

APPENDIX A

LAWS AND RESOURCES FOR ENVIRONMENTAL PROTECTION FOR XIAMEN CONSTRUCTION PROJECTS

REFERENCE DOCUMENTS

- (1) “Environment Protection Law of People’s Republic of China ”
- (2) “Ocean Environment Protection Law of P.R.C.”
- (3) “Prevention Law of P.R.C. for Water Pollution”
- (4) “Prevention Law of P.R.C. for Air Pollution”
- (5) “Environment Protection Law of People’s Republic of China for Solid Waste Pollution”
- (6) “Prevention Law of P.R.C. for Noise Pollution”
- (7) State Council “Management Regulations of Environment Protection for Construction Projects”
- (8) “Regulations of Environment Protection of Xiamen City”

MANAGEMENT PROCEDURES OF ENVIRONMENT PROTECTION OF XIAMEN CONSTRUCTION PROJECTS

Standards on Release of Water Pollution in Xiamen City
Standards on Emission of Air Pollution in Xiamen City
Area Plan of Acoustical Environment in Xiamen City

MANAGEMENT PROCEDURES OF ENVIRONMENT PROTECTION OF XIAMEN CONSTRUCTION PROJECTS

The construction project means investment projects of fixed assets of all basic construction projects, technology improvement projects, and area-development construction projects. “Management Regulations of Environment Protection for Construction Projects” of State Council requires: all the construction projects must

conduct environment protection approval procedure before preliminary design and implement classification management for environment protection of construction projects.

1. State implements classification management for environment protection of construction projects.
 - A. State implements the evaluation system of construction project of environment effect (include report book, report form and register form of environment effect).
 - B. According to environment effect of construction project, state makes classification management for construction project according to following regulations:
 - (1) The construction project, which will make great effect on environment, should write report book of environment effect, and make all around, detail evaluation of environment effect of the pollution made by construction project.
 - (2) The construction project, which will make light effect on environment, should write report form of environment effect, and make the analysis or special evaluation of environment effect of the pollution made by construction project.
 - (3) The construction project, which will make little effect on environment and do not need evaluation of environment effect, should fill register form of environment effect.
 - C. Contents and format of report book, report form and register form of environment effect of construction project will be made by the administration of state environment protection.

“Report book of environment effect of construction project” should include following contents:

- (1) Summary of construction project.
- (2) Current environment situation around construction project.
- (3) Analysis and prediction of environment effect from construction project.
- (4) Measures, economical and technical proofs of environment protection.
- (5) Analysis of economic loss and benefit.
- (6) Proposal of environment monitor for construction project.
- (7) Conclusion of evaluation on environment effects.
- D. Contents of “Report from of environment effect of construction project” (trial):
 - (1) Summary of construction project.
 - (2) Outline of natural and social environment in the area of construction project.
 - (3) Status of environment quality.
 - (4) Adoptive standards for evaluation.
 - (5) Engineering analysis of construction project.
 - (6) Main pollutions and predictive release of project

- (7) Analysis of environment effect.
 - (8) Protection measures and predictive improvement effect of project.
 - (9) Conclusions and proposals.
2. Requirements of environment protection administration for construction project in each period:
- A. Requirements of construction project in period of project application.
 - (1) Construction Company should conducts environment protection application procedures when in the period of feasibility investigation. When applies, the company must provide feasibility report and project summary (include main product technology and materials). According to "Catalog of classification management for environment protection of construction project" (already made public from state administration of environment protection), main administration of environment protection will assure which one of book, form or register of environment effect report is need and inform construction company immediately.
 - (2) Construction Company must entrust the company, which is qualified for evaluation of environment effect, to write the report or form according the requirements of environment protection administration.
 - (3) Before the administration approves the report, the construction project, which involve in water and soil conservation, must examine by water and soil departments for coast construction.
 - (4) Environment administration should make the proof decision and inform to company in 30 days for environment book and in 10 days for environment form.

There are not any fees for these procedures.

B. Requirements of initiation design.

Initiation design of construction should write down the part of environment protection, in which the prevent measures of environment pollution and ecological damage will be implemented and invest estimation of these measures will be included. Before examination meeting of initial design, Construction Company should send design documents to administration of environment protection.

C. Requirement in construction period

The facilities for environment protection, which are need for construction protection, must design, construct and completion in same time as main construction. The measures of environment protection must be completed in same time as main construction, if need trial production.

D. Requirement of completion period

After completion, Construction Company should apply examination of the facilities of environment protection for the administration of environment protection.

Completion examination of environment protection should be implemented with main construction examination. Construction Company should apply examination of the facilities of environment protection for the administration of environment protection in 3 months from trial production, if trial production is need.

During trial production, Construction Company should monitor operation of facilities of environment protection and environment effect.

When examination, Construction Company should provide “monitor report of completion examination of environment protection”, which should be written by qualified company.

The administration will conduct examination after reception of the examination application in 20 days (State in 30 days). After pass the examination of facilities of environment protection, the construction project is passed to be produced or utilized.

Catalog of Classification management for environment protection of construction project (Trial)

(State Bureau of Environment Protection, April 19, 1999)

In order to carry out State Council “Management Regulations of Environment Protection for Construction Projects”, draw up the catalog of catalogued management.

REGULATIONS OF CLASSIFICATION MANAGEMENT FOR ENVIRONMENT PROTECTION OF CONSTRUCTION PROJECT

- A. Construction project, which may make great effect for environment, should write report book of environment effects, and make all around, detail evaluation for pollution make by construction project and for environment effect.
- B. Construction project, which may make light effect for environment, should write report book of environment form, and make analysis and special evaluation for pollution make by construction project and for environment effect.
- C. Construction project, which may make little effect for environment, do not need evaluation for environment effect, should fill register form of environment effect.

DISCRIMINATION PRINCIPLES OF ENVIRONMENT EFFECT OF CONSTRUCTION PROJECT, GREAT, LIGHT AND LITTLE

- A. Construction project of great effect for environment will match one of following conditions:
 - (1) Area development project.
 - (2) Large and medium construction project, which may make effect on area for environment sensitivity.
 - (3) The construction project, which pollution elements are complicated, in which there are big volume or a lot type of pollution, which pollution include too much of toxic or hard to decompose.

- (4) The construction project, which makes big change or loss for ecological environment; or which effects important ecological system or makes and worse natural disaster
- (5) The construction project, which is easy to involve pollution dispute between different administration areas.

The catalog of this type of construction is enclosed in attachment 1

Chemical product manufacture:

Information chemical product

Magnetic record material

- B. Construction project of light effect for environment will match one of following condition:
 - (1) Medium construction project do not make effect for environment on sensitive area. Small construction project may make effect for environment on sensitive area.
 - (2) Medium construction project, which pollution elements are simple, in which there are small volume, or which pollution include low toxic.
 - (3) The construction project under medium, which makes some effect change, but do not change ecological environment.
 - (4) Large construction project, which do not make pollution basically and there are a few pollution elements.
 - (5) Technology improvement project in attachment 1 (construction project of great effect)
- C. Construction project of little effect for environment will match one of following condition:
 - (1) Basically does not make waste water, waste air, waste dregs, dust, smell, noise, vibration, radiation and electric-magnetic wave, which are not good for environment.
 - (2) Basically do not change ecological conditions, terrain, water, vegetation and wild animals.
 - (3) Small project, which do not make effect on sensitive environment area.
 - (4) Service industrial, which do not make special effect.

DISCRIMINATION PRINCIPLES OF ENVIRONMENTALLY-SENSITIVE AREA

- A. Special protective area: . . . water source, scenery place, forest . . .
- B. Ecological sensitive and vulnerable area: natural wetland, natural forest . . .
- C. Social relative area.
- D. The area, which cannot reach to environment quality.

ATTACHMENT [TO REGULATION]

- A. The construction project, which is not in the list, should implement classification management according to the principles of both protections of

sensitive area, ecological system and protections for pollution. And it will be published from State General Bureau of environment protection.

- B. Construction project, which is prohibited by state and which is in state files on Prohibition, limitation and elimination, will be not in attachment.

Catalog of construction project of great effect for environment

Chemical material and chemical products manufacture:

Information chemical manufacture:

Magnetic record material

**STANDARDS ON RELEASE OF WATER POLLUTION IN XIAMEN CITY
DB35/322-1999
XIAMEN CITY GOVERNMENT 1999-01-18**

COVER SCOPE

The standard provides environment quality in environment area, the direction of pollution release and release level, maximum allowable release concentration of 8 type pollution, release standard and quantity and basic requirement of some industrials.

The standard covers all companies and institutes, which release water pollution in Xiamen City.

The standard covers release management of existing companies and construction project in all periods.

Water pollution release management, which is not covered by the standard, will implement state and province standards.

ADOPTED STANDARDS

GB3097 – 1997	Ocean water quality
GB3838 – 88	Terrain water qualities
GB8978 – 1996	Waste-water release standard
GB12941 – 91	Water quality standard of Entertainment Company.

TECHNICAL REQUIREMENTS

3.1 Ocean environment quality:

3.2 Terrain water environment quality:

3.2.1 Division of terrain water environment area:

- a. Special protection water area: water source of first level
- b. Important Protection water area: water source of second level
- c. General protection water area: these areas are for general industrial water and entertainment water area, which is not contact with human body, or for agriculture water area.

The [table A.1](#) is for terrain-water environment functional area and environment quality:

Table A.1. Terrain-Water Environment

Third-level area
Area: Haicang Industrial Park
Function: Petroleum Chemical...
Environment Quality: GB3095 third level

General protection water area:
 Water quality standard: GB3838 IV
 Release level: second-level release standard

3.3 Allowable maximum concentration of pollution release

3.3.2 Built after January 1 1998, [table A.2](#):

3.4 Allowable concentration of pollution release for some industrials

Other industrial: according [table A.2](#).

Table A.2. Maximum Concentration of Industrial-Pollution Releases

Items	First Level	Second Level	Third Level
Suspended Solid (SS) mg/L	70	150	300
Biological Oxygen Demand (BOD5) mg/L	20	30	200
Chemical Oxygen Demand mg/L	100	150	300
Petroleum mg/L	5.0	10	20
Animal or Vegetable Oil mg/L	10	15	100
Ammonia and Nitrogen mg/L	15	15	20
Phosphorus mg/L	1	1.0	3.0
Bacteria Group group/L	100	500	1000

4. BASIC REQUIREMENTS

- 4.1 Prohibit new pollution release drain port in some water area.
- 4.2 Pollution concentration should conform to first level standard to drain in some water area.
- 4.3 Pollution concentration should conform to second level standard to drain in some water area.
- 4.4 Pollution concentration should conform to third level standard for following pollution water.
 - a. Pollution water, which is drained to city drainage system, which is operated by second level pollution processing facility.
 - b. Pollution water, which is biologically processed in oxygen pool.
- 4.5 Drain to open ocean area.
- 4.6 Built date is approval date of the book report.
- 4.7 Pollution water need be sampled in drain port.
- 4.8 If there is no flow meter for pollution water, pollution water flux will be counted by supply water flux 90 %.

**STANDARDS ON EMISSION OF AIR POLLUTION IN XIAMEN CITY
DB35/323-1999
XIAMEN CITY GOVERNMENT 1999-01-18**

1. COVER SCOPE

According to the classification of air environment functional area of pollution source, the standard provides environment quality in environment functional area, and implements corresponding standard, pollution emission level, maximum allowable release quantity (or concentration) and basic requirements.

The standard covers all companies and institutes in Xiamen City, which release air pollution.

The standard covers release management of existing companies and construction project in all development periods.

Air pollution release management, which is not covered by the standard, will implement state and province standards.

2. ADOPTED STANDARDS

GB3095 – 1996	Standard of environment air quality.
GB16297 – 1996	Emission standard of air pollution
GB/T3840- 91	Technical methods, which makes local standard of air pollution release.
HJ14 – 1996	Classification principle and technical methods of environment air qualify functional area.

3. TECHNICAL REQUIREMENTS

3.1 Air environment quality.

3.1.1 Air environment function area division:

- a. First level is natural protection area, scenery area and other protection-need area.
- b. Second level is residence area, commercial and residence mix area, culture area, general industrial area and farm area.
- c. Third level is special industrial area.

3.1.2 Map of air environment function area division in attachment A.

3.1.3 Area, function and quality in [table A.3](#).

3.2 Release quantity limits of SO₂ and smog dust

Because of unique, the SO₂ and smog dust of Haicang Park are in [table A.4](#).

3.3 Maximum concentration and darkness of emission soot of industrial and residential boilers should follow [table A.5](#).

3.4 Production Soot from industrial company should accord with [table A.6](#).

Table A.3. Area, Function, and Quality

Third-Level Area
Area: Haicang Industrial Park
Function: petroleum chemical
Environment Quality: GB3095 third level
Emission Level: third level

Table A.4. Pollutant-Release Quantity Limits in Haicang Development Park

Pollution	Area (km ²)	Environmental Quality	Point Source (t/a)	Low Source (t/a)
		Standard (mg/Nm ³)	Q allowable	Q allowable
Sulfur Dioxide (SO ₂)	36.34	0.10	8213	2053
	49	0.06		
Soot	36.34	0.15	2627	657
	49	0.10		

Table A.5. Maximum Soot Emissions from Industrial and Residential Boilers

Soot Concentration mg/Nm ³			Darkness (level)
First Level	Second Level	Third Level	1
Prohibition	200	300	

Table A.6. Production Soot Limits from Industrial Company

Area	Maximum Concentration (mg/Nm ³)	
	Soot 1	Soot 2
First level	Prohibition	Prohibition
Second and third level	100	50

Soot 1: Coal, dust, and dusts with no toxic materials, except cement dust
 Soot 2: Glass, fabric, mine, and aluminum dust and 10% silica (SiO₂) dust.

4. BASIC REQUIREMENTS

- 4.1 Only one chimney can be built for new boiler, which height can not be less than 30 m.
- 4.2 new cement companies cannot be built in Xiamen.
- 4.3 Ventilation Pipe, which height is less than 15 m, is a bad emission source, which should be handled strictly.
- 4.4 Xiamen is an acid rain controlled area. Sulfur in boiler fuel should be less 1%.
- 4.5 The equipments from oversea, should accord with foreign standards, and which can not be low than this standard.

**AREA PLAN OF ACOUSTICAL
ENVIRONMENT IN XIAMEN CITY**

Table A.7. Haicang Industrial Park Area Division and Noise Standards (in decibels)

Area: 13.24 km ²
Noise Standard: Daytime: 65 (db)
Night: 55 (db)

City Noise Standard
GB3096-93

STANDARD DATA

Noise standard is in following [table A.8](#).

Table A.8. Area Divisions and City Noise Standards in dB(A) (GB3096-93)

Level	Daytime	Night
0 Hospital	50	40
1 Residence and Education Area	55	45
2 Commercial and Residence Mixed Area	60	50
3 Industrial Area	65	55
4 Near Traffic Area	70	55

APPENDIX B

EMISSION LIMITS

Table B.1. Emissions Limits for Selected Pollutants

Pollutant	Maximum Emission Density, mg/m ³	Maximum Emission Rate kg/h			Maximum Emission Rate	Maximum Density without a Release-System "Stack"	
		Stack Height m	Class II	Class III	lbs/hour for Class II only	Monitoring Point	Density mg/m ³
Sulfur Dioxide (SO ₂)	960 for production of sulfur, sulfur dioxide, sulfuric acid, and compounds containing sulfur	15	2.6	3.5	5.733	Highest density point surrounding premises*	0.40
		20	4.3	6.6	9.4815		
		30	15	22	33.075		
		40	25	38	55.125		
		50	39	58	85.995		
	550 for consumption of sulphur, sulphur dioxide, sulfuric acid and other compounds containing sulphur	60	55	83	121.275		
		70	77	120	169.785		
		80	110	160	242.55		
		90	130	200	286.65		
		100	170	270	374.85		
Nitrogen Oxide (NO _x)	1,400 for production of nitric acid, nitrogenous fertilizer, and dynamite	15	0.77	1.2	1.69785	Highest density point surrounding premises*	0.12

Continued

Table B.1. Continued

Pollutant	Maximum Emission Density, mg/m ³	Maximum Emission Rate kg/h			Maximum Emission Rate	Maximum Density without a Release-System "Stack"	
		Stack Height m	Class II	Class III	lbs/hour for Class II only	Monitoring Point	Density mg/m ³
		20	1.3	2	2.8665		
		30	4.4	6.6	9.702		
		40	7.5	11	16.5375		
		50	12	18	26.46		
	240 for	60	16	25	35.28		
	consumption	70	23	35	50.715		
	and other use	80	31	47	68.355		
	of nitric acid,	90	40	61	88.2		
	nitrogenous	100	52	78	114.66		
	fertilizer, and						
	dynamite						
Particles	18 Carbon	15	0.51	0.74	1.12455	Highest	0.12
(Particulate	black dust,	20	0.85	1.3	1.87425	density point	
Matter)	dye dust	30	3.4	5.0	7.497	surrounding	
		40	5.8	8.5	12.789	premise	
	60 Glass wool	15	1.9	2.6	4.1895		
	dust, quartz	20	3.1	4.5	6.8355		
	dust, slag	30	12	18	26.46		
	wool dust	40	21	31	46.305		
	120 Other	15	3.5	5.0	7.7175		
		20	5.9	8.5	13.0095		
		30	23	34	50.715		
		40	39	59	85.995		
		50	60	94	132.3		
		60	85	130	187.425		
Formaldehyde	25	15	0.26	0.39	0.5733	Highest	0.20
		20	0.43	0.65	0.94815	density point	
		30	1.4	2.2	3.087	surrounding	
		40	2.6	3.8	5.733	premises	
		50	3.8	5.9	8.379		
		60	5.4	8.3	11.907		
Methyl	190	15	5.1	7.8	11.2455	Highest density	12
		20	8.6	13	18.963	surrounding	
		30	29	44	63.945	premises	
		40	50	70	110.25		
		50	77	120	169.785		
		60	100	170	220.5		
Nonmethane	120 (using	15	10	16	22.05	Highest	4.0
Hydrocarbon	solvent	20	17	27	37.485	density point	
(VOC)	gasoline	30	53	83	116.865	surrounding	
	or other	40	100	150	220.5	premises	
	hydrocarbon						
	chemicals)						
The test point at the highest density area surrounding the premises in circumstances where there is no releasing system in place will be within 10 meters from the premises in leeward direction. If the expected, highest density point will be outside the 10-meter radius, move the monitoring point to the expected high-density point.						Maximum Emission Density, mg/m ³	
Benzene						<12 mg/m ³	
Toluene						<40 mg/m ⁴	
Dimethyl Benzene						<40 mg/m ⁵	
NMHC						<120 mg/m ⁶	

WASTE WATER

There are limits on the contents of chemicals in the wastewater but not as many as in the United States.

SOLID WASTE

There may be only one authorized solid-waste-disposal company approved by the Chinese government to handle all solid wastes. While there is a differential, currently there are no specific regulations for residual waste versus hazardous waste.

ANNUAL REPORT**XIAMEN CITY ENVIRONMENT PROTECTION
BUREAU HAICANG DIVISION FORM
XHH [2008] No. 30****ANNOUNCEMENT FOR YEAR 2009 POLLUTANT
DISCHARGE REGISTRATION**

To whom it may concern:

Pollutant discharge registration is legal revenue of environment protection in China and the foundation for environment protection authority to exercise environment administration. To accurately collect information of companies who discharge pollutants, prepare 2009 discharge registration, encourage them to observe environment protection laws, duty, and responsibility of avoiding pollution and protecting environment, it is noted thereafter the items in Haicang 2009 discharge registration:

**I. THE SCOPE AND ENTITY OF THE POLLUTANT
DISCHARGE REGISTRATION**

Any entity (including but not limited to companies, social societies, self-employment personnel, etc.) that discharges waste water, exhaust gas, noise, solid waste must accurately register to environment authority before deadline the species, quantities, concentration, as well as production and operation information related to discharge.

**II. THE REQUIREMENTS TO FILL THE
POLLUTANT REGISTRATION FORM**

Companies in general pollution category must register the species, quantity, concentration of pollutant discharge in typical operation conditions in 2009, which will be based on the actual pollutant discharge in 2008 and the pollutant discharge needed in 2009 production plan.

Please note and overcome the following problems in preparation of the 2009 pollutant discharge registration:

1. Registration not on time. Annual registration includes environment statistics, discharge permit, discharge tolling service, which has 21 sub-forms and

- 295 parameters cross-related and very complicated. If not prepared well ahead, it will be filled in a rush before the deadline and delay the registration.
2. Data magnitude error. (Especially total revenue and year-end fixed investment which is easily mistaken)
 3. Logical Error. (Such as the sum is not equivalent of substitutes)
 4. Company Category Selection Error. (Such as if it is government enforced inspection entity) or if it belongs in the two-control zone (acid rain control zone and SO₂ control zone)
 5. To nationally enforced inspection discharge entity, when filling out the <<Pollutant Discharge Registration Form (Trial)>>, centric latitude and other 45 parameters of the form 1-1 must all be filled, and not left blank. Special attention should be paid to 1, 2, 3, 7, 9, 14, 15, 16, 17, 18, 21, 22, 26–40, 43, 44, and the discharge quantity of the main pollutants in the form 1-7 and 1-8, which need to be checked and not leave blank.
 6. The entity who fills <<Waste Water (Field) Plant pollutant Discharge Registration (Trial)>> 1, 2, 3, 13, 14, 16, 29 must be filled and [do] not leave blank.

III. REGISTRATION METHOD AND DOWNLOAD REGISTRATION FORM

2009 annual pollutant discharge registration can be filled online in the website of Xiamen Environment Inspection Network (<http://www.xmepi.org>) as the member of the website; the form can also be downloaded from the same website and filled manually (two copies).

It is encouraged to register online. If registered online, the website provides automatically calculation and check functions, so that the quality of registration will be increase and unqualified registration will be decreased. Meanwhile, online registration provides inquiry function for related environment protection information, such as the pollutant discharge quantity and receipt of pollution fees. Since the online registration is electronic, its data will be directly sent to Xiamen City Pollutant Discharge Tolling Administration System for summing up the reports for Fujian Province Environment Protection Bureau and the Ministry of Environment Protection. Please contact software developer Xiamen Furui Science and Technology Co regarding to online registration problems, Tel: 2211302, 22 16836, Mr. Wang.

If online registration is not available, paper registration form can still be used. Environment authorities will complete reviewing the registration form before February 10 after receiving it. If it fails to pass the review, the registration form will be returned to the pollutant discharge entity and be mandated to resubmit it in due time. If failed to send the form on time or failed to fill the form properly, it will be treated as refusal to report or cheating. Refusal to report or cheating will be punished based on laws and regulations from the government. For individual entity who has difficulty to fill the form properly, it can have entrusted to fill the form.

Pollutant discharge entity should download proper form according to its category:

1. Industrial company and other general entity should fill <<Pollutant Discharge Registration Statistics (Trial)>>.
2. Small business, service sector entity, self employment, animal farm, agency, and nonprofit should fill <<Fujian Province Pollutant Discharge registration Statistics Table (Trial)>> (Small Business, Service, and Animal Farm).
3. Construction company should fill <<Construction Pollutant Discharge Registration Form (Trial)>>.
4. Waste water treatment plant, including city and town sewage facility should fill <<Waste Water Plant (Field) Pollutant Discharge Registration Form (Trial)>>.
5. Solid waste treatment facility, including garbage treatment plant, hazardous solid collection and treatment plant, bio-hazardous collection, treatment plant, and other solid waste treatment facilities should fill <<Solid Waste Certified Treatment Facility Pollutant Discharge Registration Statistics Form (Trial)>>.

