

(Unofficial English Translation)
(For Reference Only)

**Air Services Arrangement between the Mainland
and the Hong Kong Special Administrative Region**

The General Administration of Civil Aviation of China and the Economic Services Bureau of the Government of the Hong Kong Special Administrative Region (hereinafter referred to as “both sides”), pursuant to Article 131 of the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China, for the purpose of maintaining Hong Kong’s long-term prosperity and stability and its status as an international and regional aviation centre, and promoting the development of air transport between the Mainland and Hong Kong, have made the following arrangement:-

Article 1 Nature of Air Transport

Air transport between the Mainland and Hong Kong is specially managed domestic air transport by nature with reference made to the management of international air transport. Documents of international carriage shall be used and in respect of their liability provisions reference may be made to the relevant international conventions.

Article 2 Designation of and Authorisation of Airlines

1. Each side shall have the right to designate to the other side one or more airlines for the purpose of operating scheduled services on the specified routes, and to revoke or alter such designations.

2. On receipt of such a designation from the other side, each side shall immediately grant to the airline or airlines designated the appropriate operating authorisations.

3. When the designated airlines of both sides have been so authorised, they may begin to operate scheduled services on the dates specified in the authorisations in accordance with the relevant provisions of this Arrangement.

4. The designated airlines of both sides may wet-lease aircraft to operate scheduled services on the routes between the Mainland and Hong Kong on which they are designated. The logo of the lessor airline may be removed from or retained on the wet-leased aircraft. Designated airlines shall file their applications for wet-leasing aircraft for operating on specified routes in accordance with the procedures specified by both sides.

**Article 3 Revocation or Suspension of Operating
Authorisation or Additional Conditions**

1. Under one or more of the following circumstances, each side shall have the right to revoke or suspend the operating authorisation of an airline designated by the other side, or to impose additional conditions on that designated airline:

- (1) in case that designated airline fails to comply with the applicable laws mentioned in Article 4 of this Arrangement;
- (2) in case that designated airline fails to operate in accordance with the other conditions prescribed under this Arrangement.

2. Unless immediate revocation, suspension or addition of conditions mentioned in paragraph 1 of this Article is necessary to prevent further infringements of laws, such right shall be exercised only after consultations between the two sides.

Article 4 Applicable Laws

1. Unless otherwise specified, the laws of one side governing entry into or departure from the Mainland or Hong Kong and the operation and navigation in the Mainland or Hong Kong by aircraft operated in scheduled air services between the Mainland and Hong Kong,

as well as the laws of one side governing entry into, stay in or departure from the Mainland or Hong Kong of passengers, crew, baggage, cargo and mail shall apply to the designated airlines of the other side.

2. Passengers, baggage, cargo and mail in direct transit and not leaving the area of the airport reserved for such purposes shall be subject to simplified control.

Article 5 Capacity

1. The designated airlines of both sides shall enjoy equal opportunity to operate scheduled services on the specified routes.

2. In operating scheduled services, designated airlines of each side shall take into account the interests of the designated airlines of the other side to avoid affecting unduly the services which the latter operate on the whole or part of the same routes.

3. In operating scheduled services on the specified route, the designated airlines of both sides shall, according to market demand, provide corresponding capacity to meet the requirements for the carriage of passengers, baggage, cargo and mail between the Mainland and Hong Kong. The capacity to be provided shall be determined by both sides through consultations.

Article 6 Commercial Arrangements

1. The frequency and schedule of services shall be approved in accordance with the respective rules of each side.

2. Subject to the relevant rules, a designated airline of one side may self-handle or appoint agents (including designated airlines of the other side) to handle on its behalf business representation or ground handling matters relating to the operation of scheduled services.

3. A designated airline of one side may, according to transport requirements, apply to operate extra services on the routes on which scheduled services are operated by it. Applications for extra services shall be submitted to the other side for approval not less than five working days prior to the date of the planned extra services. Extra services may be operated only after approval has been received.

4. The designated airlines of both sides may, according to transport requirements, apply to operate charter services on routes other than scheduled routes. Applications for charter services shall be processed in accordance with the respective rules and procedures of each side.

Article 7 Tariffs

1. The tariffs to be charged for the scheduled services on the specified routes shall be established at reasonable levels, due regard being paid to all relevant factors, including cost of operation, interests of users, reasonable profit and the characteristics of the services (such as speed and level of comfort).

2. The tariffs referred to above shall be discussed and agreed by the designated airlines of both sides. The tariffs charged on routes with operation by designated airlines of one side only shall be submitted by those designated airlines to the aeronautical authorities of both sides. Applications for tariffs shall be filed with the aeronautical authorities of both sides not less than 60 days prior to the planned effective date. Such tariffs shall become effective only after approval has been received from the aeronautical authorities of both sides.

3. If the designated airlines of both sides cannot reach agreement on the tariffs referred to above, the tariffs shall be determined by both sides through consultations.

4. Before establishing new tariffs in accordance with this Article, the tariffs which have already come into effect shall continue to be applicable.

Article 8 User Charges

A designated airline of one side when using the airports and navigation facilities of the other side shall pay user charges that are established by the other side in a fair and reasonable manner. Such user charges shall not be higher than those applicable to other airlines using similar airports and navigation facilities.

