

Courtesy Translation

Annex 1

Arrangements for Implementation of Zero Tariff for Trade in Goods

1. Pursuant to the Mainland and Macao Closer Economic Partnership Arrangement (hereinafter referred to as the “CEPA”), the Mainland and the Macao Special Administrative Region have concluded this Annex on the arrangements for implementation of zero tariff on trade in goods.
2. Macao shall continue to apply zero tariff to all imported goods of Mainland origin.
3. From 1 January 2004, the Mainland shall implement by stages zero tariff on imported goods of Macao origin. The term "imported goods of Macao origin" refers to those goods that fulfil the requirements stipulated in Annex 2 of the “CEPA”. The Macao Economic Services shall issue certificates of origin under the “CEPA” according to the relevant laws of Macao. Importers of goods subject to zero tariff under the “CEPA” should submit to the Mainland Customs the certificates of origin issued by the Macao Economic Services in accordance with the procedures set out in Annex 3 of the “CEPA”.
4. From 1 January 2004, the Mainland shall apply zero tariff to imported goods of Macao origin as set out in Table 1 of this Annex. Table 1 forms an integral part of this Annex. Changes in the Mainland tariff codes will result in corresponding changes in the tariff codes set out in Table 1. In submitting applications for goods subject to zero tariff, Macao manufacturers should refer to the prevailing tariff codes of the mainland in that year.
5. The Mainland shall apply zero tariff to imported goods of Macao origin other than those set out in Table 1 of this Annex no later than 1 January 2006. The detailed implementation procedures are as follows:

(1) Application and Verification

1. From 1 January 2004, Macao manufacturers may, in accordance with the relevant rules of the Macao Special Administrative Region Government, submit applications for goods subject to zero tariff to the Macao Economic Services.
2. The applicants shall present the Macao Economic Services with information and data including description of the goods, production capacity or projected level of production.

The Macao Economic Services shall verify and certify the information provided by the applicants, and compile such information respectively into categories of goods currently produced and proposed to be produced.

(2) Confirmation and Consultations

1. Prior to 1 June each year, the Macao Economic Services shall submit the consolidated information and data on description of goods, production capacity or projected level of production to the Ministry of Commerce.
2. In conjunction with other relevant Mainland departments, the Ministry of Commerce and the Macao Economic Services shall jointly examine and confirm the list of goods before 1 August of the same year.
3. After confirmation of the list of goods, the Customs General Administration and the Macao Economic Services shall enter into consultations on the rules of origin for the relevant goods. The two sides shall complete the consultations on the rules of origin before 1 October of that year.

(3) Promulgation and Implementation

1. For goods under current production in Macao, the Mainland shall, in accordance with the consensus reached between the two sides, add the list of goods and the corresponding rules of origin to Table 1 of this

Annex and Table 1 of Annex 2 respectively. As from 1 January of the year following the completion of consultations, the Mainland shall, release the relevant imports on zero tariff basis in line with the “CEPA” upon presentation of the certificates of origin issued by the Macao Economic Services.

2. For products proposed to be produced, the Mainland shall, in accordance with the consensus reached between the two sides, add the rules of origin of the goods concerned into Table 1 of Annex 2. After the applicant has put the proposed goods into production, the Macao Economic Services shall conduct verification inform the Ministry of Commerce. The Mainland shall, after confirmation by both sides, add the list of goods to Table 1 of Annex 1. As from 1 January of the year following confirmation by both sides, the Mainland shall, upon presentation of the certificates of origin issued by the Macao Economic Services, release the relevant imports on zero tariff basis in line with the “CEPA”.
3. Both sides shall promulgate the confirmed list of goods and the rules of origin prior to 1 December each year.
- (4) The timetable for tariff reduction will be deferred by one year if information on goods seeking for zero tariff treatment under the “CEPA” is submitted by the Macao Economic Services to the Ministry of Commerce after 1 June each year.
6. In the event that the implementation of this Annex causes substantial impact on the trade and relevant industries of either side, the two sides shall, at the request of one side, conduct consultations on the relevant provisions in this Annex.
7. This Annex shall come into effect on the day of signature by the representatives of the two sides.

Signed in duplicate in Macao, this 17th day of October, 2003 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

(Signature)

(Signature)