IV. TREATMENT OF UNLAWFUL ACTIVITIES DURING POLLUTANT DISCHARGE REGISTRATION

1. Refusal to report or cheating during waste water discharge registration based on (一) of the 72nd article in <<Water Pollution Protection Law>>, environment protection authority of County or above shall mandate correction in due time; Failed to correct mistake in due time shall be fined RMB 10,000–100,000.
2. Refusal to report or cheating during exhaust gas discharge registration based on (一) of the clause 1, the 46th article in <<Air Pollution Protection Law>>, correction shall be mandated in due time; Failed to correct mistake in due time shall be given a warning notice or a RMB 50,000 fine.
3. Refusal to report or cheating during solid waste discharge registration, based on the 49th article in <<Noise Pollution Protection Law>>, shall be given a warning notice or a fine.
4. Refusal to report or cheating during noise discharge registration, based on (二) of the 35th article in <<Environment Protection Law>>, shall be given a warning notice or a fine.

XIAMEN CITY ENVIRONMENT PROTECTION BUREAU HAICANG DIVISION

XIV. RELATIVE CHINA EA LAWS

- (1) ENVIRONMENTAL PROTECTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA

(Adopted at the 11th Meeting of the Standing Committee of the Seventh National People's Congress on December 26, 1989, promulgated by Order No. 22 of the President of the People's Republic of China on December 26, 1989, and effective on the date of promulgation)

Article 13

Units constructing projects that cause pollution to the environment must observe the state provisions concerning environmental protection for such construction projects. The environmental impact statement on a construction project must assess the pollution the projects is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.

(2) WATER POLLUTION PREVENTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA

Article 13

Construction projects of new buildings, expending buildings, rebuilt buildings which directly or indirectly let the contamination to water resources besides with some other waterborne projects must observe the state provisions concerning environmental protection for such construction projects.

The environmental impact statement on a construction project must assess the water pollution the projects is likely to produce and its impact on the entire environment and stipulate the preventive and curative measures; the statement shall, after initial examination by the authorities in charge of the construction project, be submitted by specified procedure to the competent department of environmental protection administration for approval.

(3) ATMOSPHERE POLLUTION PREVENTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA

Chapter II, Article 11

Construction projects of new buildings, expending buildings, rebuilt buildings which directly or indirectly let the contamination to atmosphere besides with some other waterborne projects must observe the state provisions concerning environmental protection for such construction projects. The environmental impact statement on a construction project must assess the atmosphere pollution the projects is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall be submitted by specified procedure to the competent department of environmental protection administration for approval.

(4) SOLID WASTE PREVENTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA

Chapter II, Article 12

Units constructing projects that cause solid waste pollution to the environment and the constructing projects of reserving, handling solid waste must observe the state provisions concerning environmental protection for such construction

projects. The environmental impact statement on a construction project must assess the solid waste pollution the projects is likely to produce and its impact on the environment and stipulate the preventive and curative measures; the statement shall be submitted by specified procedure to the competent department of environmental protection administration for approval. The department of planning shall not ratify the design plan descriptions of the construction project until after the environmental impact statement on the construction project is approved.

(5) MARINE ENVIRONMENT PROTECTION LAW OF THE PEOPLE'S REPUBLIC OF CHINA

Chapter V, Article 42, 43

Coastal construction projects of new buildings, expanding buildings, and rebuilt buildings must observe the state provisions concerning environmental protection for such construction projects....

(6) CONSTRUCTION PROJECT ENVIRONMENTAL PROTECTION ORDINANCE

Article 10

The environmental impact statement on a construction project, environmental influence report or environment influence form shall be submitted to the competent department of environmental protection administration for approval.

IV. RELATIVE DISCHARGE STANDARDS

Standards of noise at boundary of industrial enterprises (GB 12348-1990)

1. Applicable Scope

This standard is applicable to the industrial shop and the boundary of enterprises, which may cause noise.

1.1 Standard Value

Factory noise standards are marked in the following forms: L_{eq} [dB(A)]

Table B.2 Factory Noise Standards in L_{eq} or dB(A)

Type	Daytime	Nighttime
I	55	45
II	60	50
III	65	55
IV	70	55

Note: L_{eq} stands for the equivalent continuous sound level (L_{eq}) and dB(A) for decibels, A-weighted.

- 1.2 Delimitation of application standard
 - 1.2.1 Standard I is mainly applied to inhabited region and educational area
 - 1.2.2 Standard II shall apply to inhabited region, commercial, industrial mixing area and downtown business area.
 - 1.2.3 Standard III shall apply to industrial area.
 - 1.2.4 Standard IV shall apply to the area along both side of the main road.

Local municipal government stipulates 1.2.5 Standard delimitation.

- 1.3 Noise that frequently happens suddenly at night (such as the noise of exhausting), its peak value is not allowed to exceed standard value of 10dB(A), night noise that happen accidentally (such as toot, flute sound), its peak value is not allowed to exceed standard value of 15dB(A).
- 1.4 In this standard, daytime and nighttime is delimited by local municipal government according to local habit and seasonal variation.

Standard of environmental noise of urban area (GB3096-93)

1.0 Theme content and scope of application

This standard enacts the maximum limit of ambient noise of five kinds of areas in the city.

This standard applies to the urban area. It can be referred as the standard of rural area.

2.0 Standard of quotation

GB/T 14623 Noise measures upon urban ambient

3.0 Standard Value

Noise Standard of 5 types of cities:

LAeqdB

- 4.0 Application area of different types.

Standard of 0 type shall apply to special peaceful requirement area like sanatorium, senior villa area, luxury hotel.
- 4.1 Type 1 shall apply to inhabited region, educational area. It can be referenced as that of rural area.
- 4.2 Type 2 shall apply to inhabited region, commercial and industrial mixing area.
- 4.3 Type 3 shall apply to industrial area.
- 4.4 Type 4 shall apply to the area along both side of the main road in the city, of the freshwater route across downtown. It shall apply to the background noise of main & supplement railway (and
- 5.0 Accidental noise at night time

Maximum value of accidental noise at night is not allowed to exceed the standard value of 15dB.
- 6.0 Enactment upon area and time

Local municipal government stipulates standard delimitation.

Table B.3. Noise Standard in Five Types of Cities in dB(A)

Type	Daytime	Nighttime
0	50	40
1	55	45
2	60	50
3	65	55
4	70	55

In this standard, local municipal government according to local habit and seasonal variation delimits daytime and nighttime.

7.0 Supervision Measures

Implement per GB/T 14623

Ambient air quality standard (GB 3095-1996)

1. Theme content and scope of application

This standard enacts division of ambient air quality functional area, standard classification, contamination projects, data recording time, limitation of denseness, sampling, analysis method, and validity of data statistics.

Scope of application of this standard is nationwide.

2. Ambient air quality functional area & standard classification

2.1 Ambient air quality functional area classification

Grade 1 area is nature reserve area, famous scenic spots, and some other areas, which need special protection.

Grade 2 area is the inhabited region, commercial traffic resident's mixing area, culture area, general industrial area and rural area, which are programmed in town planning.

Grade 3 areas are the specific industrial area.

2.2 Ambient air quality standard classification

The Ambient air quality standard is classified into 3 levels.

Grade 1 area implements level 1 standard.

Grade 2 area implements level 2 standard.

Grade 3 area implements level 3 standard.

3. Density Limits

Form 1. This standard enacts denseness limitation upon contaminations
Environmental quality standards for surface water (GB 3838-2002)

1 Scope

1.1 This standard classifies and protects relevant targets according to surface water environmental function, stipulates projects and limitations which

are under control of surface water environmental function, and project analytical method and implementation and supervision of the standard of water quality.

- 1.2 This standard shall apply to the functional surface water such as rivers, lake, canal, channel, reservoir etc. of the territory of the People's Republic of China.

2 Water function and standard classification

There are 5 levels of water area have been divided sequentially by functional superior according to environmental function of surface water and protection targets.

Table B.4. Standard for Density Limits on Contaminants (form)

Contamination Name List	Data Recording Time	Density Limits			Density Unit
		Level 1 Standard	Level 2 Standard	Level 3 Standard	
SO ₂	year average	0.02	0.06	0.10	mg/m ³ (standard status)
	day average	0.05	0.15	0.25	
	1-hour average	0.15	0.50	0.70	
TSP	year average	0.08	0.20	0.30	
	day average	0.12	0.30	0.50	
PM ₁₀	year average	0.04	0.10	0.15	
	day average	0.05	0.15	0.25	
NO _x	year average	0.05	0.05	0.10	
	day average	0.10	0.10	0.15	
	1-hour average	0.15	0.15	0.3	
NO ₂	year average	0.04	0.04	0.08	
	day average	0.08	0.08	0.12	
	1-hour average	0.12	0.12	0.24	
CO	year average	4.00	4.00	6.00	
	day average	10.00	10.00	20.00	
O ₃	1-hour average	0.12	0.16	0.20	
Pb	quarter average	1.50			ug/ m ³ (standard status)
	year average	1.00			
[a] B[a]P	day average	0.01			
Fluoride	day average	7 ¹			
	1 hour average	20 ¹			
F	month average	1.8 ²	3.0 ³		ug/ dm ³ .d
	plants' growing season average	1.2 ²	2.0 ³		

1. Applied to urban region.

2. Applied to animal-husbandry district and one mainly relying on animal husbandry of half-agricultural and half-pastoral area, and silkworm mulberry district.

3. Applied to agricultural and forest district.

- Level I Applies to source water, national nature reserves.
- Level II Applies to the centralized first class protection zone of the surface water source for drinking water, rare aquatic biological habitat, fish and shrimp's spawning ground, feeding ground of baby fishes etc.
- Level III Applies to the centralized second class protection zone of the surface water source for drinking water, fishery water areas and swimming area, such as fish and shrimp's wintering ground, migration route way, aquaculture area, etc.
- Level IV Mainly applies to the general industrial water district and the recreational water district where human body are not exposed to directly.
- Level V Applies to the agricultural water district & the water areas for general view's requirement.

APPENDIX C

SAMPLE ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION OF A FOREIGN-CAPITAL ENTERPRISE

[For Reference Only. The Chinese edition is required upon application.]

CHAPTER I. GENERAL PROVISIONS

Article 1 In accordance with the “Law of the People’s Republic of China on Foreign-Capital Enterprises” and other relevant laws and regulations, the XXX Corporation applies for the establishment of its fully owned XXX Co. Ltd. (hereinafter abbreviated as the Company) and the Articles of Association are hereby formulated.

Article 2 The name of the Company shall be _____ Co. Ltd.

Its name in Chinese language is: _____

The legal address of the Company is at _____

Article 3 The name and legal address of the investing party:

Article 4 The Company is a limited liability company.

Article 5 The Company has the status of a legal person and is subject to the jurisdiction and protection of PRC laws. All its activities shall be governed by the laws, decrees and relevant rules and regulations of the PRC.

CHAPTER II. PURPOSE AND SCOPE OF BUSINESS

Article 6 The purpose of the Company is to make use of _____ advanced technology, produce _____ products, attain _____ level, achieving satisfactory economic benefits.

Article 7 Scope of business of the Company is: Designing and manufacturing _____ products and rendering after-sale repair service for _____ goods.

Article 8 The products of the Company shall be sold both in the domestic and overseas markets. Ratios are as follows:

In the year of __: Exports accounting for _____%; Domestic sales accounting for _____%.

CHAPTER III. TOTAL AMOUNT OF INVESTMENT AND REGISTERED CAPITAL

Article 9 The total amount of investment of the Company is: US\$ _____
The registered capital of the Company is: US\$ _____

Article 10 The Company shall contribute the following as its investment:

Cash: US\$ _____

Machines and equipment: US\$ _____

Factory building: US\$ _____

Materials: US\$ _____

Others: US\$ _____

Article 11 The Company shall pay in all the registered capital within the stipulated time limit.

Article 12 After the Company has paid in all the registered capital, a firm of accountants lawfully registered in the PRC and selected by the Company shall make a verification report upon examination of the payment.

Article 13 Any increase or transfer in the registered capital of the Company shall be unanimously agreed by the Board of Directors and submitted to the original examination and approval authority for approval. The registration procedures for changes shall be dealt with at the original registration office.

CHAPTER IV. BOARD OF DIRECTORS

Article 14 The Company shall establish the Board of Directors which is the highest authority of the Company.

Article 15 The Board of Directors shall direct the overall management, supervision and control of the business of the Company. Its functions and powers are as follows:

- (a) Deciding and approving important reports submitted by the general manager including production plan, annual business report, funds, loans, etc.;
- (b) Approving annual financial reports, budget of receipts and expenditures, distribution plan of annual profits etc.;
- (c) Adopting major rules and regulations of the Company;
- (d) Deciding to set up branches;
- (e) Amending the Articles of Association of the Company;
- (f) Discussing and deciding the termination of production, termination of the Company or merging with another economic organization;

- (g) Being in charge of the liquidation matters upon termination and expiration of the Company;
- (h) Other major issues which shall be decided by the Board of Directors.

Article 16 The Board of Directors shall be composed of three (3) directors. The terms of offices for the directors shall be four years and may be renewed if continuously appointed by the Company.

Article 17 The Chairman of the Board shall be appointed by the Board of Directors.

Article 18 The Board of Directors shall convene at least 1 meeting every year. The chairman shall convene interim meetings based on a proposal made by more than one-third of the total number of directors.

Article 19 The board meeting shall, in principle, be held at the location of the Company.

Article 20 The board meeting shall be called and presided over by the chairman. If the chairman is absent, the vice-chairman shall call and preside over the board meeting.

Article 21 The chairman shall give each director a written notice thirty days before the date of the board meeting. The notice shall include an agenda, time and place of the meeting.

Article 22 If a director is unable to attend the board meeting, he may present a proxy in written form to the board of directors. In case the director neither attends nor entrusts others to attend the meeting, he shall be regarded as having abstained.

Article 23 The board meeting requires a quorum of over two-thirds of the total number of directors. When the quorum is less than two-thirds, any decision adopted by the board meeting is invalid.

Article 24 Detailed written records shall be made for each board meeting and signed by all the attending directors or by the attending proxy. The record shall be made in Chinese and English which shall then be filed with the Company.

Article 25 The following issues shall be unanimously agreed upon by the board of directors:

- (a) Any changes to the articles of association of the company;
- (b) Any liquidation or winding up of the Company;
- (c) Any increase, decrease or transfer of interest in the registered capital of the Company;
- (d) The appointment and dismissal of the general manager;
- (e) The distribution of profits of the Company; and
- (f) The selling price of the products.

Article 26 With respect to any other matters which are not set out in article 25 hereof, approval by a simple majority of the directors shall be required.

CHAPTER V. MANAGEMENT OFFICE

Article 27 The Company shall establish a management office which consists of production, technology, marketing, finance, administration offices, etc. The Company shall adopt a general manager responsibility system.

Article 28 The management office shall have a general manager and two deputy general managers nominated by the board of directors.

Article 29 The responsibility of the general manager is to carry out the decisions of the board of directors, organize and conduct daily management of the company.

The deputy general managers shall assist the general manager in his work and, during his absence, exercise the functions of the general manager.

Article 30 The general manager shall incorporate the comments given by the deputy general manager in relation to decisions on major issues concerning the daily work of the Company and such decisions shall be jointly signed by the general manager and deputy general managers before they come into effect. Issues which need co-signatures shall be reported to the board of directors to decide.

Article 31 The terms of office for the general manager and deputy general manager shall be four years and can be renewed if reappointed by the board of directors.

Article 32 At the appointment of the Board of Directors, the chairman, vice chairman or directors of the board may concurrently be the general manager, deputy general manager or other high-ranking personnel of the Company.

Article 33 The general manager or deputy general manager shall not hold position concurrently as general manager or deputy general manager of other economic organizations in commercial competition with the Company.

Article 34 The Company shall have one chief engineer, one chief accountant and one chief auditor engaged by the Board of Directors.

Article 35 The chief engineer, chief accountant and chief auditor shall be under the leadership of the general manager.

Article 36 The chief accountant shall exercise leadership in financial and accounting affairs of the Company, organize the Company to carry out overall business accounting activities and implement the economic responsibility system.

Article 37 The auditor shall be in charge of the auditing work of the Company, examine and check financial receipts and expenditure and accounts, and submit written reports to the general manager and the Board of Directors.

Article 38 If any of the general manager, deputy general manager, chief engineer, chief financial officer, auditor and other high-ranking personnel wishes to resign, he must submit his written notice to the Board of Directors one month in advance.

Article 39 In case any of the above-mentioned persons conducts graft or serious dereliction of duty, he may be dismissed at any time upon the decision of the Board of Directors. Those who violate the criminal law shall be under the criminal sanction.

CHAPTER VI. FINANCE AND ACCOUNTING

Article 40 The finance and accounting matters of the Company shall be handled in accordance with the “Regulations of the Finance and Accounting System of Foreign-funded Enterprises” formulated by the Ministry of Finance of the PRC.

Article 41 The fiscal year of the Company shall coincide with the calendar year that is from January 1 to December 31.

Article 42 All vouchers, books of account and financial statements of the Company shall be written in Chinese.

Article 43 The Company adopts Renminbi as the standard accounting currency. The conversion of Renminbi into other currency shall be in accordance with the exchange rate of the conversion day published by the PRC State Administration of Foreign Exchange.

Article 44 The accounts of the Company shall adopt the internationally used accrual basis and debit and credit accounting system.

Article 45 The following items shall be included in the financial books of account:

- (a) The amount of overall cash receipts and expenses of the Company on a daily basis;
- (b) All material purchasing and selling of the Company;
- (c) The registered capital and debts situation of the Company and;
- (d) The time of payment, increase and transfer of the registered capital of the Company.

Article 46 The finance office of the Company shall work out the statement of assets and liabilities and profit and loss account of the last year in the first 3 months of each fiscal year and submit the same to the board meeting for approval after examination and signature by the auditor.

Article 47 Depreciation period for fixed assets of the Company shall be decided by the board of directors pursuant to the provisions and rules concerned.

Article 48 All matters concerning foreign exchange of the Company shall be handled in accordance with the “Provisional Regulations on Foreign Exchange Control of the PRC” and other pertaining regulations as well as the stipulations of the Company Contract.

CHAPTER VII. DISTRIBUTION OF PROFITS

Article 49 The Company shall draw reserve funds, expansion funds, bonuses and welfare funds for staff and workers after payment of income taxes. The proportion of allocation shall be decided by the board of directors.

Article 50 Profits shall be distributed annually. The profits distribution plan and the amount of profits distributed shall be published within the first 3 months following each fiscal year.

Article 51 The Company shall not distribute profits unless the losses of the previous fiscal year have been made up. The remaining profits from the previous fiscal year may be distributed together with those of the current year.

CHAPTER VIII. STAFF AND WORKERS

Article 52 Employment, recruitment, dismissal and resignation of the staff and workers of the Company and their salary, welfare benefits, labor insurance, labor protection, labor disciplines and other matters shall be handled according to the “Regulations of the PRC on Labor Management” and its implementation rules.

Article 53 The required staff and workers to be recruited by the Company shall be recommended by the local labor department or with the consent of the labor department, by the Company through public examinations.

Article 54 The Company has the right to give a warning, record a demerit, and reduce salary against those staff and workers who violate the rules and regulations and labor disciplines of the Company. Those with serious cases may be dismissed. Discharge of workers shall be filed with the labor and personnel department in the locality.

Article 55 The salary treatment of the staff and workers shall be set by the board of directors according to the specific circumstances of the Company with reference to pertaining stipulations of PRC and shall be specified in detail in the labor contract.

Article 56 The salary of the staff and workers shall be increased correspondingly with the development in production, the increasing capability of the staff and workers and the improvement of technological standard.

Article 57 Matters concerning welfare funds, bonuses, labor protection and labor insurance etc. shall be stipulated respectively in various rules set by the Company to ensure that the staff and workers can work for production under normal conditions.

CHAPTER IX. TRADE UNION ORGANIZATION

Article 58 The staff and workers of the Company shall have the right to establish a trade union organization and carry out activities in accordance with the stipulations of the “Trade Union Law of the PRC”.

Article 59 The trade union of the Company represents the interests of the staff and workers. The tasks of the trade union are as follows:

- (a) To protect the democratic rights and material interests of the staff and workers pursuant to the law;
- (b) To assist the Company with the arrangement and rational use of welfare funds and bonuses;
- (c) To organize political, business, scientific and technical studies;
- (d) To carry out literary, art and sports activities; and
- (e) To educate the staff and workers to observe labor discipline and strive to fulfill various economic tasks of the Company.

Article 60 The trade union of the Company shall sign labor contracts with the Company on behalf of the staff and workers and supervise the implementation of such contracts.

Article 61 Trade union representatives shall have the right to attend, without any voting rights, meetings of the board of directors held to discuss issues such as development plans, production and operational activities of the Company and to reflect opinions and demands of the staff and workers.

Article 62 The trade union shall take part in the mediation of disputes between the staff and workers and the Company.

Article 63 The Company shall allot an amount of funds totaling two percent (2%) of all the salaries of the staff and workers of the Company as trade union's funds, which shall be used by the trade union in accordance with the "Managerial Rules for the Trade Union Funds" formulated by the All China Federation of Trade Unions.

CHAPTER X. DURATION, TERMINATION AND LIQUIDATION

Article 64 The duration of the Company shall be ____ years. The establishment of the Company shall start from the date on which the business license of the Company is issued.

Article 65 An application for the extension of the duration, if approved by the board of directors, shall be submitted to the original examination and approval authority six (6) months prior to the expiry date of the Company. The duration may be extended only upon an approval and the Company shall go through registration formalities for the alteration at the original registration office.

Article 66 The Company may be terminated before its expiration in case the board of directors agrees that the termination of the Company is in the best interests of the Company.

The termination of the Company before the term expires shall be submitted to the original examination and approval authority for approval.

Article 67 Upon the expiration or earlier termination of the Company, the board of directors shall work out procedures and principles for the liquidation, nominate candidates for the liquidation committee, and set up the liquidation committee for liquidating the Company's assets.

Article 68 The tasks of the liquidation committee are as follows:

- (a) To conduct thorough investigation of the property of the Company, its credits and debts;
- (b) To work out a statement of assets and liabilities and inventory of the Company's property; and
- (c) To formulate a liquidation plan.

All these shall be carried out upon the approval of the board of directors.

Article 69 During the process of liquidation, the liquidation committee shall represent the Company to sue and be sued.

Article 70 The liquidation expenses and remuneration to the members of the liquidation committee shall be paid in priority from the existing assets of the Company.

Article 71 On completion of the liquidation of the Company, the liquidation committee shall promptly submit a report thereon to a meeting of the board of directors for approval and to the examination and approval authority, and shall carry out the procedures for canceling the registration of the Company's business license at the original registration office and shall, at the same time, make an announcement to the public.