Article 9 Designated Airline Representation and Sales

For operating scheduled services on the specified routes, a designated airline of one side shall have the right to establish representative offices in places on the routes served by scheduled services. A representative office may on its own, or by appointing approved sales agents, market and sell documents of carriage by air. The personnel of such representative offices shall abide by the laws of the other side.

Article 10 Provision of Information

One side shall, on request of the other side, provide statistics that are reasonably required for the purpose of examining the capacity provided by the designated airlines on the scheduled services or all the

necessary information required for examining the volume of traffic carried on scheduled services.

Article 11 Taxes and Duties

1. Aircraft operated in scheduled services by a designated airline of one side, their regular equipment, spare parts (including engines), fuel, oils (including hydraulic liquid, lubricants), and aircraft stores (including food, beverages and tobacco) which are on board such aircraft, shall be exempt from all customs duties, taxes, inspection fees and other similar fees on the basis of reciprocity. Such equipment and items shall remain on board the aircraft until they are re-exported.

2. The following equipment and items shall be exempt from all customs duties, taxes, inspection fees and other similar fees on the basis of reciprocity, with the exception of fees charged on the services provided:

- (1) Regular equipment, spare parts (including engines), fuels, oils (including hydraulic fluid, lubricants), aircraft stores (including foods, beverages and tobacco) and passenger tickets, air waybills and publicity materials introduced into the area of the other side for equipping aircraft operated by designated airlines on scheduled services or used in aircraft;

(2) Spare parts (including engines) introduced into the area of the other side for inspection, repairs or maintenance of aircraft operated by designated airlines on scheduled services.

3. The equipment and items referred to in paragraphs 1 and 2 of this Article may be unloaded in the area of the other side with approval of the customs authorities of that side. Such equipment and items shall be placed under the supervision of the customs authorities of the other side until they are re-exported, or otherwise handled in accordance with the customs regulations of that side.

4. The exemptions provided for by paragraphs 1 and 2 of this Article shall also be available in situations where a designated airline of one side has entered into contract with another airline or airlines for the loan or transfer in the area of the other side of the equipment and items referred to in paragraphs 1 and 2 of this Article, provided that that other airline or airlines similarly enjoy such exemptions from the other side.

5. Baggage, cargo and mail in direct transit across the area of one side shall be exempt from all customs duties, taxes, inspection fees and other similar fees on the basis of reciprocity.

6. Property of a designated airline of one side relating to the operation of aircraft in the area of the other side shall be exempt from all taxes on the other side.

7. Other matters relating to avoidance of double taxation shall be dealt with in accordance with the provisions of Article 2 of the “Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income”.

Article 12 Conversion and Remittance of Revenue

1. A designated airline of one side may, on the basis of reciprocity, convert and remit at any time revenues obtained in the area of the other side to the place in which the headquarters of that airline is located in accordance with the procedures specified by the Government of the other side.

2. The above conversion and remittance of revenue shall be in convertible currency, and settled in accordance with the rates quoted by banks on the same day.

3. One side shall facilitate the conversion and remittance of revenues by the designated airlines of the other side and shall assist in their timely processing.

Article 13 Aviation Security

1. Both sides shall provide, at each other's request, all necessary assistance to prevent acts of unlawful seizure of aircraft and other unlawful acts against the safety of such aircraft, their passengers and crew, airports and air navigation facilities, and any other threat to the security of civil aviation.

2. Both sides shall ensure that adequate measures are effectively applied within its respective area to protect the aircraft and to inspect passengers, crew, baggage, cargo and aircraft stores prior to and during boarding or loading. Each side shall give sympathetic consideration to any request from the other side for reasonable special security measures to meet a particular threat.

3. When an incident or threat of an incident of unlawful seizure of aircraft or other lawful acts against the safety of such aircraft, their passengers and crew, airports or air navigation facilities occurs, both sides shall assist each other by facilitating communications and other

appropriate measures intended to terminate rapidly and safely such incident or threat thereof.

Article 14 Consultation

In the spirit of strengthening cooperation and mutual support, both sides shall ensure that the provisions of this Arrangement shall be implemented properly. Both sides shall from time to time liaise and consult with each other on matters relating to air transport between the Mainland and Hong Kong.

Article 15 Settlement of Disputes

1. If any dispute arises between the two sides relating to the implementation or interpretation of this Arrangement, the two sides may in the first place settle it by consultation.
2. If the two sides cannot settle the dispute, the two sides shall report the dispute to the Central People's Government for decision.

Article 16 Amendment

One side may at any time request the other side to consult through correspondence or meeting if it considers that there is a need to

amend any provision of this Arrangement. Any amendment shall enter into force when confirmed in writing by the two sides.

Article 17 General Definitions

1. The term “aeronautical authorities” means, in the case of the Mainland, the General Administration of Civil Aviation of China or its authorised organisations and, in the case of the Hong Kong Special Administrative Region, the Economic Services Bureau of the Government of the Hong Kong Special Administrative Region or its authorised organisations.

2. The term “designated airline” means an airline which has been designated to operate scheduled services.

3. The term “scheduled services” means any scheduled air services performed by aircraft for the public transport of passengers, cargo, baggage or mail.

4. The term “specified routes” means the routes determined by the two sides through consultations.

Done in duplicate in Beijing on 2 February 2000.

Representative of the General
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Representative of the
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the Government of the Hong
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