more than 25g /m2 but not more than 70g /m2	Change in Tariff Heading.
29	56031290	Other nonwovens of man-made filaments, weighing more than 25g /m2 but not more than 70g /m2	Change in Tariff Heading.
30	56031310	Nonwovens of man-made filaments, impregnated, coated, covered or laminated, weighing more than 70g /m2 but not more than 150g /m2	Change in Tariff Heading.
31	56031390	Other nonwovens of man-made filaments, weighing more than 70 g /m2 but not more than 150 g /m2	Change in Tariff Heading.
32	56039210	Other nonwovens, impregnated, weighing more than 25g /m2 but not more than 70g /m2	Change in Tariff Heading.
33	56039290	Other nonwovens, weighing more than 25g /m2 but not more than 70g /m2	Change in Tariff Heading.
34	56039310	Other nonwovens, impregnated, weighing more than 70g /m2 but not more than 150g /m2	Change in Tariff Heading.
35	56039390	Other nonwovens, weighing more than 70g /m2 but not more than 150g /m2	Change in Tariff Heading.
36	56060000	Gimped yarn, chenille yarn, loopwale-yarn	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
37	58081000	Braids in the piece	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
38	58089000	Ornamental trimmings in the piece, without embroidery, other than knitted or crocheted; tassels, pompons and similar articles	Manufactured from fibre or chemical compounds. The manufacturing process is spinning.
39	61111000	Babies' garments and clothing accessories, knitted or crocheted, of wool or fine animal hair	1. <u>Cut-and-sewn</u> : Assembly of parts into garment. The principal process is sewing of parts into garment. If linking and/or stitching is/are required, such process/processes must also be done in Macao. 2. <u>Piece-knitted</u> : (1) Manufactured from yarn. The principal process is knitting of yarn into knit-to-shape panel; or (2) Manufactured from knit-to-shape panels. The principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Macao.
40	61119000	Babies' garments and clothing accessories, knitted or crocheted, of other textile materials	1. <u>Cut-and-sewn</u> : Assembly of parts into garment. The principal process is sewing of parts into garment. If linking and/or stitching is/are required, such process/processes must also be done in Macao. 2. <u>Piece-knitted</u> : (1) Manufactured from yarn. The principal process is knitting of yarn into knit-to-shape panel; or (2) Manufactured from knit-to-shape panels. The principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Macao.
41	61121100	Track suits, knitted or crocheted, of cotton	1. <u>Cut-and-sewn</u> : Assembly of parts into garment. The principal process is sewing of parts into garment. If linking and/or stitching is/are required, such process/processes must also be done in Macao. 2. <u>Piece-knitted</u> : (1) Manufactured from yarn. The principal process is knitting of yarn into knit-to-shape panel; or (2) Manufactured from knit-to-shape panels. The principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Macao.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
42	61121900	Track suits, knitted or crocheted, of other textile materials	1. <u>Cut-and-sewn</u> : Assembly of parts into garment. The principal process is sewing of parts into garment. If linking and/or stitching is/are required, such process/processes must also be done in Macao. 2. <u>Piece-knitted</u> : (1) Manufactured from yarn. The principal process is knitting of yarn into knit-to-shape panel; or (2) Manufactured from knit-to-shape panels. The principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Macao.
43	61130000	Garments, made up of knitted or crocheted fabrics of heading 59.03, 59.06 or 59.07	1. <u>Cut-and-sewn</u> : Assembly of parts into garment. The principal process is sewing of parts into garment. If linking and/or stitching is/are required, such process/processes must also be done in Macao. 2. <u>Piece-knitted</u> : (1) Manufactured from yarn. The principal process is knitting of yarn into knit-to-shape panel; or (2) Manufactured from knit-to-shape panels. The principal process is linking of knit-to-shape panels into garment. If stitching is required, it must also be done in Macao.
44	62011900	Men's or boys' overcoats, capes and similar articles, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
45	62079100	Men's or boys' bathrobes, dressing gowns and similar articles, of cotton	Assembly of parts into garment. The principal process is sewing of parts into garment.
46	62079200	Men's or boys' bathrobes, dressing gowns and similar articles, of man-made fibres	Assembly of parts into garment. The principal process is sewing of parts into garment.
47	62079910	Men's or boys' bathrobes, dressing gowns and similar articles, of silk or silk waste	Assembly of parts into garment. The principal process is sewing of parts into garment.
48	62079990	Men's or boys' bathrobes, dressing gowns and similar articles, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
49	62089200	Women's or girls' singlets, vests, bathrobes and similar articles, of man-made fibres	Assembly of parts into garment. The principal process is sewing of parts into garment.
50	62089910	Women's or girls' singlets, vests, bathrobes and similar articles, of silk or silk waste	Assembly of parts into garment. The principal process is sewing of parts into garment.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
51	62089990	Women's or girls' singlets, vests, bathrobes and similar articles, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
52	62091000	Babies' garments and clothing accessories, of wool or fine animal hair	Assembly of parts into garment. The principal process is sewing of parts into garment.
53	62093000	Babies' garments and clothing accessories, of synthetic fibres	Assembly of parts into garment. The principal process is sewing of parts into garment.
54	62099000	Babies' garments and clothing accessories, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
55	62101010	Garments, made up of fabrics of heading 56.02 or 56.03, of wool or fine animal hair	Assembly of parts into garment. The principal process is sewing of parts into garment.
56	62101020	Garments, made up of fabrics of heading 56.02 or 56.03, of cotton or bast fibres	Assembly of parts into garment. The principal process is sewing of parts into garment.
57	62101030	Garments, made up of fabrics of heading 56.02 or 56.03, of man-made fibres	Assembly of parts into garment. The principal process is sewing of parts into garment.
58	62101090	Garments, made up of fabrics of heading 56.02 or 56.03, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
59	62102000	Other garments, of the type described in subheadings 6201.11 to 6201.19	Assembly of parts into garment. The principal process is sewing of parts into garment.
60	62103000	Other garments, of the type described in subheadings 6202.11 to 6202.19	Assembly of parts into garment. The principal process is sewing of parts into garment.
61	62104000	Other men's or boys' garments	Assembly of parts into garment. The principal process is sewing of parts into garment.
62	62105000	Other women's or girls' garments	Assembly of parts into garment. The principal process is sewing of parts into garment.
63	62113100	Men's or boys' track suits and other garments, of wool or fine animal hair	Assembly of parts into garment. The principal process is sewing of parts into garment.
64	62113290	Men's or boys' track suits and other garments, of cotton	Assembly of parts into garment. The principal process is sewing of parts into garment.
65	62113910	Men's or boys' track suits and other garments, of silk or silk waste	Assembly of parts into garment. The principal process is sewing of parts into garment.
66	62113990	Men's or boys' track suits and other garments, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
67	62114100	Women's or girls' track suits and other garments, of wool or fine animal hair	Assembly of parts into garment. The principal process is sewing of parts into garment.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
68	62114910	Women's or girls' track suits and other garments, of silk or silk waste	Assembly of parts into garment. The principal process is sewing of parts into garment.
69	62114990	Women's or girls' track suits and other garments, of other textile materials	Assembly of parts into garment. The principal process is sewing of parts into garment.
70	80012020	Solder	(1) Manufactured from tin ores or tin waste. The principal processes are selecting, calcination, chemical treatment, refining, cutting and forming; or (2) changed from any subheadings to this subheading.
71	84831010	Transmission shafts for ships	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, welding, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
72	84831090	Other transmission shafts and cranks	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, welding, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
73	84832000	Bearing housings, incorporating ball or roller bearings	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
74	84833000	Bearing housings, not incorporating ball or roller bearings; plain shaft bearings	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
75	84834010	Roller screws	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, welding, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
76	84834020	Planet decelerators	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, welding, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
77	84834090	Other gears and gearing	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, welding, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
78	84835000	Flywheels and pulleys, including pulley blocks	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
79	84836000	Clutches and shaft couplings (including universal joints)	(a) Metal working (the metal process may be carried out on imported component parts) and assembling in Macao. The principal processes are cutting, polishing, assembling and testing; and (b) to fulfill the value-added content requirement.
80	84839000	Toothed wheels and other transmission elements presented separately; parts	Change in Tariff Heading.
81	85049020	Parts of voltage-stabilized suppliers and uninterrupted power suppliers	Change in Tariff Heading.
82	85049090	Parts of other static converters and inductors	Change in Tariff Heading.