CHAPTER XI. RULES AND REGULATIONS

Article 72 The following are the rules and regulations formulated by the board of directors of the Company:

- (a) Management regulations including powers and functions of the managerial departments and their working rules and procedures;
- (b) Rules for the staff and workers;
- (c) System of labor work and salary;
- (d) System of work attendance record, promotion and awards and penalty for the staff and workers;
- (e) System of staff and workers' welfare;
- (f) Financial system;
- (g) Liquidation procedures upon the dissolution of the Company; and
- (h) Other necessary rules and regulations.

CHAPTER XII. SUPPLEMENTARY ARTICLES

Article 73 The amendments to these Articles of Association shall be unanimously agreed and decided by the board of directors and submitted to the original examination and approval authority for approval.

Article 74 These Articles of Association are written in Chinese language and English language. Both languages shall be equally authentic.

Article 75 These Articles of Association shall come into effect upon the approval by the examination and approval authority. The same applies in the event of amendments.

Article 76 These Articles of Association are signed in Xiamen, PRC by the authorized representative of the Company on the day of _____.

_____ Corporation, _____
 By _____
 Authorized Representative

APPENDIX D

投資申請表 APPLICATION FORM FOR THE COMPANY APPLYING FOR THE ESTABLISHMENT OF A FOREIGN CAPITAL ENTERPRISE

填寫申請表須知

NOTES

1. 本申請表應由投資者本人或投資企業的法定代表簽署，或由上述兩者的授權代表簽署（授權代表須提交經公證的法定代表的授權書）。

The present application form should be signed by the investor himself, or by the legal representative of the enterprise, or by a representative authorized by both the above-mentioned two persons (the authorized representative shall submit a notarized letter of authorization.).

2. 當投資者為個人時，“投資者名稱”與“法定地址”應填寫個人姓名與居住地址。

In the case that the investor is an individual, the blanks next to “Name of the Company” and “Legal Addresses” are to be filled with the individual’s name and his/her home address.

3. “董事會組成”一欄請寫明首屆董事會成員名單。

The item of “Composition of the Board of Directors” is for the name list of the first board of directors.

4. 除注明欄目外，本表及全部附件請以中文書寫。

Except for the noted items, all the other items and all attachments of the application form should be filled in Chinese.

5. 本表及全部附件應提交一式四份。

The present application form and all its attachments should be submitted in four copies.

申請設立外資企業的公司

(下稱公司)的情況

INFORMATION CONCERNING THE COMPANY APPLYING FOR THE ESTABLISHMENT OF A FOREIGN CAPITAL ENTERPRISE (HEREINAFTER THE "COMPANY")

1. 投資者名稱 Name of the Company
 中文 Chinese:
 英文 English:
2. 法定地址 Legal Address:
 中文 Chinese:
 英文 English:
 其他地址 Other Address (if any)
3. 投資者所在的國家或地區
 Country or Jurisdiction of Incorporation: _____
4. 公司成立日期
 Date of Incorporation:
5. 法定代表姓名 Name of the Legal Representative
 中文 Chinese:
 英文 English:
6. 經營範圍
 Business Scope: _____
7. 生產規模
 Scale of Production:
8. 資產總額
 Total Assets:
9. 註冊資本
 Registered Capital:
10. 銀行
 Bank:

11. 已投資的國家或地區

Countries Where Investment Has Been Made: _____

12. 公司在華聯系人姓名

Name of the Contact Person for Company in China: _____

地址

Address: _____

電話

Telephone Number: _____

擬在中國設立的外資企業

THE FOREIGN CAPITAL ENTERPRISE TO BE ESTABLISHED IN CHINA

1. 外資企業名稱 Name of the Foreign Capital Enterprise:

中文 Chinese:

英文 English:

2. 地址

Address:

3. 投資總額

Total Amount of Investment:

4. 註冊資本

Amount of Registered Capital:

5. 投資的構成

Form of Investment:

a. 外匯

Foreign Currency:

b. 設備

Equipment:

c. 其他

Other:

6. 出資期限或計劃

Deadline or Schedule for Collection of Investment: _____

7. 需要的土地面積和建築面積

Land Surface Area and Building Surface Area Needed: _____

- a. 辦公室
Office:
 - b. 生產廠房
Manufacturing:
 - c. 其他建築
Other Buildings:
8. 項目情況
Project Conditions:
- a. 經營範圍
Scope: _____

 - b. 生產規模
Production Scale: _____
 - c. 主要原料
Raw Materials: _____

 - d. 原料來源
Materials and Their Sources: _____
 - e. 銷售市場
Market for Sales: _____
 - f. 出口比例
Export Ratio: _____
9. 企業管理
Management of the Foreign Capital Enterprise
- a. 董事會組成
Composition of the Board of Directors: _____

 - b. 管理機構和高級職員
Management Offices and Senior Staff: _____

 - c. 財務制度
System of Financial Affairs and Accounting: _____
 - d. 職工總數
Total Staff and Workers:
外籍職工
Foreign Staff and Workers:

管理人員

Management Personnel:

工人

Workers:

項目建設和執行

CONSTRUCTION AND IMPLEMENTATION OF THE PROJECT

1. 該項目將使用的技術

Technology to Be Used in Carrying out the Project: _____

2. 該項目將使用的主要機器設備

Machinery and Equipment to Be Used for the Project: _____

3. 項目所需水、電、氣、燃料等用量

The Volume of Water, Electricity, Gas, Fuel, etc. Which will be needed by the Project:

水 Water: _____

電 Electricity: _____

燃料 Fuel: _____

4. 三廢處理指標、安全指標

The Standard of the Treatment of "Three Wastes" and the Security Standard:

5. 計劃建設進度

Schedule of Planned Construction:

第一年

1st Year _____

第二年

2nd Year _____

6. 投產日期

Starting Date for Production:

7. 投資後三年計劃產量

Quantity of Products Planned in the First Three Years of Production:

第一年

1st Year

第二年

2nd Year

第三年

3rd Year

8. 在中國購置的主要原材料

Principal Raw Materials to Be Purchased in China:

第一年

1st Year _____

第二年

2nd Year _____

第三年

3rd Year _____

外資企業經營期限

TERM OF OPERATION OF THE FOREIGN CAPITAL ENTERPRISE:

投資者同意以下條款作為設立外資企業的基礎

THE COMPANY HEREBY AGREES TO THE FOLLOWING CONDITIONS FOR THE ESTABLISHMENT OF THE FOREIGN CAPITAL ENTERPRISE:

- 1. 外資企業的一切活動都必須遵守中華人民共和國的法律、法令和有關規定並受其保護。

All activities of the foreign capital enterprise shall comply with and be protected by the laws, degrees, and relevant regulations of the People's Republic of China.

- 2. 外資企業應按照中華人民共和國的法律、法令和有關交稅規定交納有關稅款。

The foreign capital enterprise shall pay the relevant taxes in accordance with the laws, degrees and relevant regulations of the People's Republic of China.

公司:

Company: _____

簽字:

Signature: _____

日期:

Date: _____

附件:

Attachments: _____

1. 外資企業章程;
Articles of association of the foreign capital enterprise
2. 公司登記註冊登記證明(副本);
Evidence of incorporation of the company (copy)
3. 外資企業可行性研究報告;
The report of feasibility study for the foreign capital enterprise
4. 投資者開戶銀行出具的資信證明;
Capital and credit certificate on the investor made out by the investor's bank
5. 外資企業需進口的原輔材料、機械設備、辦公用品及交通工具清單(包括品名、規格型號、單價、總值)。

A list of the raw/auxiliary material, machinery and equipment, office apparatus and transportation means (including the name of the article, the modal and specifications, the unit price and the total value) to be imported by the foreign capital enterprise.

APPENDIX E

SAMPLE CONTRACTS

A majority of agreements in mainland China are implemented with contracts rather than purchase orders.

“Business disputes in China are not always handled through the courts. Sometimes the foreign partner has been held hostage, threatened with violence, or beaten up. Anyone entering into a contract in China should have it thoroughly examined, both in the United States and in China. Contracts entered into in the United States are not enforced by Chinese courts.”—U.S. State Department, China 2008 Investment Climate Statement—China

As mentioned, we hired a global legal consulting firm with offices in China and experience in Chinese contract law. I would highly recommend that you do the same based on the quotation above.

There are standard boilerplat” contracts available in China. You should review them carefully with your legal consultant. It was our experience that the language as written for the various contracts did not always favor the buyer (you), and it was necessary to introduce language into the contracts giving, you, the buyer, the necessary power and responsibility for the implementation of the contract.

Following for your reference are sample contracts for Design, Environmental Assessment, Tendering, Construction, Supervisory, Management and Quality, respectively.

DESIGN INSTITUTE

Architectural Project Design Contract

Project Name: _____

Project Location: _____

Contract Number: _____

(Compiled by the designer)

Design Certificate Grade: _____

Party A: _____

Party B: _____

Party C: _____

Contract Date: _____

PREPARED UNDER THE SUPERVISION OF PRC MINISTRY OF CONSTRUCTION AND STATE ADMINISTRATION OF INDUSTRY AND COMMERCE

Party A: _____
 Party B: _____
 Party C: _____

Party C will build a manufacturing facility at _____ according to Party A's requirements and specifications and Party A will lease the _____ from Party C. Party A entrusts Party B with the architectural design of the _____.

Party C acknowledges Party A's entrustment of Party B with the architectural design of the _____ Project and agrees to (i) develop the _____ Project in accordance with drawings, specifications and other documentation to be prepared by Party B under this Architectural Project Design Contract (the "Design Documents"), and (ii) ensure that the contractor, project manager [and supervisor] appointed by Party C to build the _____ Project are [reviewed] approved in writing by Party A and that such contractor, project manager [and supervisor] build the _____ Project in accordance with the Design Documents.

After mutual consultation, the Parties have entered into the following contract:

Article 1 This Contract is entered into in accordance with the following documents:

- 1.1 The PRC Contract Law, the PRC Construction Law, the Administrative Measures on the Market of Construction Project Survey and Design.
- 1.2 Relevant state and local regulations and rules governing construction project survey and design.
- 1.3 Approval documents of the construction project.

Article 2 Refer to Appendix I attached hereto for the contents of this Contract, including, among other things, the name, scale, stage, investment, design fee and Specification _____.

Article 3 Relevant information and documents to be submitted by Party A to Party B:

Table E.1. Documents to Be Submitted by Party A to Party B for Design Contract

No	Information & Document Name	Copy	Submission Date	Relevant Issue
1	Project Initiation Report	1		
2	Planning Permit	1		
3	Redline Map	1		
4	Detailed Project Geological Survey Report	1		Approval required for the Detailed Project Geological Survey Report

5	Drawing of Pipes and Cables Surrounding the Building	1
6	Design Plan Approval Notice	1
7	Documents and drawings as referenced in Specification	1

Article 4 Design information and documents to be submitted by Party B to Party A:

Table E.2. Design Documents to Be Submitted by Party B to Party A for Design Contract

No	Information & Document Name	Copy	Submission Date	Relevant Issue
1	Special purpose working drawing and designs Specification _____			
2	Documents and Drawings as referenced in the Specification.			

Article 5 The estimated fee for the design hereunder shall be RMB _____. The payment schedule is specified in the chart below.

Table E.3. Design-Fee Payment Schedule

Payment Sequence	Amount (RMB)	Payment Date (determined in accordance with the submission of the design documents)
First Payment		Within 45 days after this contract is entered into and upon receipt and approval by owner of invoice and the amount to be paid.
Final Payment		Within 45 days after construction completion, checking and acceptance by owner, and upon receipt and approval by owner of invoice documenting the work completed and the amount to be paid.

NOTES:

1. The actual amount of design fee shall be assessed on the basis of the quotation amount for performing the design services hereunder as presented from Party B to Party A.
2. Upon the execution of this Contract, the deposit shall be offset against the design fee.

Article 6 Responsibilities of the Parties

6.1 Party A's Responsibilities

- 6.1.1 Party A shall submit the information and documents to Party B within the prescribed period in accordance with the provisions of Article 3

hereof and be responsible for their integrity, correctness and timely submission. Party A shall not request Party B to implement designs in violation of relevant state standards.

If the submission of the said information and documents to Party B by Party A is late for not more than 15 days after the prescribed period, Party B shall have the right to postpone the submission of the design documents in accordance with Article 4 hereof; if such delay is more than 15 days, Party B shall have the right to reschedule the submission date of the design documents.

- 6.1.2 Where any change by Party A to the entrusted design project, its scale or condition, or any error in the submitted document or substantial revision of the submitted documents has caused Party B to redesign the drawings, the parties shall consult separately to enter into a supplemental agreement (or a new contract) to expressly set forth relevant terms. In addition, Party A shall pay Party B additional design fees in accordance with the relevant design fee standard and as agreed to by Party A and Party B in a change order documenting the increased work load and the associated additional costs. Party B must charge at rates specified in the Chinese design fee standard
 - 6.1.3 If Party A requests Party B to submit the design information and documents earlier than the agreed time herein, and if Party B is able to meet such request, Party A shall pay Party B a fee for expedited work according to the expedited work performed by Party B as agreed to in advance in a change order documenting the additional hours to be worked.
 - 6.1.4 Party A shall provide necessary amenities for work, accommodation, and transport to Party B's staff sent to the site to deal with relevant design matters.
 - 6.1.5 Party A shall protect Party B's intellectual property rights in any bidding documents, design schema, documents, information drawings, data, computing software and patented technology. Without the permission of Party B, Party A shall not modify or copy the design information and documents submitted by Party B or transfer the same to a third party, or use the same in projects other than the one hereunder. Otherwise, Party A shall assume legal liability and Party B shall have the right to claim compensation from Party A.
- 6.2 Party B's Responsibilities:
- 6.2.1 Party B shall conduct project design in accordance with state technology guidelines, standards, rules and the design requirements of Party A. Party B shall complete and submit qualified design materials in accordance with Party A's requirements and the contract schedule and be responsible for the same.
 - 6.2.2 The principal technical standards adopted by Party B are:
 - (a) Applicable national guidelines, rules and standards currently in force in China

- (b) Relevant local regulations and rules of _____
Municipality
 - (c) Rules and standards of relevant professional bodies
 - (d) Design standards and rules specified for the PRC engineering design industry
 - (e) PRC control standards for design procedure for designers
 - (f) Relevant opinions of the construction drawing approval authority
- 6.2.3 Reasonable duration of use of the design: 50 years.
- 6.2.4 Party B shall ensure that its designs shall be fit for the purpose of completing the construction project in accordance with Party A's requirements as set out in this Contract and in various faxes, e-mails and minutes of meetings between the parties.
- 6.2.5 Party B shall ensure that it employs competent persons to perform the design services hereunder and appoints a competent manager who shall have complete charge of the work under the Contract on behalf of Party B.
- 6.2.6 Party B shall deliver the information and documents in accordance with the content, schedule and number of copies specified in Article 2 and Article 4 hereof.
- 6.2.7 After submission of the design information and documents, Party B shall participate in the relevant design review in accordance with relevant provisions, and on the basis of the conclusion of the review, be responsible for making necessary modifications and additions within the scope of the original content and the cost for such modifications and additions shall be born by Party B. Party B shall submit the design information and documents in accordance with the specified time limit provided in this Contract and commence the construction of the project within 2004. Party B shall be responsible for disclosing the design to Party A and the construction unit, addressing relevant design matters and participating in the project completion check and acceptance. If the project construction is not commenced within one year, Party B shall still be responsible for the said work and shall have the right to charge an appropriate consulting fee according to the required workload, the amount of which shall be negotiated between the parties.
- 6.2.8 Party B shall perform any design services that may be required by Party A during the warranty period as defined in the construction contract to be entered into between Party A and contractor and such performance shall be included in the design fee under this Contract.
- 6.2.9 Party B shall protect Party A's intellectual property rights and shall not disclose to a third party or transfer any confidential engineering, technical and other information submitted by Party A. So long as and to the extent that said information remains confidential or available to others only with the consent of Party A, or is not available to the public from other sources, Party B shall not disclose the same to others,

except to the extent necessary to enable Party B to carry out the design services. Party B shall similarly obligate any and all others to whom such information is necessarily disclosed hereunder, to maintain said information in strict confidence and to prevent further disclosure of any such information. If Party B violates the above obligation and incurs economic loss to Party A, Party B shall indemnify and hold Party A harmless from all such economic loss incurred to Party A (including legal fees and expenses).

6.3 Party C's Acknowledgment and Responsibilities:

6.3.1 Party C hereby acknowledges that Party A entrusts Party B with the architectural design of the Greenfield Plant Project hereunder, and Party A and Party B hereby acknowledge that Party C is not a party to such entrustment, and that Party C does not bear any responsibility for payment of any design fee or related cost hereunder to Party B, or any other of the financial obligations under this Contract.

6.3.2 Party C agrees to (i) develop the Greenfield Plant Project in accordance with the Design Documents, including but not limited to all drawings, specifications and other documentation to be prepared by Party B, and (ii) ensure that the contractor, project manager [and supervisor] appointed by Party C to build the Greenfield Plant Project are [reviewed] approved in writing by Party A and that such contractor, project manager [and supervisor] are properly qualified to perform their duties and shall build the Greenfield Plant Project in full compliance with the Design Documents.

Article 7 Liability for Breach

7.1 During the term hereof, if Party A requests to terminate or rescind this Contract due to causes not attributable to Party B and Party B has not commenced design work, the deposit paid by Party A shall be forfeited; if Party B has commenced design work, Party A shall pay according to the actual work performed by Party B based on the hours worked and the hourly charge rate of Party B.

7.2 Party A shall pay the design fee to Party B in accordance with the amount and date specified in Article 5 hereof. For each day of late payment, Party A shall be subject to a late penalty of [0.2%] of the amount payable, provided that Party A has not disputed the payment of such design fee. If a payment is more than 30 days overdue, Party B shall have the right to suspend the work of the following stage until such payment has been made and shall notify Party A in writing if it takes any such action.

7.3 Party B shall be responsible for all modifications of or additions to any omission or error in the design information and documents. If the project quality is defective due to any designer error, in addition to taking remedial measures in a timely fashion, Party B shall also waive the design fee in connection with the part of the work that is defective or suffers direct damage. If the loss is serious, Party B shall compensate Party A according to the degree of loss of Party A and the liability of the designer.

Party B's liability to Party A under this Article 7.3 shall not exceed the total amount of design fees paid or to be paid to Party B by Party A under Article 5 hereof.

- 7.4 Party B shall indemnify and hold harmless Party A, Party A's affiliated companies, Party A's employees, and their respective agents, against and from all claims, damages, losses and expenses (including legal fees and expenses) in respect of:
- (a) any and all bodily injury, sickness, disease or death, of any person whatsoever arising out of or in the course of or by reason of the performance of the design services, or attributable to any negligence, willful act or breach of the Contract by Party B, or any of its agents, and
 - (b) Any and all damage to or loss of any property, real or personal, including damage to the construction work, to the extent that such damage or loss:
 - (i) Arises out of or in the course of or by reason of the performance of the design services, or
 - (ii) is attributable to any negligence, willful act or breach of the Contract by Party B, or its agents.

Party B's liability to Party A under this Article 7.4 shall not exceed the total amount of design fees paid or to be paid to Party B by Party A under Article 5 hereof.

- 7.5 For each day of delay in submission of the design information and documents provided in Article 4 hereof due to reasons attributable to Party B, Party B shall deduct 0.2% from the total amount of design fee payable for this project under Article 5 hereof.
- 7.6 If Party B requests to terminate or rescind this Contract after it takes effect, Party B shall return to Party A twice the amount of the deposit and any other amounts it may have received from Party A with respect to the design services to be performed hereunder.

Article 8 Miscellaneous

- 8.1 If Party A requests Party B to send personnel to reside at the construction site to cooperate and resolve relevant issues, the parties shall enter into a separate supplemental agreement or technical consulting service contract.
- 8.2.1 Party A shall be responsible for purchasing at its own expense from relevant publishers the state or local standard drawings to be selected by Party B for the project hereunder.
- 8.2.2 If the number of copies of design information and documents submitted by Party B in accordance with Article 4 hereof exceeds the number of copies provided for in the relevant Engineering Design Fee Standard, Party B may charge additional fees for the cost of such materials.
- 8.3 The specifications, model, capacity and other technical specifications of the construction materials and construction parts and equipments shall be set

forth in the design information and documents of this project. Party B may not designate the manufacturer or the supplier, unless requested to do so by Party A. If Party A requires Party B's designer to cooperate in the processing and ordering of the supplies, Party A shall bear all the expenses required in connection therewith.

- 8.4 Party A shall pay additional fees to Party B if Party A entrusts Party B to undertake any work or perform any service other than those hereunder, provided that such additional work or service is not required due to Party B's failure to perform the contract in accordance with Party A's specifications.
- 8.5 Neither party shall be liable for delays or failure of performance caused by force majeure. In the event of force majeure the parties shall discuss how to solve any issues that have arisen due to force majeure.
- 8.6 Any dispute, controversy or claim arising out of or relating to the Contract, or the interpretation, breach, termination or validity thereof, shall be resolved in the first instance through consultation between the parties. Such consultation shall begin immediately after one party has delivered to the other party a written request for such consultation. If within thirty (30) days following the date of a request for consultation, the dispute cannot be resolved, the dispute may be submitted to arbitration by the China International Economic Trade and Arbitration Commission in Shanghai upon the written request of any party with written notice to the other party to the dispute.
- 8.7 This Contract is made in six counterparts, Party A holding two counterparts, Party B holding two counterparts, and Party C holding two counterparts.
 - 8.8.1 This Contract shall take effect after it has been signed and sealed by the parties. The parties agree that this Contract governs the parties' dealings with respect to the design services envisaged by this Contract since [November], 2004 and that any previous agreements or arrangements between the parties with respect to such design services, whether written or oral, are superseded by the terms of this Contract.
 - 8.8.2 The parties may enter into supplemental agreements in writing with regard to any matter not specified herein.
- 8.9 Party B shall not assign its interest in this Contract nor sublet nor subcontract any portion of the design services without the prior written permission of Party A.
- 8.10 After this Contract takes effect, the parties shall, in accordance with relevant provisions, file this Contract for record with the approval authority designated by the provincial level construction administration authority where the project is located. If the parties deem necessary, they may apply for certification with the Administration for Industry and Commerce where the project is located. This Contract shall terminate upon full performance of the obligations hereunder by the parties.

[The remainder of this page has been left deliberately blank.]

Table E.4. Official Filing for Parties A, B, and C for Design Contract

Name of Party A	Name of Party B	Name of Party C
(Seal)	(Seal)	(Seal)
Legal representative: (signature)	Legal representative: (signature)	Legal representative: (signature)
Authorized agent: (signature)	Authorized agent: (signature)	Authorized agent: (signature)
Address:	Address:	Address:
Postal Code:	Postal Code:	Postal Code:
Phone:	Phone:	Phone:
Fax:	Fax:	Fax:
Bank:	Bank:	Bank:
Account No.:	Account No.:	Account No.:
Filing for record with construction administration authority:	Certification Opinion:	
(Seal)	(Seal)	
File No.	Handled by:	
Filing Date:	Certification Date:	

APPENDIX

Table E.5. Construction and Design Details

Sub-Project No.	Sub-Project Name	Construction Scale		Design Stage & Content			Estimated Total Investment	Estimated Rate (%)	Estimated Design Fee
		Floor	Construction Area (m ²)	Preliminary Schematic	Construction Design	Construction Drawing			
1				√		√			

Notes:

ENVIRONMENTAL ASSESSMENT CONTRACT

AGREEMENT

Party A: _____

Party B: _____

In order to promote economic development, strengthen the environmental management of the construction project, carry out current environmental protection laws and regulations, standards and policies in our city conscientiously, protect nature & ecological environment in the construction area, and make the construction project go smoothly, Party B accepts Party A's commission and will carry out an environmental impact appraisal with respect to the project, and produce an Environmental Impact Assessment Table. In order to define and accomplish each duty, cooperate with each other, and complete this project successfully, through the friendly negotiation of both sides, Party A and Party B have reached the following job agreement:

I. Party A's responsibilities

- a) Party A should provide corresponding files, drawings, technical data and relevant materials about this project to Party B in time while the project is entrusted to Party B.
- b) Party A should help and cooperate with the personnel of Party B in making on-the-spot survey, collecting materials, monitoring work etc., so that the appraisal goes smoothly.
- c) Party A should be completely responsible for the authenticity of the materials and data offered.

