

APPENDIX 3
EXPLANATORY NOTES TO ANNEX 3

1. *RVC Calculation Formula*

For the purposes of Rule 5 of Annex 3, RVC of a good specified in Appendix 2 shall be calculated in accordance with the formula provided for in paragraph 2 of Rule 4 of Annex 3.

2. *Non-Qualifying Operations for Textile and Garment*

Notwithstanding any provisions in Annex 3, a good from Chapters 50 through 63 shall not be considered to be originating in the territory of a Party if the following operations are undertaken exclusively by itself or in combination within each paragraph in the territory of that Party, whether or not both RVC and CTC criteria, are satisfied:

- (a) simple combining operations, labeling, ironing or pressing, cleaning or dry cleaning, packaging operations, or any combination thereof;
- (b) cutting to length or width and hemming, stitching or overlocking of fabrics which are readily identifiable as being intended for a particular commercial use;
- (c) trimming and/or joining together of accessory articles, such as straps, bands, beads, cords, rings or eyelets, by sewing, looping, linking or attaching;
- (d) bleaching, waterproofing, decating, shrinking, mercerizing, or similar operations for the purposes of having merely undergone the finishing operations; or
- (e) embroidery which represents less than five (5) percent of the total area of the embroidered goods or embroidery which contributes less than five (5) percent of the total weight of the embroidered goods.

3. *Agricultural and Horticultural goods*

Agricultural and horticultural goods grown in the territory of an exporting Party shall be treated as originating in the territory of that Party even if they are grown from seed, bulbs, rootstock, cuttings, slips or other live parts of plants imported from a territory of a third country.

4. *Aquacultural goods*

Aquacultural goods raised in the territory of an exporting Party shall be treated as originating in the territory of that Party if they are raised from seedstocks such as eggs, fries, fingerlings, glass eels or oyster spats to be normally fed on initial feed such as rotifer or artemia.