Serial No.	Mainland 2005 Tariff Codes	Product Description	Origin Criteria
83	85253099	Other television cameras not for special purposes	(a) Change in Tariff Heading, and (b) to fulfill the value-added content requirement.
84	90031100	Frames and mountings for spectacles, of plastics	(1) The principal processes are cutting, welding and winding; or (2) assembled in Macao, and to fulfill the value-added content requirement.
85	90031900	Frames and mountings for spectacles, of other materials	(1) The principal processes are cutting, welding and winding; or (2) assembled in Macao, and to fulfill the value-added content requirement.
86	90041000	Sunglasses	(1) The principal processes are cutting, welding and winding; or (2) assembled in Macao, and to fulfill the value-added content requirement.
87	90049010	Photochromic spectacles	(1) The principal processes are cutting, welding and winding; or (2) assembled in Macao, and to fulfill the value-added content requirement.
88	90049090	Other spectacles, goggles and the like, corrective, protective or other	(1) The principal processes are cutting, welding and winding; or (2) assembled in Macao, and to fulfill the value-added content requirement.
89	90303110	Digital multimeters, of measuring range of 5 1/2 or less	Change in Tariff Heading.
90	94059200	Parts of the articles of heading 9405, of plastics	Change in Tariff Heading.
91	94059900	Parts of the articles of heading 9405, of other materials	Change in Tariff Heading.