II. Party B's responsibilities

- a) Party B should strictly follow the state's technological principles and methods on working out the Environmental Impact Assessment Table. Party B is responsible for technology and the quality of the table, and ensuring that it passes the examination by and obtains the approval of the _____ Environmental Protection Bureau.
- b) Party B shall work out the Environmental Impact Assessment Table within 30 working days after receiving the files, drawings, technical data of this project that Party A provides, and shall cooperate with Party A making submissions and declarations.
- c) Before the Environmental Impact Assessment Table is finalized, Party B shall submit a draft to Party A for its review of the facts contained therein with respect to the construction project.
- d) In the course of the _____ Environmental Protection Bureau's examination of the Environmental Impact Assessment Table, Party B shall bear the expenses of any amendment or addition.
- e) Help Party A file for record after the final acceptance of the construction of the project.
- f) In order to protect Party A's rights, Party B shall keep in confidence all of the files, drawings, technical data and other relevant materials provided by Party A and shall not disclose any such materials to any third party. Upon completion of the environmental assessment work, Party B shall promptly return such materials and any photocopies of them to Party A. Party B shall cause its employees and/or consultants involved in this project to comply with the confidentiality obligations herein.

III. Costs and Payment

- a) In the spirit of long-term cooperation, the fee for producing the Environmental Impact Assessment Table is set at RMB _____ after bilateral checks and ratification.
- b) In order to guarantee the project is commenced normally, Party A shall pay RMB _____ to Party B as the deposit within 4 days after the agreement is signed; the remaining amount must be paid within 3 working days after the Environment Impact Assessment Table has been submitted to the environmental protection authority for examination and approval.
- c) When Party A pays the whole amount to Party B, Party B shall submit the Environmental Impact Assessment Table of this project which has been

submitted to the _____ Environmental Protection Bureau for examination and approval to Party A for its record-keeping. If Party B makes any amendment or addition to the Environmental Impact Assessment Table in the course of the _____ Environmental Protection Bureau’s examination of the same, Party B shall promptly submit the amended Environmental Impact Assessment Table to Party A for its record-keeping.

- d) This agreement comes into force after both sides have signed it.

Bank: _____

Bank Account: _____

IV. Others

- a) In the spirit of friendly cooperation, any unaccomplished matter will be resolved through consultation by both parties, unless such matters are disputed by the parties in which case such dispute shall be submitted to arbitration in accordance with article IV c.
- b) Party B shall not assign its interest in this Contract without the prior written permission of Party A.
- c) Any dispute, controversy or claim arising out of or relating to the Agreement, or the interpretation, breach, termination or validity thereof, shall be resolved in the first instance through consultation between the Parties. Such consultation shall begin immediately after one party has delivered to the other party a written request for such consultation. If within 14 days following the date of a request for consultation, the dispute cannot be resolved, the dispute may be submitted to arbitration by the China International Economic Trade and Arbitration Commission (“CIETAC”) in Shanghai upon the written request of any party with written notice to the other party to the dispute.
- d) This agreement shall come into force after it has been signed and sealed by both sides.
- e) This agreement is signed in triplicate; Party A holds one copy, and Party B holds two copies.

Party A Stamp

Party B Stamp

Name & Title:

Name & Title:

Tel:

Tel:

MM/DD/YYYY

MM/DD/YYYY

TENDERING CONTRACT

CONTRACT FOR CONSULTANCY ON CONSTRUCTION COSTS

Prepared by

The Ministry of Construction of the People’s Republic of China
And the State Administration for Industry and Commerce

PART ONE

AGREEMENT FOR CONSULTANCY ON CONSTRUCTION COSTS

This agreement (“**Agreement**”) is entered between _____ (“**Principal**”) and _____ (“**Consultant**”). The parties agree as follows through consultation.

1. The Principal commissions the Consultant to provide consultancy services with respect to construction costs (“**Consultancy Services**”) for the following project (“**Project**”):
 - a. Name of Project:
 - b. Scope of Consultancy Services : Preparation of base price limit on bids for the Project
2. The terms and expressions used herein shall have the same meanings as those used in the conditions of the Contract for Consultancy on Construction Costs (“**Contract**”) and attachments thereto.
3. The following documents (i) shall be an integral parts of the Contract; and (ii) shall be mutually explanatory:
 - a. the Agreement;
 - b. the Standard Conditions of the Contract;
 - c. the Special Conditions of the Contract ; and
 - d. Any supplements and amendments attached hereto or to be entered into in the course of performance of the Contract.
4. The Consultant agrees to provide the Principal with the Consultancy Services for the Project within the scope as agreed in the Special Conditions of the Contract in accordance with the provisions of this Contract.
5. The Principal agrees to pay the remuneration for the Consultancy Services to the Consultant according to the schedule and in the manner, currency, and amount as specified herein.
6. The term during which the Consultant shall provide the Consultancy Services shall commence as of ___ and end on _____, and the detailed schedule of rendition of such services shall be as confirmed by the parties in the supplements hereto.
7. This Contract is executed in four (4) counterparts, two (2) of which shall be kept by each party, and the four (4) counterparts shall have equal legal effect.

[The remainder of this page has been left deliberately blank.]

Table E.6. Construction-Cost Consultancy Signatories

Principal: (Seal)	Consultant: (Seal)
Legal Representative: (Signature)	Legal Representative: (Signature)
Authorized Agent: (Signature)	Authorized Agent: (Signature)
Domicile:	
Bank:	Bank:
Account Number:	Account Number:
Postal Code:	Postal Code:
Tel:	Tel:
Fax:	Fax:
Email Address:	Email Address:

PART TWO**STANDARD CONDITIONS OF THE CONTRACT FOR
CONSULTANCY ON CONSTRUCTION COSTS****DEFINITIONS OF TERMS, LANGUAGE, AND GOVERNING LAW**

Article 1 Except where the context otherwise requires, the following terms and expression shall have the following meanings:

1. “Principal” means the party that employs Consultancy Services and retains a consultant on construction costs, and its successor(s).
2. “Consultant” means the party that renders Consultancy Services and assumes the responsibility for consultancy on construction costs, and its successor(s).
3. “Consultancy Services” mean the consultancy services on construction costs for the Project as provided in the Special Conditions of the Contract.
4. “Third Party” means any party other than the Principal and the Consultant that may be involved in the Consultancy Services hereunder.
5. “Day” means the time period from the zero hour of any day to the zero hour of the following day.

Article 2 The Contract shall be governed by the applicable laws and regulations of the People’s Republic of China (“PRC”), as well as by the rules and regulations of the relevant authorities in charge and methods of and provisions on computation of construction costs as agreed to in the Special Conditions, or applicable local rules and regulations of the place where the Project is located.

Article 3 The Chinese language shall be the language that dominates the preparation, interpretation and explanation of the Contract and, in the event of any discrepancy between the different language versions hereof, the Chinese language version shall prevail.

OBLIGATIONS OF THE CONSULTANT

Article 4 The Consultant shall provide the Principal with information on the Consultancy Services, including the certificate of qualifications for consultancy on construction costs and the list of professionals who are to provide such Consultancy Services, and the work plan of the Consultancy Services, and render such Consultancy Services according to the scope as agreed to in the Special Conditions of the Contract and the terms and conditions of the Contract.

Article 5 The services the Consultant shall render to the Principal during its performance of this Contract shall include Normal Services, Additional Services and Extra Services.

- a. “Normal Services” mean the Consultancy Services for the Project as agreed by the parties in the Special Conditions of the Contract;
- b. “Additional Services” mean services other than Normal Services that will be agreed to by the parties in writing;

- c. "Extra Services" mean services other than Normal Services and Additional Services that the Consultant shall render under Articles 13, 20 and 22 of the Standard Conditions of this Contract.

Article 6 During the Consultant's performance of the Contract, the Principal may make available to the Consultant certain confidential engineering, technical and other information. So long as and to the extent that said information remains confidential or available to others only with the consent of the Principal, or is not available to the public from others sources, the Consultant shall maintain such information in strict confidence and shall not disclose the same to others, except to the extent necessary to enable the Consultant to perform this Contract. The Consultant shall similarly obligate any and all others to whom such information is necessarily disclosed hereunder, to maintain said information in strict confidence and to prevent further disclosure of any such information.

OBLIGATIONS OF THE PRINCIPAL

Article 7 The Principal shall be responsible for coordination with any Third Party that may be involved in the Consultancy Services hereunder and provide any external conditions required by the Consultant in its work.

Article 8 Within the time limit as agreed to by the parties, the Principal shall provide the Consultant with information relevant to the Consultancy Services hereunder free of charge.

Article 9 Within the time limit as agreed to by the parties, the Principal shall give a written reply to any written request made by the Consultant that calls for a reply. If and when the Consultant requests that any Third Party provide any relevant information, the Principal shall forward such request and deliver such information to the Consultant.

Article 10 The Principal shall authorize a representative familiar with the Consultancy Services hereunder to keep in contact with the Consultant.

RIGHTS OF THE CONSULTANT

Article 11 The Principal shall grant the Consultant the following rights within the scope of the Consultancy Services hereunder:

- a. In the course of its rendition of the Consultancy Services, the Consultant shall have the right to make a written report to the Principal on any ambiguities in the information provided by the Principal;
- b. In the course of its rendition of the Consultancy Services, the Consultant shall have the right to check and inquire about any question about the Consultancy Services hereunder that may be raised by any Third Party; and
- c. In the course of its rendition of Consultancy Services, the Consultant shall have the right to make inspections of the site of the Project, provided that a prior three (3) day written notice shall be issued to the Principal.

RIGHTS OF THE PRINCIPAL

Article 12 The Principal shall have the following rights:

- a. The Principal shall have the right to inquire of the Consultant about the progress of the rendition of the Consultancy Services hereunder and any other matters related to such Consultancy Services;
- b. The Principal shall have the right to set forth its opinions and suggestions on any specific matters; and
- c. If and when the Principal determines that any of the professionals of the Consultant fails to perform his or her duties in accordance with this Contract or is in collusion with any Third Party, causing any economic losses to the Principal, the Principal shall have the right to request the Consultant to replace such person or to terminate this Contract and may require that the Consultant shall bear joint and several liability for any claims resulting from any of the actions of such person referred to herein.

RESPONSIBILITIES OF THE CONSULTANT

Article 13 The term during which the Consultant shall assume liability shall be the same as the term of the Contract. If, through no fault on the part of the Consultant, the progress of its work is delayed or postponed until after the agreed date, the parties shall agree on the corresponding extension of the term of this Contract.

Article 14 During its term of liability, the Consultant shall fulfill its obligations under the Contract. If the Consultant fails to perform any of its obligations hereunder, the Consultant shall be liable for breach of contract and compensate the Principal for any losses it may suffer as a result of such failure. The total amount of the compensation for such losses shall not exceed the total amount of the remuneration for Consultancy Services hereunder (net of any taxes).

Article 15 If the Consultant fails to promptly check or to give an answer to any question that may be raised by the Principal or any Third Party, rendering it impossible for all or part of this Contract to be performed, the Consultant shall be liable for any losses arising there from.

Article 16 If a claim for compensation the Consultant files against the Principal proves to be unjustifiable, the Consultant shall compensate the Principal for all the expenses it may incur as a result of such claim or any other claims.

RESPONSIBILITIES OF THE PRINCIPAL

Article 17 The Principal shall perform its obligations under the Contract. If the Principal fails to perform any of such obligations, it shall be liable for breach of contract and compensate the Consultant for any losses it may suffer as a result of such failure. The total amount of the compensation for such losses shall not exceed the total amount of the remuneration for Consultancy Services hereunder (net of any taxes).

Article 18 If a claim for compensation or any other claim the Principal files against the Consultant proves to be unjustifiable, the Principal shall compensate the Consultant for all the expenses it may incur as a result of such claim for damages or any other claims.

EFFECTIVENESS, AMENDMENTS, AND TERMINATION OF THIS CONTRACT

Article 19 This Contract shall become effective as of the date when the parties have affixed their respective signatures and seals hereto.

Article 20 If, through any fault on the part of the Principal or any Third Party, the Consultant is hindered or delayed in its rendition of the Consultancy Services hereunder so that it has to put in any additional work and time, the Consultant shall promptly notify the Principal in writing of this situation and its possible consequences. The additional work that results there from shall be deemed to be Extra Services, in which case the time limit for completion of the Consultancy Services shall be extended correspondingly and an additional remuneration shall be paid to the Consultant for such Extra Services.

Article 21 If one party unilaterally requires that this Contract be amended or terminated, it shall notify the other party in writing thereof seven (7) days in advance. If any amendment hereto or termination hereof causes any losses to either party, the party that is liable for such amendment or termination shall compensate the injured party for such losses.

Article 22 If the Consultant suspends or terminates the rendition of the Consultancy Services through no fault on its own part, any additional work it will have to put in to resume the rendition of the Consultancy Services shall be deemed to be Extra Services and it shall be entitled to an additional remuneration for such services and an allowance of an additional period of time to complete the services hereunder.

Article 23 Notices of or agreements on amendments hereto or termination hereof shall be in writing and the original contract shall remain effective until a new agreement is entered into.

REMUNERATIONS FOR CONSULTANCY SERVICES

Article 24 Remunerations for Normal Services, Additional Services and Extra Services in consultancy on construction costs shall be calculated by the method as agreed to in the Special Conditions of the Contract and paid in the agreed amount and according to the agreed schedule hereunder.

Article 25 If the Principal fails to pay the remuneration for the Consultancy Services within the prescribed time limit, it shall pay the Consultant an interest on such unpaid remuneration as of the date such remuneration becomes due, provided that the Principal is entitled to withhold payment of such remuneration for any of the Consultant's defective performance of the Contract by giving a written notice of objections in accordance with Article 26 herein. Such interest shall be calculated as the rate of interest on the demand loan quoted by the [which?] bank on the last date of the time limit for payment of such remuneration multiplies the number of days the payment has been overdue.

Article 26 If the Principal has any objections to the remuneration or any items of the remuneration as listed in the payment notice the Consultant gives to the Principal, within two days of receipt of such notice, the Principal shall give a written notice of such objections to the Consultant, provided, however, that the Principal shall not delay the payment of any remuneration to which it has not raised any objections.

Article 27 The currency in which and the exchange rate at which remunerations for Consultancy Services shall be paid shall be as agreed in the Special Conditions of the Contract.

MISCELLANEOUS

Article 28 If, to meet the needs of the Consultancy Services, the Consultant goes on tours of investigation other than those agreed to herein, subject to the approval of the Principal, the Principal shall reimburse the Consultant any expenses it may incur in connection with such tours upon the Principal's receipt and approval of valid invoices documenting the expenses relevant to such approved tours.

Article 29 If the Consultant needs to retain any outside expert to assist it in its work and such assistance falls within the scope of the Consultancy Services hereunder, any expenses that may be incurred as a result thereof shall be borne by the Consultant and, if such assistance is outside the scope of the Consultancy Services hereunder, subject to the approval by the Principal, any expenses that may be incurred as a result thereof shall be borne by the Principal.

Article 30 Without a written consent of the other party, neither party shall assign any of the rights or obligations hereunder.

Article 31 Without a written consent of the Principal, neither the Consultant nor any of the professionals of the Consultant shall accept any remuneration other than those agreed to herein for any Consultancy Services.

The Consultant shall not take part in any activities that may be in conflict with the interests of the Principal as provided for herein.

SETTLEMENT OF CONTRACTUAL DISPUTES

Article 32 Any dispute, controversy or claim arising out of or in connection with or relating to this Contract, or the interpretation, breach, termination or validity thereof, shall be resolved through friendly consultation between the parties. Such consultation shall begin immediately after one party hereto has delivered to the other party hereto a written request for such consultation (the "Request for Consultation"). If within thirty (30) days following the date on which the Request for Consultation is delivered the dispute cannot be resolved, the dispute shall be submitted to arbitration upon the request of either party with written notice to the other.

- a. The arbitration shall be conducted in Shanghai under the auspices of the China International Economic and Trade Arbitration Commission, Shanghai

sub-branch (“CIETAC”). There shall be three (3) arbitrators. Each party shall nominate one (1) arbitrator within twenty (20) days after the date of receipt of the Notice of Arbitration from CIETAC. The Consultant agrees that the Principal may, at its sole discretion, choose to select an arbitrator from CIETAC’s panel of Arbitrators on International Cases or from its panel of Arbitrators on Domestic Cases. The appointment of party-nominated arbitrators shall be confirmed by CIETAC. Both parties shall agree on the third arbitrator within twenty (20) days after the date when the respondent receives a Notice of Arbitration from CIETAC. Should either party fail to appoint an arbitrator or should the two parties fail within twenty (20) days to reach agreement on the third arbitrator, such arbitrator shall be appointed by CIETAC.

- b. The arbitration proceedings shall be conducted in English. The arbitration tribunal shall apply the CIETAC Rules as administered by CIETAC at the time of the arbitration. However, if such rules conflict with the provisions of this Article 32, including the provisions concerning the appointment of an arbitrator(s), the provisions of this Article 32 shall prevail.
- c. The arbitrators shall decide any dispute submitted by the parties strictly in accordance with the substantive law of the PRC and shall not apply any other substantive law.
- d. Each party shall cooperate with the other in making full disclosure of and providing complete access to all information and documents requested by the other in connection with such arbitration proceedings, subject only to any confidentiality obligations binding on such party.
- e. The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitration tribunal.
- f. When any dispute occurs and when any dispute is under arbitration, except for the matters in dispute, the parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Contract.
- g. The award of the arbitration tribunal shall be final and binding upon the parties, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

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PART THREE

SPECIAL CONDITIONS OF THE CONTRACT FOR CONSULTANCY ON CONSTRUCTION COSTS

Article 2 Laws and regulations that will govern this Contract and methods of and provisions on computation of construction costs of projects:

The Consultant shall prepare (examine) reports on results of Consultancy Services on the basis of the relevant information provided by the owner of the Project and in strict compliance with the applicable state and local laws and regulations.

Article 4 The scope of the Consultancy Services: Preparation of base price limit on bids for the project.

“Consultancy Services” mean the following categories of consultancy services:

- Category A: Preparation, examination and economic evaluation of investment estimates as made in the feasibility study of the project
- Category B: Preparation and examination of the rough estimate, budget, final settlement of accounts, and final settlement of accounts upon completion of the project;
- Category C: Preparation and examination of base price limit on bids and quotation of bids for the project;
- Category D: Negotiation for construction projects, changes therein, appraisal of contractual disputes and claim for damages; and
- Category E: Preparation of the basis for computation of construction costs of the project, monitoring and control of the construction costs of the project, and provision of data and information on the construction costs of the project.

Article 8 The information on Consultancy Services to be provided by the Principal and the time by which such information is to be provided, as agreed to by the parties: The Principal shall provide the information on Consultancy Services by the time as agreed to by the parties.

Article 9 Within three (3) days, the Principal shall give a written reply to any written request made by the Consultant that calls for a reply.

Article 14 The Consultant agrees that, if it fails to perform any of its obligations hereunder during its term of liability, it will bear the liability for any economic losses that may result there from in the following manner:

$$\text{Compensation} = \text{Direct Economic Losses} \times \text{Rate of Compensation (Net of Taxes)}$$

Article 24 The Principal agrees to pay the Consultant the remuneration for Normal Services by the following method of calculation, according to the following schedule, and in the following amount:

- a. Method of calculation: A lump sum in the amount of RMB (or in words, RMB _____).
- b. Schedule and amount of payment: The Principal shall pay the remuneration for Consultancy Services in one lump within ten days after the Consultant has submitted a complete report on the results of examination and verification.

The Principal agrees to pay the remuneration for Additional Services by the following method of calculation, according to the following schedule, and in the following amount: The parties shall negotiate such remuneration separately if any such services are rendered.

The Principal agrees to pay the remuneration for Extra Services by the following method of calculation, according to the following schedule, and in the following amount: The parties shall negotiate such remuneration separately if any such services are rendered.

Article 27 The parties agree that the remuneration hereunder will be calculated at the exchange rate for RMB and paid by transfer of accounts.

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SUPPLEMENTS TO THIS CONTRACT

1. The Consultant shall make appropriate measures to maintain the confidentiality of the Consultancy Services hereunder if the Principal deems such services confidential and the Consultant shall not disclose any information on this Project to any Third Party that may be involved in the Consultancy Services of the Project or any other person.
2. If the Principal fails to provide any of the information on the Project hereunder according to the agreed schedule or to give a reply to any request made by the Consultant that calls for a decision, producing any adverse effect on the progress and quality of the work of the Consultant, the time limit for completion of the Consultancy Services hereunder shall be extended for the period of the delay that may result from such failure and, if the Consultant suffers any economic losses as a result of such failure, the Principal shall compensate the Consultant for its actual and direct economic losses. The total amount of the compensation for such losses shall not exceed the total amount of the remuneration for Consultancy Services hereunder (net of any taxes).
3. If, through any fault on its own part, the Consultant fails to complete the Consultancy Services hereunder within the agreed time limit, it shall assume the liability for breach of contract by having the remuneration for such services reduced; if the circumstances of such failure are particularly serious, the Consultant shall assume the liability for breach of contract by being denied any remuneration for such services.
4. If the Principal fails to accept or delays the acceptance of the results of the Consultancy Services hereunder, it shall still pay any outstanding amount of the remuneration for the Consultancy Services hereunder.
5. Once this Contract becomes effective, it shall be legally binding on both of the parties and neither party shall unilaterally amend or terminate this Contract without the prior written notice to the other party in accordance with Article 21 of the Standard Conditions of the Contract.

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CONSTRUCTION CONTRACT FOR A BUILDING PROJECT

“Clean contract”

GF-1999-0201

Prepared by the Ministry of Construction of the People’s Republic of China and the State Administration of Industry and Commerce

December 1999

PART ONE AGREEMENT

Employer (Full Name): _____

Contractor (Full Name): _____

According to the Contract Law of the People's Republic of China, Construction Law of the People's Republic of China and other relevant laws and administrative regulations, and in compliance with the principle of equality, free will, equity and good faith, the parties agree on matters in respect of this construction project and hereby enter into the Contract.

I. BASIC FACTS OF THE PROJECT

Name of the Project: _____

Location of the Project: _____

Content of the Project: _____

The List of Contracted Project of the Contractor (Appendix 1) shall be attached for group construction project.

Approval Number for Acceptance of the Project: _____

Capital Source: _____

II. SCOPE OF CONTRACTING PROJECT

Scope of Contracting: _____.

III. TERM OF THE CONTRACT

Commencement Date: _____

Completion Date: _____

Total Calendar Days of Time for Completion of the Contract: _____

IV. QUALITY STANDARD

Quality Standard of the Project: _____

V. CONTRACT PRICE

Amount (in words): _____

VI. CONSTITUTION DOCUMENTS OF THE CONTRACT

The constitution documents of the Contract include:

1. The Agreement of the Contract
2. The Notice of Acceptance
3. The Bid Documents
4. The Specific Provisions of the Contract
5. The Standard Provisions of the Contract
6. The Standards, Specifications and Relevant Technical Documents
7. Drawings
8. Bill of Quantities
9. Project Quotation or Budget

Any written agreement or document between the Parties concerning the negotiation and amendment of the Project shall be deemed as an integral part of the Contract.

VII. Relevant terms in the Agreement shall have the same definitions ascribed to them as in the “Standard Provisions” of PART TWO in the Contract.

VIII. The Contractor hereby undertakes to the Employer that it shall construct and complete the Project according to the Contract and assume the warranty liability against the quality of the Project during the Quality Warranty Period.

IX. The Employer hereby undertakes to the Contractor that it shall pay the Contract Price and other payable amounts according to the periods and methods stipulated in the Contract.

X. EFFECTIVENESS OF THE CONTRACT

Execution Date of the Contract: _____

Execution Place of the Contract: _____

The Parties to the Contract agree that the Contract shall become effective

Table E.7. Parties to the Construction Contract for a Building Project

Employer:	Contractor: (Corporate seal)
Address:	Address:
Legal Representative:	Legal Representative:
Authorized Agent:	Authorized Agent:
Telephone:	Telephone:
Fax:	Fax:
Bank:	Bank:
Account Number:	Account Number:
Zip Code:	Zip Code:

PART TWO STANDARD PROVISIONS

I. DEFINITIONS AND CONTRACTUAL DOCUMENTS

1. DEFINITIONS

Unless otherwise defined in the Specific Provisions, the following capitalized terms shall have the respective meanings set forth in this section.

1.1 Standard Provisions: means standard provisions applicable to construction of building projects that are established according to the laws, administrative regulations and requirements of the construction of building projects.

- 1.2 **Specific Provisions:** means provisions agreed on between the Employer and the Contractor upon negotiation according to the laws, administrative regulations and taking into consideration actual conditions of the project, specifying in detail, supplementing or amending the Standard Provisions.
- 1.3 **Employer:** means such party as stated in the Agreement who is qualified to give out the contract and is able to pay the price for the project and the legal successors in title to this party.
- 1.4 **Contractor:** means such party as stated in the Agreement who is qualified and accepted by the Employer to contract the project and the legal successors in title to this party.
- 1.5 **Project Manager:** means the representative designated by the Contractor in the Specific Provisions to be responsible for construction management and contract performance.
- 1.6 **Design Company:** means the company with the corresponding qualification certificate for project design retained by the Employer to be responsible for the design of the Project.
- 1.7 **Supervision Company:** means the company with the corresponding qualification certificate for project supervision retained by the Employer to be responsible for the supervision of the Project.
- 1.8 **Engineer:** means the general supervision engineer appointed by the Supervision Company of the Project, or the representative designated by the Employer to perform the Contract, whose position and function shall be specified in the Specific Provisions by the Employer and the Contractor.
- 1.9 **Project Price Administration Department:** means the relevant department of the State Council, the administrative competent department in charge of construction in the people's government over the county level or its authorized project price administration organization.
- 1.10 **Project:** means the project within the scope of contracting stated in the Agreement by the Employer and Contractor.
- 1.11 **Contract Price:** means the price agreed on in the Agreement between the Employer and the Contractor to be paid by the Employer for the Contractor's completion of all projects within the contract scope according to the Contract and its assumption of Quality Warranty Liability.
- 1.12 **Additional Contract Price:** means the increase in the Contract Price to be calculated according to the method to calculate the Contract Price as confirmed by the Employer that such increase in the Contract Price is necessary for contract performance.
- 1.13 **Expenses:** means expenses to be borne by the Employer or the Contractor other than the Contract Price.
- 1.14 **Time for Completion:** means the contract days counted on a total calendar day basis (including statutory holidays) and agreed on in the Agreement by the Employer and the Contractor.
- 1.15 **Commencement Date:** means the absolute or relative date on which the Contractor starts the construction, which date is agreed upon in the Agreement by the Employer and the Contractor.

- 1.16 **Completion Date:** means the absolute or relative date by which the Contractor completes the project within the contract scope, which is agreed upon in the Agreement by the Employer and the Contractor.
- 1.17 **Drawings:** means all the drawings satisfying the construction requirements of the Contractor (including corresponding explanations and relevant materials) provided by the Employer or provided by the Contractor and approved by the Employer.
- 1.18 **Site:** means the site provided by the Employer for project construction, and any other site designated for construction by the Employer in the Drawings.
- 1.19 **In Writing:** means a form whereby its contents can be tangibly represented, such as contract, letter and digital documents (including telegrams, telexes, facsimiles, electronic data interchange and e-mails), etc.
- 1.20 **Liability for Breach of Contract:** means the liability to be borne by a party for its failure in the performance of its contractual obligations or for its non-compliance in its performance of contractual obligations.
- 1.21 **Claim:** means, during the performance of the Contract, a party's claim against the other party for economic compensations and/or an extension of time in connection with actual losses due to reasons not attributable to its own fault but for which the other party shall be liable.
- 1.22 **Force Majeure:** means objective circumstances that are unforeseeable, unavoidable and could not be overcome.
- 1.23 **Hour or Day:** where it is provided in the Contract to calculate time on an hour basis, it shall be calculated from the valid start of the event (not deducting the breaks); where it is provided to calculate time on a day basis, it shall be calculated from the following day instead of the current day. Where the last day of a time limit falls on a public holiday or other statutory holiday, the day after the holiday shall be deemed to be the final day of the time limit, except the Completion Date. The last day of a time limit shall end at 24:00.

2. CONTRACT DOCUMENTS AND INTERPRETATION PRIORITY

2.1 The Contract Documents shall be mutually explanatory and interpretable of each other clause. Unless otherwise stipulated in the Specific Provisions, the documents constituting the Contract and their priority for interpretation are as follows:

- (1) The Agreement
- (2) The Notice of Acceptance
- (3) The Bid Documents and their Appendixes
- (4) The Specific Provisions of the Contract
- (5) The Standard Provisions of the Contract
- (6) The Standards, Specifications and Relevant Technical Documents
- (7) The Drawings
- (8) The Bill of Quantities
- (9) The Project Quotation or Budget

During the performance of the Contract, any written agreement or document between the Employer and Contractor on the negotiation and amendment in respect of the Project shall be deemed as integral parts of the Contract.

- 2.2 Any ambiguity or inconsistency in the contents of the Contract Documents shall be settled through negotiation between the Employer and Contractor without affecting the normal performance of the Project. The parties may also require the supervision Engineer to make explanation. If no settlement could be reached through negotiation or the parties do not agree on the explanation made by the supervision Engineer, Section 37 in the Standard Provisions in respect of dispute shall be applied.

3. LANGUAGE AND APPLICABLE LAWS, STANDARDS AND SPECIFICATIONS

3.1 Language

The Contract Documents shall be written, interpreted and explained in Chinese. If it is agreed in the Specific Provisions that two or more languages are used, the Chinese version shall be the standard language for the interpretation and explanation of the Contract.

The parties in the minority nationality region may agree on the use of the language of the minority nationality for the draft, interpretation and explanation of the Contract.

3.2 Applicable Laws and Regulations

The state laws and administrative regulations shall be applied to the Contract Documents, and the parties shall agree in the Specific Provisions on the laws and administrative regulations to be expressly identified.

3.3 Applicable Standards and Specifications

The parties shall agree in the Specific Provisions on the names of the applicable state standards and specifications, or applicable industry standards and specifications if no state standards and specifications are available, or application local standards and specifications of the place where the Project is located if no state or industry standards and specifications are available. The Employer shall provide the Contractor with two originals of the agreed standards and specifications within the time limit agreed in the Specific Provisions.

If there are no relevant domestic standards and specifications, the Employer shall submit to the Contractor the technical requirements on the construction at such time as agreed on in the Specific Provisions, and the Contractor shall submit the construction process according to the agreed time and requirements, which process shall be only implemented upon the Employer's approval. If the Employer requires the use foreign standards and specifications, the Chinese translation shall be provided.

Expenses for purchase and translation of standards and specifications or formulation of construction process shall be borne by the Employer.

4. DRAWINGS

- 4.1 The Employer shall provide the Contractor with the Drawings according to date and number of copies set forth in the Specific Provisions. If the Contractor requires additional copies of the Drawings, the Employer shall duplicate at the Contractor's expenses. The Employer's confidentiality requirements on the Project, if any, shall be specified in the Specific Provisions. Expenses for confidentiality measures shall be borne by the Employer. The Contractor shall perform the confidentiality obligations within the specified period.
- 4.2 Without the consent of the Employer, the Contractor shall not transfer the Drawings to any third party. Upon the expiration of the quality warranty period of the Project, all the Drawings shall be returned to the Employer except the Drawings to be filed for record by the Contractor.
- 4.3 The Contractor shall keep a complete set of Drawings at the Site for project inspection by the Engineer and the relevant persons.

II. GENERAL RIGHTS AND OBLIGATIONS OF THE PARTIES

5. ENGINEER

- 5.1 In case of implementation of project supervision, the Employer shall, prior to the supervision, notify the Contractor in writing of the name of the authorized Supervision Company, the supervision contents and supervision duties.
- 5.2 The general supervision Engineer appointed by the Supervision Company shall be referred to as the Engineer in the Contract, whose name, position and duties shall be specified in the Specific Provisions by the Employer and the Contractor. The Engineer shall perform his/her duties according to the Contract. The Engineer shall obtain the Employer's approval prior to his/her performance of certain duties that are required to be approved by the Employer in the Specific Provisions.
- 5.3 The representative dispatched by the Employer to the Site for the performance of the Contract shall also be referred to as Engineer in the Contract, whose name, position and duties shall be specified in the Specific Provisions by the Employer, but his/her duties shall not be overlapped with those of the general supervision engineer appointed by the Supervision Company. In the event of any overlapping or ambiguity between their duties, the Employer shall clarify and notify the Contractor in writing.
- 5.4 The supervision Engineer shall, within the scope of its powers and duties and according to the Contract, objectively and equitably handle any event that affects the rights or obligations of the Employer and the Contract during the performance of the Contract. Any objection of one party to the Engineer's handling shall be dealt with according to Section 37 of these Standard Provisions concerning the settlement of disputes.

- 5.5 Unless expressly specified in the Contract or approved by the Employer, the supervision Engineer shall have no right to rescind any rights and obligations of the Contractor agreed in the Contract.
- 5.6 If no project supervision is to be implemented, the Engineer in the Contract shall specially be referred to as the representative dispatched by the Employer to the Site for the performance of the Contract, whose duties shall be specified by the Employer in detail in the Specific Provisions.

6. APPOINTMENT AND INSTRUCTION OF THE ENGINEER

- 6.1 The Engineer may appoint an Engineer's Representative to perform his/her duties specified in the Contract and may cancel such appointment when he/she deems necessary. Both the appointment and cancellation shall be notified to the Contractor in writing seven days in advance and the supervision Engineer shall notify the Employer of such appointment and cancellation. The appointment letter and cancellation notice shall be attached to the Contract.

Any written correspondence sent to the Contractor by the Engineer's Representative within the Engineer's authorization shall be of the same force and effect as the correspondence sent by the Engineer. If the Contractor has any question on the written correspondence sent to it by the Engineer's Representative, it may submit that correspondence to the Engineer for confirmation. The Engineer shall rectify any mistake in the instruction of the Engineer's Representative.

Except the Engineer or the Engineer's Representative, any other person dispatched by the Employer to the Site shall have no right to give instruction to the Contractor.

- 6.2 The instructions and notice of the Engineer shall be signed by the Engineer and delivered to the Project Manager in writing and will become effective after the Project Manager signs his/her name and time of receipt on the receipt. If necessary, the Engineer may give oral instruction that will be confirmed in writing within 48 hours. The Contractor shall follow the Engineer's instruction. If the Engineer fails to make written confirmation in a timely manner, the Contractor shall require such written confirmation within seven days after the Engineer gives its oral instruction. If the Engineer fails to reply within 48 hours after the Contractor requires such confirmation, the oral instruction shall be deemed as confirmed.

If the Contractor considers the Engineer's instruction unreasonable, it shall submit to the Engineer a written report of instruction correction within 24 hours after receiving the instruction. The Engineer shall, within 24 hours upon the receipt of the Contractor's report, make decision to correct the instruction or continue to implement the previous instruction, which shall be notified to the Contractor in writing. Under urgent circumstances, the Contractor shall implement the instruction that the Engineer requires to implement promptly or the instruction that

the Engineer decides on its continued implementation regardless of the Contractor's objection. The Employer shall be liable for the Additional Contract Price and losses incurred by the Contractor resulting from false instruction and the delayed Time for Completion shall be postponed accordingly.

This sub-section shall also apply to the instructions and notices issued by the Engineer's Representative.

- 6.3 The Engineer shall, according to the Contract, timely provide the Contractor with necessary instruction and approval and perform other specified obligations. If the Time for Completion is delayed due to the Engineer's non-performance of the obligations under the Contract, the Employer shall be liable for the Additional Contract Price and losses incurred by the Contractor resulting there from and the delayed Time for Completion shall be postponed accordingly.
- 6.4 In case of replacement of the Engineer, the Employer shall notify the Contractor in writing at least seven days in advance. The successor shall continue to exercise the duties and perform the obligations of the predecessor as set forth in the Contract Documents.

7. PROJECT MANAGER

- 7.1 The name and title of the Project Manager shall be specified in the Specific Provisions.
- 7.2 Notice issued by the Contractor under the Contract shall be served to the Engineer in writing with the Project Manager's signature, and it shall take effect upon the Engineer's signing of his/her name and time of receipt on the return receipt.
- 7.3 The Project Manager shall organize the construction work according to the construction organization design (the construction plan) approved by the Employer and the instructions given by the Engineer under the Contract. Under urgent circumstances when it is impossible to contact the Engineer, the Project Manager shall take emergent measures to protect the security of personnel, the Project and property and submit a report to the Engineer within 48 days after taking such measures. If such emergency is attributable to the Employer or a third party, the Employer shall be liable for the Additional Contract Price resulting there from, and the Time for Completion shall be extended accordingly. If the emergency is attributable to the Contractor, the Contractor shall be liable for the expenses without extending the Time for Completion.
- 7.4 In the event that Contractor needs to replace the Project Manager, it shall give a seven-day prior written notice to the Employer and shall obtain the Employer's approval. The successor shall continue to exercise the duties and perform the obligations of his/her predecessor as set forth in the Contract Documents.
- 7.5 The Employer may negotiate with the Contractor to replace the Project Manager as considered unqualified by the Employer.

8. THE EMPLOYER'S RESPONSIBILITIES:

- 8.1 The Employer shall complete the following work, according to the time and content set forth in the Specific Provisions:
- (1) to arrange land requisition, compensations for demolition and removal and Site leveling so that the Site is suitable for construction and to continue to be responsible for handling any issues pending after the commencement of the construction.
 - (2) To connect the water, electricity and telecommunication from outside of the Site into the Site at a location agreed to in the Specific Provisions to satisfy the requirements of the construction.
 - (3) To connect the Site to the public roads of towns and villages and make available the main roads in the Site as agreed to in the Specific Provisions to satisfy the transportation needs and smooth transportation during the construction.
 - (4) To provide the Contractor with the geologic and underground pipeline information of the Site and be responsible for the truthfulness and accuracy of such information.
 - (5) to complete the application and approval procedures for obtaining the construction permit and other certifications and approvals required for the construction, as well as for temporary land use, water and electricity suspending, traffic interruption and explosion work, except certificates evidencing the Contractor's own qualification.
 - (6) To determine the benchmark and the coordinate control point, which shall be submitted to the Contractor in writing for an on-site inspection?
 - (7) To organize the joint review of drawings and design submittal of the Constructor and the Design Company.
 - (8) To coordinate and deal with the work to protect the underground pipelines, adjacent buildings and structures (including preserved cultural relics), ancient or precious trees near the Site at its own expenses.
 - (9) Other work to be done by the Employer shall be agreed to by both parties in the Specific Provisions.
- 8.2 The Employer may, as agreed to by the parties in the Specific Provisions, designate part of the work set forth in Section 8.1 to the Contractor at its own expenses.
- 8.3 If the Employer's failure to perform the obligations set forth in Section 8.1 results in the delay of Time for Completion or causes damages to the Contractor, the Employer shall compensate the Contractor relevant losses and the delayed Time for Completion shall be extended accordingly.

9. THE CONTRACTOR'S WORK:

- 9.1 The Contractor shall complete the following work within the time and according to the content set forth in the Specific Provisions:
- (1) subject to the Employer's entrustment and within the Contractor's design qualification grade and business scope, to complete at the Employer's

expenses the design of construction drawings or supporting projects that shall be used upon the Engineer's confirmation.

- (2) To submit to the Engineer the annual, quarterly, monthly project progress schedules and corresponding progress statistic statements;
- (3) To provide and maintain lighting and fencing facilities for daytime construction and be responsible for safety and safeguard according to the requirements of the Project;
- (4) to provide the Employer with housing and facilities for office space and living accommodations on the Site according to the quantities and requirements set forth in the Specific Provisions, the costs of which shall be borne by the Employer;
- (5) to comply with management rules of relevant competent departments regarding transportation, noise, environmental protection, and safety of construction on the Site, to go through relevant procedures as required and notify the Employer in writing thereof. The Employer shall be liable for all costs thereof except penalties imposed due to the Contractor's fault.
- (6) To be responsible for protecting the completed project according to the Specific Provisions before the delivery to the Employer of such completed project and to repair, at the Contractor's own expenses, any damage occurred during the protection period. The Employer and the Contractor shall set forth in the Specific Provisions part of the Project that the Employer requires the Contractor to take special measures to protect and the corresponding Additional Contract Price.
- (7) To protect underground pipelines of the Site, neighborhood buildings and structures (including preserved cultural relics), ancient or precious trees according to the Specific Provisions.
- (8) To ensure the cleanness of the Site in compliance with relevant environmental and sanitation requirements, to clear up the Site before the delivery of the Project to meet the standards set forth in the Specific Provisions and to be liable for losses and penalties arising from the violation of relevant provisions that is attributable to the Contractor.
- (9) Other work to be done by the Contractor shall be agreed by the parties in the Specific Provisions.

9.2 The Contractor shall indemnify the Employer against relevant losses incurred by the Employer arising from the Contractor's failure to perform its obligations under Section 9.1.

III. CONSTRUCTION ORGANIZATION DESIGN AND TIME FOR COMPLETION

10. PROGRESS SCHEDULE

10.1 The Contractor shall, by the date set forth in the Specific Provisions, submit to the Engineer the construction organization design and project progress schedules. The Engineer shall, according to the time set forth in the Specific

Provisions, confirm or put forwards amendment opinions and shall be deemed to have approved such construction organization design and project progress schedule if no confirmation or amendment opinions are put forward during the agreed period.

- 10.2 Where each unit of a group project will be constructed separately, the Contractor shall, according to the time schedule of drawings and relevant materials to be provided by the Employer, prepare progress schedule for each unit of the project, the specific contents of which shall be set forth by the parties in the Specific Provisions.
- 10.3 The Contractor shall organize the construction according to the progress schedule confirmed by the Engineer and accept the Engineer's examination and supervision over the progress. In the event of any discrepancy between the actual progress of the Project and the confirmed progress schedule, the Contractor shall propose measures of improvement according to the Engineer's request, which shall be only implemented upon the Engineer's confirmation. The Contractor shall not be entitled to Additional Contract Price for the measures of improvement resulting from the discrepancy between the actual progress and the progress schedules that is attributable to the Contractor.

11. COMMENCEMENT AND DELAYED COMMENCEMENT OF THE PROJECT

- 11.1 The Contractor shall initiate the construction of the Project on the Commencement Date set forth in the Agreement. If the Contractor is unable to initiate the construction of the Project as scheduled, it shall submit to the Engineer at least 7 days prior to the Commencement Date set forth in the Agreement application and reasons in writing for deferring the commencement. The Engineer shall be deemed to have approved such application and the Time for Completion shall be extended accordingly if the Engineer fails to reply within 48 hours after he/she receives such application. The Time for Completion shall not be extended if the Engineer does not approve such application or if the Contractor fails to submit such application within the specified period of time.
- 11.2 If the construction is not commenced on the Commence Date set forth in the Agreement due to reasons attributable to the Employer, the Engineer shall notify the Contractor in writing and postpone the Commencement Date. The Employer shall indemnify the Contractor against losses of the Contractor due to such postponement, and extend the Time for Completion accordingly.

12. SUSPENSION OF CONSTRUCTION

When the Engineer considers it necessary to suspend the construction, the Engineer shall notify the Contractor in writing to suspend the construction and shall submit handling opinions in writing within 48 hours of such notice. The Contractor shall suspend the construction and properly protect the completed work at the Engineer's

request. The Contractor may submit in writing an application for resuming the construction after implementing the opinions of the Engineer and the Engineer shall reply within 48 hours. If the Engineer fails to submit handling opinions with the specified period or to give a reply within 48 hours after receiving the application from the Contractor for resuming the construction, the Contractor may resume the construction by itself. If any suspension is due to reasons attributable to the Employer, the Employer shall be liable for the Additional Contract Price and indemnify the Contractor against losses incurred there from and the Time for Completion shall be extended accordingly. If such suspension is due to reasons attributable to the Contractor, the Contractor shall assume the costs incurred and no extension of the Time for Completion will be granted.

13. DELAY IN THE TIME FOR COMPLETION

13.1 The Time for Completion may be extended accordingly upon the Engineer's approval if such delay is caused by reasons as follows:

- (1) The Employer fails to provide the Drawings and conditions necessary for commencement of the construction as agreed in the Specific Provisions;
- (2) The Employer fails to make advance payment or progress payment as scheduled, which affects the normal performance of the construction;
- (3) The Engineer fails to provide necessary instructions or approvals set forth in the Contract, which affects the normal performance of the construction;
- (4) Design changes and the quantity of the Project increases;
- (5) The construction stops for more than eight hours in aggregate during a week resulting from water, electricity or gas suspension due to reasons not attributable to the Contractor;
- (6) Force majeure;
- (7) Other circumstances set forth in the Specific Provisions or approved by the Engineer to extend the Time for Completion.

13.2 Within 14 days after the occurrence of any of circumstances described in Section 13.1, the Contractor shall submit a written report to the Engineer in respect of the delayed Time for Completion. The Engineer shall approve such application within 14 days of receiving the report. If the Engineer fails to either approve such application or propose modifications within the specified period, he/she shall be deemed to have approved such application.

14. COMPLETION OF THE PROJECT

14.1 The Contractor shall complete the Project by the Completion Date set forth in the Agreement or within the extended Time for Completion approved by the Engineer.