Note 1 : For the tariff codes, the corresponding product descriptions used in the 2005 “Customs Tariff of Import and Export of the People’s Republic of China” shall prevail.

Note 2 : To be eligible as goods of Macao origin that can enjoy the tariff preference under the CEPA, goods listed in the Schedule must comply with both the Rules of Origin for Trade in Goods in the CEPA and the origin criteria listed in this Schedule.

Note 3 : “Change in Tariff Heading” and the “Value-added content requirement” in the Schedule must comply with the relevant requirements set out in Article 5 of Annex 2.

Courtesy Translation

Annex 2

Supplements and Amendments II to the Mainland's Specific Commitments on Liberalization of Trade in Services for Macao¹

Sectors or sub-sectors	1. Business services
	A. Professional services
	a. Legal services (CPC861)
Specific commitments	<p>1. To allow a Macao 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 Macao 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 Macao auditing firms and auditors for the purpose of conducting business on a temporary basis in the Mainland, is extended from one year to two years.

Sectors sub-sectors	<p>or</p> <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 Macao service suppliers, the performance of the enterprises both in Macao 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 Macao service supplier in the Mainland, the number of Macao residents qualified as certified architects or certified engineers in China and the number of Macao 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 application for construction and engineering design enterprise qualifications by an equity or contractual joint venture construction and engineering design enterprise set up by a Macao service supplier in the Mainland, the number of Macao residents qualified as certified architects or certified engineers in China and the number of Macao 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.</p>

	<p>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 Macao service suppliers, the performance of all individual enterprises both in Macao 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.</p> <p>4. To relax the requirement of the residential period in the Mainland for Macao professional and technical staff by counting their period of residence in Macao as their period of residence in the Mainland.</p>
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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>Macao 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 Macao 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 Macao and solely imported by the Film Import and Export Corporation of the China Film Group Corporation is permitted to be 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 Macao 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 Macao should be subject to the same standard on the number of episodes as that applicable to Mainland domestically-produced television dramas.</p>

¹ Macao 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 Macao 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 Macao 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 Macao 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	7. Financial services
	<p data-bbox="612 331 1331 398">B. Banking and other financial services (excluding insurance and securities)</p> <ul style="list-style-type: none"> <li data-bbox="612 454 1331 521">a. Acceptance of deposits and other repayable funds from the public; <li data-bbox="612 562 1331 663">b. Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transaction; <li data-bbox="612 703 906 736">c. Financial leasing; <li data-bbox="612 777 1331 909">d. All payment and money transmission services, including credit, charge and debit cards, travellers cheques and bankers drafts (including import and export settlement); <li data-bbox="612 949 1066 983">e. Guarantees and commitments; <li data-bbox="612 1023 1331 1090">f. Trading for own account or for account of customers: foreign exchange.
Specific commitments	<p data-bbox="533 1124 1331 1447">The level of operating funds required of Mainland branches of Macao 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 or sub-sectors	<p>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 Macao travel agencies: the annual business turnover of the Macao 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	11. Transport services
	<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	<ol style="list-style-type: none"> 1. To allow Macao service suppliers to set up wholly-owned companies in the Mainland to provide, for tugs that they operate between Macao 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 2. To allow Macao service suppliers to set up wholly-owned companies in the Mainland to provide ship maintenance and repair services. 3. To allow Macao 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. 4. To allow Macao service suppliers to set up wholly-owned companies in the Mainland to provide ship survey services for ships registered in Macao.

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

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 Macao 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	<p>To allow Macao 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.</p>