14.2 The Contractor shall assume the Liability for Breach of Contract if the Project is not completed by the Completion Date set forth in the Agreement or within the extended Time for Completion approved by the Engineer as a result of reasons attributable to the Contractor.

- 14.3 The parties may enter into an agreement for early completion that constitutes an integral part of the Contract Documents if the Employer intends to early complete the Project. The agreement for early completion shall include such contents as the measures taken by the Contractor to ensure the project quality and safety, conditions provided by the Employer for such early completion and Additional Contract Price necessary for such early completion.

IV. QUALITY AND INSPECTION

15. QUALITY OF THE PROJECT

- 15.1 The quality of the Project shall meet the quality standard agreed in the Agreement, and the assessment of the quality standard shall be based on the quality inspection and evaluation standard of the state or the industry. The Contractor shall assume Liability for Breach of Contract if the project fails to meet the agreed quality standard due to reasons attributable to the Employer.
- 15.2 In the event of any dispute over the project quality between the Parties, the Project shall be examined by a project quality inspection agency agreed by the Parties, and the party liable shall assume the expenses and losses arising out thereof. If both parties shall be liable for that, they shall share such liabilities respectively according to their faults.

16. INSPECTION AND REWORK

- 16.1 The Contractor shall carry out the construction according to the standards, specification, requirements in the design drawings and the instructions given by the Engineer under the Contract and accept the Engineer's inspection and examination at any time and provide convenience for such inspection and examination.
- 16.2 If the Project is found by the Engineer to fail to meet the agreed standards, the Engineer shall request the Contractor to demolish and re-construct the Project. The Contractor shall demolish and re-construct the Project according to the Engineering's requirements in a manner to comply with the agreed standard. The Contractor shall bear all costs in respect of the demolition and re-construction if such failure is due to reasons attributable to the Contractor and no extension of the Time for Completion will be granted.
- 16.3 The Engineer's inspection and examination shall not affect the normal performance of the Project. If the normal performance of the Project is affected and the Project is found to be unqualified after such inspection and examination, the costs arising out of such interference shall be borne by the Contractor. The Employer shall assume Additional Contract Price arising out of the interference other than that set forth above and the Time for Completion shall be extended accordingly.
- 16.4 The Employer shall assume Additional Contract Price that is due to the errors in the Engineer's instruction or other reasons not attributable to the Contractor.

17. COVERED WORK AND INTERMEDIATE INSPECTION AND ACCEPTANCE

- 17.1 The Contractor shall conduct a self-inspection on part of the Project that is qualified for covering or intermediate inspection as set forth in the Specific Provisions, and notify the Engineer for inspection and acceptance 48 hours before the covering or intermediate inspection. Such notice shall include contents of covering and inspection and acceptance, as well as time and place of inspection and acceptance. The Contractor shall prepare a record of inspection and acceptance, which shall be signed by the Engineer if the Project is inspected to be qualified and the Contractor shall only proceed with the covering and construction after the Engineer signs such record. If the Project is inspected to be unqualified, it shall be re-inspected after the Contractor makes corrections within the time limit set forth by the Engineer.
- 17.2 If the Engineer is unable to conduct the inspection and acceptance as scheduled, he/she shall submit to the Contractor in writing a request of postponement 24 hours before such inspection and acceptance, provided that such postponement shall be no longer than 48 hours. In the event of the Engineer's failure to either submit a request of postponement within the above time limit or carry out the inspection, the Contractor may organize an inspection by itself and the Engineer shall acknowledge the inspection record.
- 17.3 If the Engineer conducts an inspection and the quality of the Project meets the standards, specification and requirements of the Drawings, and if he/she fails to sign the inspection record within 24 hours after such inspection, he/she shall be deemed to have approved the inspection record, and the Contractor may proceed with the covering or construction of the Project.

18. RE-INSPECTION

When the Engineer requires a re-inspection of the covered work, the Contractor shall uncover or open such work as required, no matter whether the Engineer has conducted an inspection. The Contractor shall cover or restore such work after the re-inspection. If the work proves to be qualified, the Employer shall bear all Additional Contract Price incurred there from and indemnify the Contractor against any losses. The Time for Completion shall be extended accordingly. If the work proves to be unsatisfactory, the Contractor shall bear all costs incurred there from and no extension of the Time for Completion will be granted.

19. TRIAL RUN OF THE PROJECT

- 19.1 The parties may agree on a trial run, the contents of which shall be consistent with the scope of installation contracted by the Contractor.
- 19.2 In the event it is suitable for a unit trial run of equipment installation project without any load, the Contractor shall organize a trial run and notify the Engineer in writing thereof 48 hours in advance. The notice shall include the content, time and place of the trial run. The Contractor shall prepare

a record for the trial run and the Employer shall make available conditions necessary for the trial run at the Contractor's request. If the Project proves to be satisfactory after the trial run, the Engineer shall sign on the record of the trial run.

- 19.3 If the Engineer is unable to participate in the trial run as scheduled, he/she shall submit to the Contractor in writing a request of postponement 24 hours in advance, provided that such postponement shall be no longer than 48 hours. In the event of the Engineer's failure to either submit such request of postponement within the above time limit or participate in the trial run, he/she shall acknowledge the record of such trial run.
- 19.4 In the event it is suitable for a trial run of the whole equipment installation project without any load, the Employer shall organize a trial run and notify the Contractor in writing thereof 48 hours in advance. The notice shall include the content, time and place of the trial run, and the requirements on the Contractor. The Contractor shall make preparations according to such requirements. If the Project proves to be satisfactory after the trial run, the two parties shall sign on the record of the trial run.
- 19.5 Liabilities of the Parties
 - (1) If the trial run fails to meet the inspection and acceptance requirements due to reasons attributable to the design, the Employer shall require the Design Company to modify the design and the Contractor shall reinstall the equipment according to the modified design. The Employer shall assume all expenses for modification of design, dismantling and installation, as well as the Additional Contract Price. The Time for Completion shall be extended accordingly.
 - (2) If the trial run fails to meet the inspection and acceptance requirements due to reasons attributable to the manufacture of the equipment, the purchaser of such equipment shall be responsible for repurchase or repair the equipment and the Contractor shall be responsible for dismantling and reinstallation of the same. If the equipment is purchased by the Contractor, the Contractor shall be responsible for expenses for repurchase, repair, dismantling and reinstallation of the same and no extension of the Time for Completion will be granted. If the equipment is purchased by the Employer, the Employer shall be responsible for all the above Additional Contract Price and the Time for Completion shall be extended accordingly.
 - (3) If the trial run fails to meet the inspection and acceptance requirements due to the Contractor's construction of the Project, the Contractor shall reinstall and carry out a trial run of the equipment at the Engineer's request and assume expenses for such reinstallation and trial run. No extension of the Time for Completion will be granted.
 - (4) The trial run shall be at the expenses of the Employer unless they are already included in the Contract Price or otherwise agreed in the Specific Provisions.
 - (5) If the Engineer fails to sign the record of trial run after the trial run is satisfied, he/she shall be deemed to have acknowledged such record

24 hours after the trial run. The Contractor may continue the construction of the Project or complete the procedures for the Completion of the Project.

- 19.6 The Employer shall be responsible for a full loaded run upon the completion and acceptance of the Project. If the Employer desires to conduct a full run before the completion and acceptance of the Project or requires the cooperation of the Contractor, it shall obtain consent from the Contractor and enter into a supplementary agreement therefore.

IV. SAFE CONSTRUCTION

20. SAFE CONSTRUCTION AND INSPECTION

- 20.1 The Contractor shall comply with administrative provisions in connection with safety of construction, carry out the construction work in strict accordance with safety standards, accept at any time supervision and examinations by industrial safety examination staff and take necessary precautions to remove hidden peril. The Contractor shall be liable for accidents due to its inadequate safety measures and for expenses incurred there from.
- 20.2 The Employer shall give safety education to the personnel working on the Site and be liable for their safety. The Employer shall not require the Contractor to conduct construction activities in violation of the safety management rules. The Employer shall be liable for any accidents due to reasons attributable to the Employer and for corresponding expenses incurred there from.

21. SAFETY PROTECTION

- 21.1 In the event of the Contractor's construction in the vicinity of power equipment, electricity transmission wires, underground pipelines, airtight shock-proof workshop, inflammable and explosion areas or heavy traffic streets, it shall propose safety measures to the Engineer before the construction and implement at the Employer's expenses such measures upon the Engineer's approval.
- 21.2 In the event of blast task, construction in a radioactive or hazardous environment (including warehousing, transportation and using) or use in the construction of poisonous, hazardous or erosive substances, the Contractor shall notify the Engineer thereof in writing 14 days prior to such construction and propose corresponding safety measures, which shall be implemented at the Employer's expenses upon the Engineer's approval.

22. ACCIDENT HANDLING

- 22.1 In the event of any serious injuries and deaths or other safety accidents, the Contractor shall immediately report to relevant authorities according to the relevant provisions, notify the Engineer thereof, and shall deal with the

matter according to the requirement of relevant governmental authorities at the expenses of the party liable.

- 22.2 Any disputes between the Employer and the Contractor over the accident liability shall be determined by relevant governmental authority.

VI. CONTRACT PRICE AND PAYMENT

23. CONTRACT PRICE AND ADJUSTMENT

- 23.1 The Contract Price for the bidding project shall be set forth by the Employer and the Contractor in the Agreement based on the bidding price specified in the Notice of Acceptance. The Contract Price for non-bidding project shall be set forth by the Employer and the Contractor in the Agreement based on the project budget.
- 23.2 Once the Contract Price is set forth in the Agreement, neither party shall alter it. Both parties may adopt, in the Specific Provisions, one of the following methods to determine the Contract Price:
- (1) Fixed price contract. Both parties shall set forth in the Specific Provisions the scope of risks covered in the Contract Price and the methods for calculating the risk expenses. The Contract Price will not be adjusted within the agreed scope of risks. The method for adjusting the Contract Price for the risks beyond the agreed scope shall be set forth in the Specific Provisions.
 - (2) Flexible Price Contract. The Contract Price may be adjusted according to both parties' agreement. The parties may agree on the method of adjustment in the Specific Provisions.
 - (3) Cost Plus Remuneration Contract. The Contract Price consists of costs and remuneration. Both parties shall set forth in the Specific Provisions the cost structuring and method of calculating the remuneration.
- 23.3 The Contract Price in the Flexible Price Contract may be adjusted in the event of:
- (1) A change in laws, administrative regulations or relevant policies of the state that affects the Contract Price;
 - (2) Price adjustment published by the administrative departments of construction costs.
 - (3) More than 8 hours in aggregate of work stoppage within a week resulting from a failure in water, electricity or gas supply due to reasons not attributable to the Contractor;
 - (4) Other factors as agreed by the parties.
- 23.4 The Contractor shall notify the Engineer in writing of the reasons and amounts of adjustment within 14 days after the occurrence of any of the circumstances described in Section 23.3. Upon the confirmation of the Engineer, such amount of adjustment shall be included in the Additional Contract Price and paid together with the progress payments. If the Engineer fails to either confirm such amount or propose modifications within 14 days after the receipt of such notice, he/she shall be deemed to have approved such price adjustment.

24. ADVANCE PAYMENT

If advance payment is required, both parties shall set forth in the Specific Provisions the time and amount of advance payment to be paid by the Employer to the Contactor. Such advance payment may be deducted pursuant to the agreed time schedule and ratio after the commencement of the Project. The advance payment shall be made no later than 7 days before the agreed Commencement Date. If the Employer fails to make the advance payment by the due date, the Contractor may give a notice to the Employer asking for such payment 7 days after the due date. If the Employer still fails to make the advance payment after receiving such notice, the Contractor may stop the work from the seventh day after delivering such notice. The Employer shall pay to the Contractor interest of loan on the amount payable from the agreed due date and be liable for the breach of contract.

25. CONFIRMATION OF QUANTITIES

- 25.1 The Contractor shall submit to the Engineer a report of the work completed pursuant to the time schedule set forth in the Specific Provisions. The Engineer shall verify the amount of completed work based on the Drawings within seven days (hereinafter referred to as the "Verification") after the receipt of such report and notify the Contractor thereof 24 hours before such Verification. The Contractor shall provide convenience for such Verification and send staff to attend the Verification. The Verification results shall be valid with the absence of the Contractor who has received such notice and deemed as a basis for the payment of the project price.
- 25.2 If the Engineer fails to carry out the Verification within seven days after receiving the Contractor's report, the amount of work listed in Contractor's report shall be deemed to have been acknowledged by the Engineer as a basis for payment of the project Price from the eighth day. If the Contractor fails to attend the Verification due to the Engineer's failure to notify the Contractor thereof pursuant to the agreed time schedule, the Verification results shall be deemed to be invalid.
- 25.3 The Engineer shall not verify the amount of work which is beyond the scope of the Drawings or which is done again due to reasons attributable to the Contractor.

26. PAYMENT OF PROJECT PRICE (PROGRESS PAYMENT)

- 26.1 The Employer shall pay to the Contractor the project price (progress payment) within 14 days after the amount of work is confirmed. The advance payment that shall be deducted by the Employer according to the agreed time shall be settled with the project price (progress payment).
- 26.2 The Contract Price adjusted under Section 23 hereof, the Contract Price adjusted due to variation in the Project under Section 31, and Additional Contract Price set forth in other clauses shall be paid together with the project price (progress payment).

- 26.3 If the Employer fails to pay the project price (progress payment) by the due date, the Contractor may give a notice to the Employer requesting such payment. If the Employer is unable to make such payment as required after receiving the notice from the Contractor, it may enter into an agreement with the Contractor for a postponement of such payment. The agreement shall specify the time of such postponed payment and the interest of loan on the amount payable from the fifteenth day of the confirmation of the Verification.
- 26.4 If the Employer fails to make the project price (progress payment) set forth in the Contract and the parties have not reached any agreement regarding a postponement for such payment, which makes it impossible to proceed with the construction, the Contractor may stop the construction and the Employer shall assume the liabilities for breach.

VII. MATERIALS AND EQUIPMENT SUPPLY

27. MATERIALS AND EQUIPMENT SUPPLIED BY THE EMPLOYER

- 27.1 If the materials and equipment are to be supplied by the Employer, both parties shall specify a list of materials and equipment to be supplied by the Employer and attach the same to the Contract as Appendix 2. Such list shall include the variety, specification, type, quantity, unit price and quality grade of the materials and equipment to be supplied by the Employer, and the time and place of delivery.
- 27.2 The Employer shall provide the materials and equipment according to the list and provide the Contractor with the quality certificates of the products and be responsible for the quality. The Employer shall notify the Contractor in writing 24 hours before the arrival of such materials and equipment and the Contractor shall send a representative to check with the Employer.
- 27.3 The Contractor shall keep the materials and equipment supplied by the Employer properly after the representative of the Contractor has checked the same and the Employer shall be responsible for the expenses of such custody. The Contractor shall be liable for damages or losses due to reasons attributable to the Contractor.
The Contractor shall not be responsible for the custody of materials and equipment, which the Employer has not notified the Contractor to check and damages or losses of which shall be under the responsibility of the Employer.
- 27.4 The Employer shall be responsible for any discrepancy between the materials and equipment supplied by the Employer and those in the list. The specific responsibility to be assumed by the Employer shall be agreed upon by parties in the Specific Provisions based on the following conditions:
- (1) In the event of any discrepancy between the unit price of the materials and equipment and that set forth in the list, the Employer shall be responsible for the difference thereof.

- (2) In the event of any discrepancy between the variety, specification, type, quality grade of the materials and equipment and those in the list, the Contractor may refuse to accept the same and the Employer shall ship these materials and equipment out of the Site and repurchase the same.
 - (3) In the event of any discrepancy between the specification and type of the materials supplied by the Employer and those in the list, the Contractor may, upon the consent of the Employer, exchange the same on behalf of the Employer and at the expenses of the Employer.
 - (4) In the event of any discrepancy between the place of delivery and that in the list, the Employer shall be responsible for delivering the goods to the place designated in the list.
 - (5) In the event of any discrepancy between the amount of supply and that set forth in the list, the Employer shall make up the shortfall. In the event that the delivered materials and equipment are greater than the amount set forth in the list, the Employer shall be responsible for removing the surplus out of the Site.
 - (6) In the event that the time of delivery is earlier than that set forth in the list, the Employer shall be responsible for expenses of custody incurred there from. In the event that the time of delivery is later than that set forth in the list, the Employer shall indemnify the Contractor against losses incurred there from. If the Time for Completion is therefore delayed, the Time for Completion shall be extended accordingly.
- 27.5 The Contractor shall be responsible for examining and testing the materials and equipment before the use of the same supplied by the Employer. Any unqualified materials and equipment shall not be used. Expenses for such examining and testing shall be borne by the Employer.
- 27.6 The parties shall set forth in the Specific Provisions the method of settling the materials and equipment supplied by the Employer.

28. EQUIPMENT AND MATERIALS PURCHASED BY THE CONTRACTOR

- 28.1 In case the Contractor is responsible for purchasing the materials and equipment, the Contractor shall provide the materials and equipment according to the Specific Provisions, the design and related standards, and shall provide the quality certificate and be responsible for the quality of the materials and equipment. The Contractor shall notify the Engineer 24 hours before the arrival of such materials and equipment for check.
- 28.2 When the materials or equipment purchased by the Contractor fail to meet the requirements set forth in the design or in the standard, the Contractor shall, at its own expenses and within the time required by the Engineer, ship such materials or equipment out of the Site and re-purchase the same that satisfies the requirements. There shall be no extension of the Time for Completion.
- 28.3 Before the use of the materials and equipment purchased by the Contractor, the Contractor shall carry out examination and testing as per the requirements of the Engineer. Any materials and equipment that fail to pass the

- examination and testing shall not be used. Expenses for such examination and testing shall be borne by the Contractor.
- 28.4 If the Engineer finds that the Contractor purchases and uses materials and equipment not in conformity with the design or standard, he/she shall request the Contractor to repair, dismantle or re-purchase relevant materials and equipment. Related expenses shall be borne by the Contractor and the delayed Time for Completion shall not be extended.
- 28.5 Substitute materials shall not be used by the Contractor without an approval from the Engineer. The parties shall agree in writing on the increase or decrease of the Contract Price arising there from.
- 28.6 The Employer shall not designate a manufacturer or supplier for materials and equipment to be purchased by the Contractor.

VII. VARIATIONS

29. PROJECT DESIGN VARIATION

- 29.1 If the Employer needs to change the original design in the course of construction, it shall give the Contractor a 14-day prior written notice of such change. If such change is beyond the scope of the original design or the approved construction scale, the Employer shall submit such change to the planning administration department or other relevant department for re-examination and approval and the original Design Company shall provide corresponding drawings and explanations for such change. The Contractor shall, according to the notice of change and relevant requirements issued by the Engineer, carry out any required variation as follows:
- (1) To change the elevation, datum line, location and size of relevant part of the Project;
 - (2) The increase or decrease of the construction volume as agreed in the Contract;
 - (3) To alter the construction schedule and order;
 - (4) Other additional necessary work resulting from the construction variations.

The Employer shall be responsible for any increase or decrease of Contract Price and losses suffered by the Contractor due to such variations. The Time for Completion shall be extended accordingly.

- 29.2 The Contractor shall not change the original design of the Project in the course of construction. Any costs incurred from the Contractor's unauthorized change of design and losses suffered directly by the Employer there from shall be borne by the Contractor. There shall be no extension of the Time for Completion.
- 29.3 Any reasonable suggestion proposed by the Contractor during the construction that involves change of the Drawings and construction organization design and the replacement of materials and equipment shall be approved by

the Engineer. In the event of any change or replacement in the absence of the Engineer's approval, the Contractor shall be liable for costs incurred there from and shall indemnify the Employer against relevant losses. The delayed Time for Completion shall not be extended.

If the Engineer agrees to adopt the Contractor's reasonable suggestion, the costs and proceeds arising there from shall be borne or shared by the Employer and the Contractor as otherwise agreed by them.

30. OTHER VARIATIONS

If the Employer requires to change the quality standard of the Project or any other substantive changes during the performance of the Contract, the parties shall settle through negotiation.

31. DETERMINATION OF VARIATION IN CONTRACT PRICE

31.1 The Contractor shall submit a report on the changes of the price of the Project within 14 days after the variation in the Project is decided, and, after the Engineer confirms such changes, adjustments shall be made to the Contract Price. Changes in the Contract Price shall be processed in the following manner:

- (1) If prices applicable to changes in the Project have been provided in the Contract, changes in the Contract Price shall be adjusted according to such prices;
- (2) If prices similar to those of changes in the Project have been provided for in the Contract, changes in the Contract Price shall be determined by reference to such similar prices; or
- (3) If no prices applicable to changes in the Project or prices similar to those of changes in the Project have been provided for in the Contract, the Contractor shall propose proper changes in the Prices and, after the Engineer's confirmation, such changes shall be implemented.

31.2 If, within 14 days after the parties decided certain change, the Contractor fails to submit to the Engineer a report on any changes of price of the Project, such change shall be deemed as no changes in the Contract Price.

31.3 Within 14 days upon the receipt of the report on changes of the price of the Project, the Engineer shall make a confirmation. If the Engineer fails to confirm such report without any justifiable reasons, such report on changes of the price of the Project shall be deemed to have been confirmed 14 days after such report is delivered.

31.4 If the Engineer does not agree any changes of the price proposed by the Contractor, such case shall be handled according to the provisions on dispute settlement as set forth in Clause 37 of the Standard Provisions.

31.5 Any increases in the price of the Project confirmed by the Engineer shall be deemed to be Additional Contract Price, which shall be paid together with progress payments for the Project.

- 31.6 If any changes in the Project are caused by the Contractor, he shall have no right to claim any additional payments for the Contract Price.

**IX. INSPECTION AND ACCEPTANCE FOR
COMPLETION AND SETTLEMENT**

32. INSPECTION AND ACCEPTANCE FOR COMPLETION

- 32.1 When the Project meets the requirements of Inspection and Acceptance for Completion, the Contractor shall provide the Employer with a complete set of materials on Completion and the Report on Inspection and Acceptance for Completion according to the relevant State provisions on the completion and acceptance of projects. If the parties agree that the Contractor shall provide the record drawing, the parties shall agree upon the numbers of the counterparts of and date for providing such drawings.
- 32.2 Within 28 days upon the receipt of such Report on Inspection and Acceptance for Completion, the Employer shall make arrangements for Inspection and acceptance by the units concerned and, within 14 days upon such Inspection and acceptance, accept it or put forward suggestions on modifications. The Contractor shall make such required modifications and bear any expenses required for any modifications caused by the Contractor's reason.
- 32.3 If the Employer fails to make any arrangements for the Inspection and Acceptance within 28 days upon the receipt of the Report on Inspection and Acceptance for Completion submitted by the Contractor or to put forward any suggestions on modifications within 14 days after such Inspection and Acceptance, the Report on Inspection and Acceptance for Completion shall be deemed to have been accepted.
- 32.4 If the Inspection and Acceptance for Completion is passed, the delivery date of the Report on Inspection and Acceptance by the Contractor is the actual Date for Completion. If the Inspection and Acceptance for Completion is passed after the repair of the Contractor according to the Employer, the actual Date for Completion shall be the date of the submission to the Employer for inspection and acceptance after the repair.
- 32.5 If the Employer fails to make any arrangements for the inspection and acceptance within 28 days upon receipt of the Report on Inspection and Acceptance for Completion submitted by the Contractor, starting from the 29th day, the Employer shall assume the obligation to take care of the Project and the liability for any accidents.
- 32.6 The scope and time for the completion of the Intermediate delivery of the Projects shall be agreed in the Specific Provisions, the inspection and acceptance of which shall be processed according to Clause 32.1 to 32.4 of this Standard Provisions.
- 32.7 When for any special reasons the Employer requires that any item or part of the Project be completed ahead of schedule, the parties shall enter into an agreement on such completion ahead of schedule and specify the obligations of the parties and the method of paying the prices of such items or parts of the Project.

- 32.8 If the Project has not been inspected and accepted for completion or the inspection and acceptance for Completion fails to meet the requirement, the Employer shall not use such Project. If the Employer insists on using, he shall undertake the liabilities of the qualities and other liabilities resulting from such using.

33. SETTLEMENT FOR COMPLETION

- 33.1 Within 28 days after the acceptance by the Employer on the receipt of the Report on Inspection and Acceptance for Completion, the Contractor shall submit to the Employer a Report on the Settlement for Completion and a full set of materials on such settlement. The parties shall settle the expenses upon the completion of the Project according to the Contract Price agreed on in the Agreement and the price adjustments in the Specific Provisions.
- 33.2 Within 28 days of the Employer's receipt of the Report on the Settlement for Completion and the materials on such settlement, the Employer shall verify such report and materials, and approve such report and materials or put forward opinions on modifications. After the Employer approves the Report on the Settlement for Completion, he shall notify the transaction bank to pay the settlement payment for the completion of the Project to the Contractor. The Contractor shall deliver the completed Project to the Employer within 14 days after the Contractor receives the settlement payment for the completion of the Project.
- 33.3 If, within 28 days after Report on the Settlement for Completion and the materials on such settlement, without any justifiable reasons the Employer fails to pay the Contractor the settlement price upon the completion of the Project, starting from the 29th day the Employer shall pay the Contractor the interest on such amount due at the interest rate charged for the loans of the same period obtained by the Contractor from banks and assume the liabilities for breach of contract.
- 33.4 If, within 28 days after the Employer receives Report on the Settlement for Completion and the materials on such settlement, the Employer fails to pay the Contractor the amount for the settlement of the expenses of the project upon its completion, the Contractor may notify the Employer to pay such amount. If within 56 days after the Employer receives Report on the Settlement for Completion and the materials on such settlement, the Employer still fails to pay, the Contractor may enter into an agreement with the Contractor with respect to the evaluation of the Project in terms of money or make an application to the People's Court to have the Project auctioned according to law. The Contractor shall have priority in being paid out of the value of the project determined in its evaluation or the proceeds of its auction.
- 33.5 If within 28 days after the Employer accepts the Report on the Check and Acceptance for Completion, the Contractor fails to submit to Report on the Settlement for Completion and a complete set of materials on such settlement so that the settlement may not proceed properly or the amount

of settlement for completion may not be paid timely, the Contractor shall deliver the Project if the Employer requires such delivery, and the Contractor shall assume the obligation to take care of the Project if Employer does not require such delivery.

- 33.6 In case of disputes between the Employer and the Contractor for the settlement for completion, such disputes shall be handled according to the agreement concerning dispute settlement in Clause 37 of this Standard Provisions.

34. QUALITY WARRANTY

- 34.1 The Contractor shall undertake the liability of quality warranty for the Project delivered to the Employer for his use within the Quality Warranty Time for Completion according to laws, administrative regulations or the relevant regulations of the State concerning the project quality warranty.
- 34.2 The implementation of the project quality warranty. The Contractor shall conclude with the Employer a Quality Warranty Letter attached hereto as an Annex of the Contract (Annex 3) before the Inspection and Acceptance for Completion.
- 34.3 The main contents of the Quality Warranty Letter shall include:
- (1) Content and scope of the items of the quality warranty;
 - (2) Quality warranty period;
 - (3) Liability of quality warranty;
 - (4) Payment method of the Quality Warranty Monies.

X. BREACH, CLAIM AND DISPUTE

35. BREACH

- 35.1 The Employer's Breach: in case of the occurrence of the following circumstances:
- (1) The Employer's failure to make advance payment in time as mentioned in Clause 24 of this Standard Provisions.
 - (2) The Employer's failure to make the payment of the Project according to the stipulations in the Contract, as a consequence the Project cannot be carried out, as mentioned in Clause 26.4 of this Standard Provisions.
 - (3) The Employer's failure to pay the amount for settlement of Completion of the Project without any justifiable reasons as mentioned in Clause 33.3 of this Standard Provisions.
 - (4) Other circumstances in which the Employer fails to perform the obligations under the Contract or fails to perform such obligations according to the Contract.

The Employer shall assume the Liability for Breach of Contract, compensate the Contractor's losses for his breach and extend the delayed Time for Completion. The Parties agree in the Specific Provisions on the method of calculating the loss which will be compensated by the Employer to the Contractor or the amount of liquidated

damages or the method of calculating liquidated damages which will be paid by the Employer.

- 35.2 The Contractor's breach: in case of the occurrence of the following circumstances:
- (1) The Contractor's failure to complete the Project according to Date for Completion agreed in the Agreement or the extended Time for Completion approved by the Engineer due to the reasons attributable to the Contractor, as mentioned in Clause 14.2 of the Standard Provisions.
 - (2) The Project's quality fails to meet the quality standards agreed in the Agreement for the reason attributable to the Contractor, as mentioned in the Clause 15.1 of the Standard Provisions.
 - (3) Other circumstances in which the Contractor fails to perform the obligations under the Contract or fails to perform such obligations according to the Contract.

The Contractor shall assume the liability for breach and compensate the Employer's losses for his breach.

The Parties agree on the method of calculating the loss which will be compensated by the Contractor to the Employer or the amount of liquidated damages or the method of calculating liquidated damages, which will be paid by the Contractor.

- 35.3 When a party breaches the Contract and the other party requests the breaching party continuously perform the Contract, the breaching shall assume the above liabilities for breach and continue to perform the Contract.

36. CLAIM

- 36.1 When one Party claims compensation from the other Party, it shall have justifiable reasons for such claim as well as valid evidence of the occurrence of the incident that results in such claim.
- 36.2 In the event of the Employer's failure to perform its obligations as agreed in the Contract, or any mistakes or other situations for which the Employer shall assume the liabilities, resulting in any delay of the Time for Completion and/or in the Contractor's failure to receive the Contract Price or in any other economic losses of the Contractor, the Contractor may claim compensation from the Employer in writing according to the following procedures:
- (1) Within 28 days after the occurrence of the incident resulting in such claim, the Contractor shall serve a notice specifying its intent of claim to the Engineer;
 - (2) Within 28 days after the service of such notice, the Contractor shall make to the Engineer a report on the extension of the Time for Completion and/or the compensation for economic losses and submit the related materials.
 - (3) Within 28 days after the Engineer receives the report on claim and the related materials submitted by the Contractor, he shall give a reply to

the Contractor or require that the Contractor offer any supplementary reasons or basis for such claim.

- (4) If within 28 days after the Engineer receives the report on claim and the related materials submitted by the Contractor, the Engineer fails to give a reply to the Contractor or to make no further requirements on the Contractor, such claim shall be deemed to have been approved.
 - (5) While the incident resulting in such claim continues to exist, the Contractor shall serve notices specifying its intent of claim to the Engineer on a regular basis. Within 28 days after the end of the incident resulting in such claim, the Contractor shall submit to the Engineer the related materials on such claim and the final report on such claim. The reply to such report on claim shall proceed as provided for in Item (3) and (4) above.
- 36.3 If the Contractor fails to perform its obligations as agreed in the Contract or makes any mistakes, resulting in any losses of the Employer, the Employer may claim compensation from the Contractor within the time limits set forth in Clause 36.2.

37. DISPUTES

- 37.1 If any dispute arises out of the performance of the Contract by the parties, they may make reconciliation or apply for relevant authorities in charge for mediation. If the parties are not willing to reconcile or be mediated or such reconciliation or mediation is unsuccessful, the parties may agree to choose one of the following ways in the Specific Provisions to settle such dispute:
1. The parties reach an arbitration agreement and apply to the agreed arbitration commission for arbitration;
 2. Initiate a legal action to the People's Court with competent jurisdiction.
- 37.2 After any dispute arises, the parties shall continue to perform the Contract, maintain the continuity of the execution of the Project and take good care of those parts of the Project that have already been completed, except in the following circumstances:
- (1) Any breach of contract by either party does result in the unperformability of the Contract and the parties agree to stop the execution of the Project;
 - (2) Any results of mediation require that the execution of the Project be stopped and the Parties accept such results of medication;
 - (3) Any authorities in charge of arbitration require that the execution of the Project be stopped;
 - (4) Any court requires that the execution of the Project be stopped.

XI. MISCELLANEOUS

38. SUBCONTRACT

- 38.1 The Contractor shall subcontract part of his contracting project according to the Specific Provisions and enter into the subcontract contract with the

subcontractor. The Contractor shall not subcontract any part of the Project without the Employer's consent.

- 38.2 The Contractor shall not subcontract the whole of Project that it has contracted to any third party nor disembody the Project into several parts and subcontracts each part to others.
- 38.3 Subcontracting the Project shall not relieve any duties or obligations of the Contractor. The Contractor shall assign some relevant management personnel to the subcontracting site to ensure the performance of the Contract. The Contractor shall take joint responsibility for any breach or omission of the subcontractors, which results in damages to the Project or other losses of the Employer.
- 38.4 The Contractor and the subcontractor shall settle the price of subcontracting. The Employer shall not pay any amount to the subcontractor in any way without the consent of the Contractor.

39. FORCE MAJEURE

- 39.1 Force Majeure includes war, commotion, or explosion and fire caused by others not arising out of the liabilities of the Employer and the Contractor, and the natural hazards stipulated in the Specific Provisions as hurricane, storm, lightning, flood and earthquake and so on.
- 39.2 After the occurrence of the events of force majeure, the Contractor shall immediately notify the Engineer and promptly adopt measures to minimize the losses as his capacity allows. The Employer shall assist the Contractor to adopt such measures. When the Engineer considers that the Project shall be suspended, the Contractor shall suspend the Project. The Contractor shall report the Employer with the damages and losses within 48 hours after the end of the event of force majeure, and estimate the expenses for clearing and repairing. If the event that force majeure continues, the Contractor shall report the damages to the Engineer every seven days. Within fourteen days of the end of the event of force majeure, the Contractor shall submit the formal report and relevant information of expenses for clearing and repairing.
- 39.3 The expenses and delayed period caused by force majeure shall be assumed by the parties in the following ways:
- (1) The Employer shall assume the damages to the Project itself, any third party's injury or death and losses of property resulting from the damages to the Project, and the damages to the Materials for executing and the Equipment to be installed which have been delivered to the Site.
 - (2) The employing party shall be responsible for the injury or death of the personnel of the Employer and the Contractor and pay the relevant expenses;
 - (3) The Contractor shall assume the damages to the Contractor's Equipment and losses for suspension of the Project;
 - (4) During the suspension, the Contractor shall assume the expenses for the necessary personnel of management and guard on the Site assigned by the Contractor at the request of the Engineer.
 - (5) The Employer shall assume the expenses for clearing and repairing.

- (6) The delayed Time for Completion shall be extended accordingly.
- 39.4 When the event of force majeure occurs after a party's delay in performing the Contract, the party caused the delay cannot be relieved from the relevant liabilities.

40. INSURANCE

- 40.1 Before the Commencement, the Employer shall effect insurance for the Project and the life and property of his personnel and the third party on the Site and pay the insurance expenses.
- 40.2 The Employer shall effect insurances for the Materials for executing and the Equipment to be installed which have been delivered to the Site and pay the insurance expenses.
- 40.3 The Employer may entrust the relevant insurance matters to the Contractor and pay the relevant expenses.
- 40.4 The Contractor must effect accident injury insurance for the workers who are engaged in hazardous jobs, and effect insurance for the lives and properties of his personnel on the Site and for his equipment and machines, and pay the insurance expenses.
- 40.5 When the insured accidents occur, the Employer and the Contractor shall be responsible to take necessary measures to prevent or minimize loss.
- 40.6 The Employer and the Contractor in the Specific Provisions shall agree the content of insurance and relevant responsibilities.

41. SECURITY

- 41.1 The Employer and the Contractor shall provide each other with the following securities for the full performance of the Contract:
- (1) The Employer provides the Contractor with Payment Security, pay the Contract Price according to the Contract and perform other obligations agreed in the Contract.
 - (2) The Contractor provides the Employer with Performance Security and performs his all obligations according to the Contract.
- 41.2 When a party breaches the Contract, the other party may claim the third party who provided the security to take the relevant responsibilities.
- 41.3 For the content, method and relevant responsibilities of the securities, besides the stipulations in the Specific Provisions by the Contractor and the Employer, the guarantee and the guarantor shall otherwise conclude security contract, which shall be the annexes of the Contract.

42. PATENT TECHNOLOGY AND SPECIAL WORKMANSHIP

- 42.1 If the Employer requests using patent technology or special workmanship, he shall be responsible for handling the relevant application formalities and for the expenses for applying, testing and using and so on;
If the Contractor requests using patent technology and special workmanship, he shall obtain the approval of the Engineer and be responsible for the application formalities and assume the relevant expenses.

- 42.2 When a party uses patent technology and special workmanship without authorization and infringes other's patents, the liable party shall take the relevant liabilities according to the laws.

43. CULTURAL RELICS AND UNDERGROUND OBSTRUCTIONS

- 43.1 If the Contractor discovers in the execution such cultural relics or fossilized stones as ancient tombs and ancient architectures or other articles of archeological and geological value, he shall protect the spot immediately and give the Engineer a written notice within four hours of his discovery. The Engineer shall report it to the local authorities in charge of cultural relics within 24 hours of receiving the written notice. Both the Employer and the Contractor shall take necessary protection measures according to the requirements of the authorities in charge of cultural relics. The Employer shall undertake the expenses resulting from it and extend the Time for Completion delayed.

If any party conceals the discovery which results in the damages and destruction of the cultural relics, the liable party shall undertake the relevant liabilities according to laws.

- 43.2 If the Contractor finds any underground obstacle affecting the execution of the Project during the execution, he shall give a written notice to the Engineer within eight (8) hours and propose a plan to dispose of it. And within 24 hours upon receiving the plan, the Engineer should either approve it or make an amendment to the plan. The Employer shall undertake the expenses incurred therefore and extend the Time for Completion delayed.

If the discovered underground obstructions belong to any unit, the Employer shall report to the relevant department for coordinated disposition of it.

44. RECESSION OF THE CONTRACT

- 44.1 The Contract can be rescinded if the Employer and the Contractor reach an agreement through consultation.
- 44.2 If the event under Clause 26.4 of the Standard Provisions occurs and the Project has been suspended for over 56 days and the Employer still fails to make the project payment (Progress Payment), the Contractor is entitled to rescind the contract.
- 44.3 The Employer is entitled to rescind the Contract if the event under Clause 38.2 of the Standard Provisions occurs and the Contractor subcontracts the whole of Project that it has contracted to any third party or if the Contractor disembodies the Project into several parts and subcontracts each part to a third party.
- 44.4 Under any of the following circumstances, the Contractor and the Employer are entitled to rescind the Contract:
- (1) The Contract cannot be carried out due to force majeure events.

- (2) The breach of the contract by either party (including the suspension or delay of the Project by the reasons attributable to the Employer) results in the failure to carry out the Contract.
- 44.5 If one party requests to rescind the Contract according to Clauses 44.2, 44.3 and 44.4, he shall give the other party a written notice to that effect, and notify the other party seven (7) days before issuing the notice. The Contract shall be rescinded when the notice reaches the other party. Any dispute arises out of the recession of the Contract shall be resolved according to the stipulations concerning resolving the dispute in Clause 37 of this Standard Provisions.
- 44.6 After the recession of the Contract, the Contractor shall take proper care of the completed part of the Project and the purchased materials and equipment and transfer them to the Employer. The Contractor shall withdraw its own construction machinery and personnel from the Site according to the Employer's requirement. The Employer shall provide the necessary conditions for the Contractor's withdrawal and pay the fees incurred thus and pay the Contractor the corresponding cost and expenses for the finished part of the Project. The party that orders and purchases the construction materials and equipment shall be responsible for returning the materials and equipment to the suppliers. The Employer shall undertake the cost for materials and equipment that cannot be returned and the cost incurred for cancelling the purchase contract and returning the materials and equipment. The party responsible for it shall undertake the losses resulting from failure to return the materials and equipment in time. In addition, the faulty party shall undertake to pay the losses that the cancellation of the Contract has brought about on the other party.
- 44.7 The recession of the Contract shall not affect the validity of the settlement and liquidation articles of the Contract agreed by both parties.

45. EFFECTIVENESS AND THE TERMINATION OF THE CONTRACT

- 45.1 The parties shall agree on the form of effectiveness of the Contract in the Agreement.
- 45.2 Except as provided for in Clause 34, the Contract shall be terminated when the Employer and the Contractor have performed all their obligations under the Contract and settled and made the payment for Completion of the Project and the Contractor has delivered the completed Project to the Employer.
- 45.3 Upon the termination of the rights and obligations under the Contract, the Employer and the Contractor shall comply with the principle of good faith and perform the obligations of notification, assistance and confidentiality and etc.

46. COUNTERPARTS

- 46.1 The Contract is made in two original counterparts and each counterpart has equal validity and the Employer and the Contractor shall hold one counterpart respectively.

46.2 The copies of the Contract are made in several counterparts, which are stipulated, in the Specific Provisions according to the requirements of the parties.

47. SUPPLEMENT CLAUSES

According to the relevant laws and administrative regulations and in consideration of the practice of the Project, the parties may specify, supplement or amend this Standard Provisions in the Specific Provisions through negotiation.

SUPERVISORY CONTRACT

CONTRACT OF CONSTRUCTION SUPERVISION

OWNER:

SUPERVISOR:

CONTRACT OF CONSTRUCTION SUPERVISION

CONTRACT NO.

This contract is signed between the Owner: _____ and the Supervisor:

1. The general description to the project (hereinafter called "the project") supervised

By the Supervisor entrusted by the Owner is as follows:

Project name:

Location:

Project scale:

Total investment:

2. The wording and phraseology concerned in the contract have the same meanings with those mentioned in Part 2: Standard Terms of this Contract.

3. Following documents shall be the integrate part of the contract:

I. Bid Document by the Supervisor and the notice to the successful supervisor;

II. Standard terms of the contract;

III. Special terms of the contract of construction supervision;

IV. Supplementary and revision documents signed by both parties during theImplementation stage.

4. The Supervisor shall promise to the Owner that it should undertake the Supervisory business stipulated in the special terms of the project contract on the regulations of the contract.

5. The Owner shall promise to the Supervisor that it should pay the Supervisor based on the time, way and currency stipulated in the contract.

The Contract shall start form the date of _____ and terminate on _____ or on the day when the project passes through acceptance and is handed over to _____.

The contract will be made in ___ copies which shall have the same legal validity, three for each party.

OWNER:	SUPERVISOR
Add:	Add:
Legal representative:	Legal representative:
Opening bank:	Opening bank:
Authorized representative:	Authorized representative:
Account no.	Account no.
Zip:	Zip:
Tel:	Tel:

STANDARD TERMS OF THE CONTRACT OF CONSTRUCTION SUPERVISION

Wording definition, governing language and applicable laws

Article 1 The wording and phraseology may be interpreted as indicated except those with separate explanation in the contract context.

- (1) "Project" means the project which shall be supervised by the party after being entrusted by the Owner.
- (2) "The Owner" means the party which has direct responsibilities to the investment and also means the entruster and the legal successor.
- (3) "Supervisor" means the party which bears the supervisory business and responsibilities, and also means its legal successor.
- (4) "Supervisorization" means the organ which is designated by the Supervisor to the site for the implementation of Supervisory business.
- (5) "Chief supervision engineer" means the person, dispatched by the Supervisor and consented by the Owner, who shall be fully responsible for the implementation of the contract of supervision.
- (6) "Contractor" means the company with which the Owner signs the contract concerning the construction of the project besides the Supervisor.
- (7) "Normal supervisory work" means the supervision scope and contents, which are stipulated by both parties in the Special Terms of the Contract and entrusted by the Owner.
- (8) "Additional supervision work" means: ① the work which is beyond the supervision scope entrusted by the Owner and added through written agreement by both parties; ② the work which is added due to increase of work amount or time, thus the supervision work is blocked or delayed.
- (9) "Extra supervision work" means the work which is beyond the normal and additional work and must be completed by the Supervisor based on Article 38 or the work which is suspended of terminated not due to the Supervisor's reasons and shall be resumed.
- (10) "Day" means a time unit form any midnight to next midnight.

(11) Month” means a calendar month from any day of the month to the corresponding day of next month.

Article 2 The contract of construction supervision shall be governed by the state laws, decrees, administrative rules and trade regulation or local laws and decrees stipulated in the special terms.

Article 3 The supervision contract shall be mainly written, explained and noted in Chinese version. If the contract is written in two or more languages, the Chinese version shall prevail.

Responsibilities of the Supervisor

Article 4 The Supervisor shall dispatch the Supervisor and supervisors mentioned in the contract and submit the name list of the chief supervision engineer and the members of the Supervisor as well as the Supervisory plan to the Owner, fulfilling the supervision works of the project stipulated in the special terms of the contract of supervision and report to the Owner the supervisory periodically based on the stipulations in the contract.

Article 5 The Supervisor shall work earnestly and hard during the contract implementation, then assist the Owner in achieving the target and fairly maintain the parties’ lawful interests.

Article 6 The facilities and equipment provided by the Owner but used by the Supervisor shall belong to the Owner’s properties. After the supervision work is completed or terminated, the Supervisor shall hand over the remaining facilities and materials to the Owner based on the time and ways stipulated in the contract.

Article 7 During the contract period or after the contract termination, the Supervisor shall not disclose the confidential information concerned with the project and the contracted business without prior consent by the relevant parties.

Responsibilities of the Owner

Article 8 The Owner shall submit the advanced payment to the Supervisor before the Supervisor carry out the supervision work.

Article 9 The Owner shall be responsible for the coordination of all external relations in the project construction and provide the Supervisor with the external conditions. As required, if the Owner entrust the Supervisor with part or whole of the coordination work, the entrusted work and payment shall be mentioned in the Special Terms of the Contract.

Article 10 The Owner shall provide necessary engineering data concerned with the project to the Supervisor, free of charge, in the stipulated time limit agreed by both parties.

Article 11 The Owner shall making decisions in written forms for all matters proposed by the Supervisor in written forms on the stipulated time limit agreed in the Special Terms of the Contract.

Article 12 The Owner shall designate a permanent representative (mentioned in the Special Terms of the Contract) who knows the project and may make decisions

within the specified time, in contact with the Supervisor. In case of replacement of the permanent representative, the prior notice shall be given to the Supervisor.

Article 13 The Owner shall inform the selected contractor promptly in written forms for the supervision rights granted and the main members in professional work division of the Supervisor, which shall be defined in the contract signed with the third party.

Article 14 The Owner shall provide the following issues within the time not affecting the implementation of the work by the Supervisor:

- (1) The list of manufacturers for raw materials, structure and spare parts and machinery and equipment used in the project construction.
- (2) The partners list concerned with the project.

Article 15 The Owner shall provide, free of charge, the Supervisor with offices, telecommunication facilities, site houses for supervisor s and the facilities mentioned in the Special Terms of the Contract, providing reasonable economic allowance for the facilities equipped by the Supervisor (allowance = ratio of the use time of the facilities in the project with the depreciation time × original value of the facilities + management charge).

Article 16 As required, if both parties come into an agreement for employment of other persons needed by the Supervisor, the Owner shall provide the Supervisor with the above persons free of charge, which shall be added into the Special Terms of the Contract.

Rights of the Supervisor

Article 17 The Supervisor shall be granted the with following rights under the project scope entrusted by the Owner:

- (1) Proposal right in selecting the general contractor for construction of the project;
- (2) Confirmation right in selecting the sub-contractor(s);
- (3) Proposal rights to the Owner in the issues related to the project construction, such as the project scale, design standards, plan design, process design and function requirements;
- (4) Advice rights to the designer for the project design in the technical fields in accordance with the principles of safety and optimality, with written report submitted to the Owner. If such advices caused an increase of the project cost or delayed the construction schedule, the prior consent would be obtained from the Owner. If it is found that the project design doesn't conform with the project quality standards issued by the state or the quality standard stipulated in the design contract, the Supervisor shall report to the Owner in writing and request the designer to make modifications.
- (5) Advice rights to the construction contractor for the construction arrangement design and technical plan in accordance with the principles of ensuring quality, construction process and low cost, accompanied by the written

report submitted to the Owner. If such advices causes an increase of the project cost or delayed the construction schedule, the prior consent would be obtained from the Owner.

- (6) Presiding rights in organizing the co-ordination between the parties concerned with the construction. For the key co-ordination issues, the prior report to the Owner shall be needed.
- (7) Rights for publishing the project start command, pause and return to work order after being consented by the Owner. If the prior report can't be done due to the emergency incident, the Supervisor shall report the issues to the Owner in written form within 24 hours.
- (8) Checking rights for the project materials and construction quality. For those materials and equipment not satisfying the design demands and quality standards of the state, the Supervisor has rights to cease the use by informing the contractor. For those working procedures, sections and construction works which can't satisfy the specifications, safety and quality standards, the Supervisor has rights to terminate working and requests the contractor to do the work over again. Contractor shall not return to work until the Supervisor issues the instruction for the work resuming. The instruction for the pause and resuming shall be reported previously.
- (9) Inspection and monitoring rights for the working progress as well as the verifying rights for the project completion ahead of schedule or behind schedule;
- (10) Examination and verifying rights for the project payment within the price scope of the project; confirmation and negation rights for the project settlement check and confirmation. The Owner shall not pay the project without the Chief Supervision Engineer's signature.

Article 18 Granted with the rights, the Supervisor may propose the amendments of the obligations stipulated in the contract signed with any third parties. In case such changes seriously affect the project cost, quality or progress, the amendments shall be approved by the Owner in advance. If the changes are not submitted for approval in advance because of the emergency incident, the Supervisor shall inform the changes to the Owner ASAP. During the supervision, the Supervisor may propose the staff replacement in case of poor work done by the contractor.

Article 19 Under the project scope entrusted, any disputes and requirements between the Owner and the third party (including claims against the opposite party) shall be proposed to the Supervisor first, then negotiated by both parties based on the suggestions provided by the Supervisor. In case of the disputes arising between the Owner and the third party, the Supervisor may fairly mediate and judge the disputes in accordance with its obligations and positions. In the event of disputes which shall be submitted to the construction administrations for the mediation and the arbitration authorities for arbitration, the fact basis and testimonies shall be provided by the parties.

Rights of the Owner

Article 20 Selecting right for the project general contractor and contract signing right.

Article 21 Verifying rights for the project scale, design standards, plan design, production process design and utilization function; examination and approval rights to the design modifications.

Article 22 The chief supervision engineer's replacement shall be consented by the Owner.

Article 23 The Owner has rights to request the Supervisor to submit monthly working report and specialized report of the Supervisory business.

Article 24 When the Owner finds that any supervisor doesn't fulfill the responsibilities stipulated in the contract of supervision or make relations with the contractors, causing the economic loss to the Owner or the project, the Owner has rights to request the Supervisor to change his unqualified supervision staff till terminating their work contract and requires the Supervisor to bear the responsibilities of claim and associated claims.

Responsibilities of the Supervisor

Article 25 The duration of the responsible Supervisor means the validity period of the supervision contract. During the supervision, both parties may agree to prolong the contract period in case the construction progress is prolonged or delayed.

Article 26 During the supervision, the Supervisor shall fulfill the obligations of the supervision contract. In case of the economic loss arising from the fault of the Supervisor, the breaching party shall bear the liability for compensation to the Owner, but the accumulated reparations shall not exceed the total supervision payment (excluding tax).

Article 27 The Supervisor shall not bear the liabilities for the contractor's defaults, such as quality defects and delay for drawing and goods delivery not conforming with stipulations in the contract. In the event of the supervision contract be prevented form all or party executing by force majeure, the Supervisor shall not bear the responsibilities. But the Supervisor shall bear the responsibility of claims to the Owner against the relevant matters causing from obeying the stipulations in Article 5.

Article 28 In case of the reason not supporting the compensation required by the Supervisor, the Supervisor shall compensate the Owner for all losses and costs arising form the claim against the Owner.

Responsibilities of the Owner

Article 29 The Owner shall fulfill the obligations of the supervision contract. In case of defaults, the Owner shall bear the liabilities and compensate the Supervisor for the losses thus caused.

In the handling of entrusted business, if any loss is caused not due to the Supervisor, the Supervisor shall require the Owner with compensation against the loss.

Article 30 In case that the reasons don't support the compensation required by the Owner, the Owner shall compensate the Supervisor for all losses and costs arising from the claim against the Supervisor.

Effectiveness, Alteration and Termination of the Contract

Article 31 In case the Supervisor's work is blocked or delayed due to the Owner's or the contractor's defaults, thus causing the increase of working quantity and hours, the Supervisor shall inform promptly the Owner for the events and possible effects. The schedule shall be delayed correspondingly. The Supervisor shall obtain extra payment for such added works.

Article 32 In case of the actual conditions changed after the contract signed thus caused the Supervisor, in whole or in part, executing his duties, the Supervisor shall inform the Owner immediately, thus the supervision schedule shall be prolonged correspondingly. In case the paused supervisory work is resumed, such resuming shall be started within 42 days and the payment amount shall be required based on both parties agreement.

Article 33 After the Supervisor finished the handling of acceptance or project handing-over, the contractor and the Owner signs the responsibility paper concerning the project warranty and the Supervisor receives the remaining payment, the contract shall come into close. The responsibilities in the period of warranty shall be clarified in the Special Terms of the Contract.

Article 34 If any party requires the release from the contract, it shall inform the opposite party before 42 days. For any loss caused against one party, the responsible party shall bear the claims except release of responsibility based on the laws.

The notice of agreement concerning the alteration or release of the contract must be made in writing. The original contract shall be effective until the agreement is reached.

Article 35 The Supervisor shall, within 30 days after the valid payment date, obtain the supervision payment. In case the Owner fails to pay but provided without any written reply or in the event that the supervision pause exceeds over half a year based on aforesaid Article 33 and Article 34, the Supervisor may send a notice for the contract termination, If the Owner may not response within 14 days after the termination notice delivery, the Supervisor would send a further notice. In case the Owner may still not reply within 42 days after the 2nd notice delivery, the Supervisor would terminate or pause by itself or continuously pause whole or part of supervision. The Owner shall bear the responsibility for violating the contract.

Article 36 In the event of the termination or pause not arising from the Supervisor breach of contract, the dealing and the resuming of the supervision work shall be regarded as extra work which shall be granted with additional time and payment.

Article 37 If the Owner considers that the Supervisor fails to fulfill the supervision duties without satisfactory reasons, the Owner may send guide notice for the default to the Supervisor. If the Owner may not receive a satisfactory reply from the Supervisor within 21 days after the guide notice sent, the Owner may send a notice

to terminate the supervision contract within 35 days after the first notice delivered, thus the contract shall not be bound to both parties. The Supervisor shall bear the responsibility for violating the contract.

Article 38 The contract termination shall not impact the rights and responsibilities of both parties.

Supervision Payment

Article 39 Payment shall be made to the normal supervision, additional and extra work by means of contracted ways, time and amount based on the special terms of the contract of supervision.

Article 40 In case the Owner fails to pay the Supervisor on time, the Owner shall be liable for paying the overdue fine to the Supervisor. The overdue fine shall be calculated from the last day of the stipulated payment period.

Article 41 The currencies and exchange rate shall be stipulated on the Special Terms of the Contract for the supervision payment.

Article 42 In case the Owner has discrepancies for the supervision payment or part of payable items provided on the notice of payment by the Supervisor, the Owner shall send a notice to indicate the discrepancies within 24 hours after receiving the notice of payment, but the Owner shall not delay other payable items without discrepancies.

Miscellaneous

Article 43 As for the outside inspection fees needed for the construction supervision staff, the expense for reexamination of materials and equipment, the payment shall be consented by the Owner and reimbursed on handing in the receipts form the Owner's account.

Article 44 If the Supervisor needs to employ other experts for consulting or assisting, the expenses shall be borne by the Supervisor in case the business is under the supervision scope, but shall be borne by the Owner in case the business is excluded in the supervision scope.

Article 45 The Owner shall grant a bonus to the Supervisor for the rationalization proposals during the supervision with obvious economic efficiency.

Article 46 The Supervisor and its staff shall not seek for any payment of economic benefits from the construction contractor.

The Supervisor shall not take part in any activities which may create conflicts of the Owner's rights and interests related with the stipulations of the contract.

Article 47 The Supervisor cannot expose the confidential matters defined by the Owner in the course of supervision. The Supervisor cannot expose confidential matters provided and defined by the designer, contractor, etc.

Article 48 The Supervisor shall own the version rights for all of its prepared documents and the Owner shall only have the right to use or copy them for this project.

Settlement of Disputes

Article 48 The compensation of the losses or damages from the breach or contract termination shall be settled through friendly consultation between the Owner and the Supervisor. In case no settlement can be reached, the disputes shall be submitted to the authorities in charge for mediation. In case both parties shall not come into the settlement after mediation, the disputes may be submitted for arbitration.

**SPECIAL TERMS OF CONTRACT OF
CONSTRUCTION SUPERVISION**

Article 2 The contract shall be governed and interpreted in accordance with following laws, decrees and supervision basis promulgated by the state authorities:

- 2.1 “Construction Law and Contract Law” of the People’s Republic of China;
- 2.2 State laws and regulations regarding construction;
- 2.3 “Construction Supervision Provisions”;
- 2.4 Local regulations, administrative rules and specified documents on construction supervision issued by the construction administrations of _____;
- 2.5 Construction drawings and Budget for this project;
- 2.6 Formal design documents for this project;
- 2.7 Construction specifications, technical information, rules, standards, economic indicators and quotas, etc. issued by relevant construction administrations of the state, _____.

Article 4 Supervision scope and works:

- 4.1 Supervision scope: all specified construction work, completion acceptance and quality warranty, etc. stipulated in the work scope in the bid document issued by _____.
- 4.2 Supervision work:
 - 4.2.1 Management of construction period, construction quality and project contract;
 - 4.2.2 Organizing the counter-review of the construction drawings and clarification of the design, raising its comments on change and assisting the Owner in supervising the implementation;
 - 4.2.3 Reviewing the construction organization design, construction technical scheme and construction schedule submitted by the construction parties, raising its comments on change, and assisting the Owner in approving the start-up reports presented by the contractors;
 - 4.2.4 Supervising and checking whether the construction parties carry out the construction and control the project quality, project schedule and project cost according to the state codes and standards and the construction management procedure;
 - 4.2.5 Supervising and inspecting the construction safety protection measures of the construction parties;

- 4.2.6 Assisting the Owner in reviewing the documents, such as the qualification and quality assurance system, etc. of the materials, equipment and instrument manufacturers;
 - 4.2.7 Reviewing whether the specifications and quality of main materials, equipment and instruments meet the requirements in the design specifications and design documents and assisting the Owner in performing the inquiry for main materials and equipment, inspecting the production licenses of the manufacturers of the materials, members and fittings, equipment and instruments and ex-work certificates of them used in this project and performing selective examination of them on quality;
 - 4.2.8 Inspecting and verifying the project quality and project schedule, accepted work and itemized work and signing relevant documents of concealed work and the quality;
 - 4.2.9 Coordinating in handling technical matters at the construction site, reviewing design change and construction change, assisting the Owner in performing the examination of payment based on the work scheduled and signing the documents of payment based on the work scheduled.
 - 4.2.10 Coordinating with relevant parties in handling all problems occurred in the work at the construction site and raising reasonable suggestions based on its experiences;
 - 4.2.11 organizing to analyze and handle any events concerning the construction quality and supervising the implementation of quality-based event handling scheme;
 - 4.2.12 Supervising the implementation of the construction contracts and materials and equipment supply contracts and coordinating the ties between the Owner and contractors and handling matters on claims;
 - 4.2.13 Supervising the sorting out of the contract documents and the managing and filing of technical archives and information;
 - 4.2.14 Organizing the pre-acceptance of the project, taking part in the acceptance of the project after completion and submitting the completion acceptance report;
 - 4.2.17 Organizing the maintenance work within the warranty period of the project;
 - 4.2.18 Performing the work based on other requirements in the Scope of Services in the Terms of Reference for Construction Supervision Services for _____.
- 4.4 Supervision period: From _____ to _____ or the date when the project passes through the acceptance and is handed over to _____.

Article 9 External conditions shall include:

- 9.1 The Owner shall be responsible for handing relevant certificates and approval documents for the project construction and external conditions necessary for the project construction;

- 9.2 The Owner shall organize the signature of all construction contracts and supply contracts of materials, equipment and instruments;
- 9.3 The Owner shall be responsible for raising the funds needed for the project construction;
- 9.4 When the above-mentioned activities are needed, the Supervisor shall provide suggestions and assistance.

Article 10 Project data to be provided by the Owner and time of submission agreed by both parties:

- 10.1 The Owner shall provide or show relevant approval documents and ensure that relevant formalities are complete when the project is completed;
- 10.2 The overall project schedule made by the Owner will be provided within 7 days after the signature of the contract;
- 10.3 Copies of the construction contracts and supply contracts of materials signed by the Owner and construction parties will be provided within 7days after the signature of the contract;
- 10.4 Copies of the contracts of the Owner's self-purchased materials will be provided within 7days after the signature of the contract;
- 10.5 The Owner shall provide necessary information, such as relevant construction drawings, etc.

Article 11 The Owner shall give the written reply, within 2 working days, to the matters that the Supervisor submits in writing and ask the Owner to make a decision on.

Article 12 The chief representative of the Owner is

Article 15 The Owner shall provide, free of charge, the following facilities the Supervisor;

One office;

Three sets of tables and chairs;

Two file cabinets

Article 26 The Supervisor agrees to bear responsibilities and pay for losses due to the Supervisor's neglect of duty within the period of responsibilities as follows and the damages will not exceed the supervision cost for this project at most (deducting the taxes):

Damages = direct economic loss × ratio of remuneration (deducting the taxes) 1.0%
The damages will not exceed the supervision cost for this project at most (deducting the taxes).

Article 39 The Owner agrees to pay the remuneration to the Supervisor based on the following calculation method, time of payment and amount:

Based on Document (_____) issued by the Price Administration Bureau and the Ministry of Construction of the state and through the consultation by both parties, the fixed total price shall be adopted for calculating and paying the remuneration to the Supervisor with the fixed price of _____ RMB Yuan (Say: _____).

- 1) The Owner shall pay to the Supervisor _____ RMB Yuan (Say: _____ ONLY) as advanced payment within 10 days after the signing of the contract;
- 2) The Owner shall pay to the Supervisor _____ RMB Yuan (Say: _____ ONLY) before _____;
- 3) The Owner shall pay to the Supervisor _____ RMB Yuan (Say: _____ ONLY) before _____;

The Owner agrees to pay remuneration for additional work based on the following calculation method, time of payment and amount:

Remuneration for additional work = _____ RBM Yuan / man-day and the total remuneration for additional work = _____ RBM Yuan / man-day × days of additional work. The Owner agrees to pay remuneration for extra work based on the following calculation method, time of payment and amount:

Remuneration for extra work = _____ RBM Yuan / man-day and the total remuneration for extra work = _____ RBM Yuan / man-day × days of extra work.

Both parties agrees, through friendly consultation, that for the remuneration for the actually-occurring additional and extra work, the Supervisor shall provide a list of work on the thirtieth day of the month, which will be approved by both parties and the payment shall be implemented before the tenth day of the month.

Article 41 Both sides agree that the remuneration shall be paid in the way of transfer (RMB). The Supervisor shall provide the Owner with the formal tax invoice.

Article 45 Method of granting bonus

The Owner shall grant the Supervisor a bonus based on the Supervisor's work during the supervision service.

Article 49 When any dispute occurs in the implementation of the construction supervision contract, both parties shall perform discussion and settlement through consultation in time or based on relevant laws and regulations of the state.

MANAGEMENT CONTRACT

AGENCY CONTRACT

Principal: _____ (hereinafter referred to as “**Party A**”)

Agent: _____ Investment Management Company (hereinafter referred to as “**Party B**”)

In accordance with the *Contract Law of the People's Republic of China*, the *Construction Law of the People's Republic of China* and other relevant Chinese laws and regulations and according to the principles of voluntariness, equality and agreement through consultation, Party A and Party B hereby enter into this contract with respect to Party A's authorization of Party B to go through all required formalities prior to commencement of construction of the project and to undertake the construction of the whole project as an agent.

2. BASIC INFORMATION OF THE PROJECT

Name of Project:

Location of Project:

3. SCOPE OF AGENCY SERVICES

As agent of Party A, Party B is authorized as defined in Section 5 below to provide management services for the construction of the _____ project of _____ including but limited to the invitation to bid for the project, the actual construction of the project, the delivery of the project for use upon its completion, and other related matters involving the construction units.

4. TIME LIMIT FOR AGENCY SERVICES

The whole project shall be completed and delivered to Party A for its use within 90 calendar days (three months) after the execution of this contract by Party A and Party B.

5. AGENCY FEE AND METHOD OF PAYMENT

The total price of the project and the agency fee are tentatively fixed at RMB _____ (or in words, RMB _____) and RMB _____ (or in words, RMB _____), respectively.

- a. ___% of the total amount of the agency fee as fixed tentatively above shall be paid within seven working days after the execution of this contract; and
- b. ___% of the total amount of the agency fee as fixed tentatively above shall be paid within seven working days after the delivery of the project for Party A's use.

6. RIGHTS AND OBLIGATIONS OF THE PARTIES

- a. Party A's Rights and Obligations:
 - (i) Party A shall overall responsibility for the project.
 - (ii) Party A shall have the right to be informed of and exercise supervision over Party B's handling of formalities in connection with the project; and
 - (iii) Party A shall provide Party B with such documents and materials as Party B may require to carry out its work in connection with the project.
 - (iv) Party A, Party B and the Supervisory Company shall jointly be responsible for the project progress and quality control of the project.
- b. Party B's Rights and Obligations:
 - (i) After consultation with Party A, Party B shall have the right to decide on the units involved in construction of the project, such as surveyor, designer, supervisor and constructor of the project;
 - (ii) Party B shall timely handle the formalities in connection with the project with relevant governmental authorities;

- (iii) Party B shall carry out in accordance with this contract the matters Party A has authorized it to undertake, formulate a schedule of the project progress and submit the same to Party A; and
- (iv) Party A, Party B and the Supervisory Company shall jointly be responsible for the project progress and quality control of the project. Party A shall final project responsibility based on input from Party B and the Supervisory Company.

7. AGENCY MANNER

In accordance with the provisions of the contracts Party A would enter into with the units involved in construction of the project, such as designer, cost consultant, supervisor, and contractor of the project, Party B shall urge such units to perform those contracts conscientiously and complete the construction of the project within the time limit set for the project according to the agreed quality and quantity requirements.

8. METHOD OF PAYMENT FOR THE PROJECT

For the purpose of strengthening the management of the construction of the project, Party B shall urge Party A to make payments to the units involved in construction of the project in accordance with the provisions of applicable contracts.

9. LIABILITY FOR BREACH OF CONTRACT

- a. Party A shall be liable for breach of contract under any of the following circumstances:
 - (i) If Party A fails to pay Party B the agency fee according to the payment schedule;
 - (ii) If Party A fails to make payments for the project as agreed to in applicable contracts it would enter into, rendering it impossible for the construction of the project to proceed normally; or
 - (iii) If Party A fails to pay the settlement price of the project upon its completion without a justifiable reason.
- b. Party B shall be liable for breach of contract under either of the following circumstances:
 - (i) If Party B fails to carry out the work within the scope of authorization granted by Party A, resulting in any economic loss; or
 - (ii) If Party B fails to arrange and organize all the work within the scope of authorization granted by Party A, hindering the project progress.

10. TERMINATION OF CONTRACT

- a. Party A and Party B may terminate this contract upon mutual agreement through consultation.
- b. This contract may be terminated if and when any event of force majeure has rendered it impossible for this contract to be performed.

- c. Upon termination of this contract, the parties shall settle accounts on the basis of the project progress.
- d. If Party B unilaterally terminates this contract without a justifiable reason, it shall return Party A the agency fee it has received and assume the liability for all losses that may result from such termination.

11. EFFECTIVENESS AND VOIDANCE OF CONTRACT

- a. This contract shall become effective as of the date of its execution.
- b. This contract shall cease to be effective after the parties have performed all their respective obligations under this contract, the project has been completed and delivered, and all the accounts have been settled.

12. THIS CONTRACT IS EXECUTED IN FOUR COUNTERPARTS, TWO OF WHICH SHALL BE KEPT BY EACH PARTY, AND ALL THESE COUNTERPARTS SHALL HAVE EQUAL LEGAL EFFECT.

Table E.8. Principal and Agent Signatories to Management/ Agent Contract

Principal (Official Seal):	Agent (Official Seal):
_____	_____β
Date:	Date:

QUALITY CONTRACT

QUALITY WARRANTY LETTER FOR CONSTRUCTION OF BUILDINGS

The Employer (full name):

The Contractor (full name):

In accordance with the *Construction Law of the People’s Republic of China*, the *Administrative Regulations on Quality of Construction*, and the *Measures on Quality Warranty of Construction of Buildings*, the Employer and the Contractor hereby agree to enter the following Quality Warranty Letter of Construction of Buildings with respect to _____ [full name of the project].

I. SCOPE AND ITEMS OF QUALITY WARRANTY OF PROJECT

In accordance with the provisions of applicable laws, regulations and rules as well as with those of the agreement reached between the Parties, the Contractor shall assume the quality warranty obligation of this Project during the quality warranty period.

The scope of quality warranty shall include the foundations, main structure, waterproofing of roofs, prevention of leakage and seepage in toilets, rooms and outer walls that are required to be waterproofed, heating and cooling systems, electric conduits and wires, pipelines of water supply and sewage, installation of equipment

and outfitting of the buildings, and other items agreed to by the Parties. The specific items that are subject to such quality warranty are listed as an attachment to this letter.

II. QUALITY WARRANTY PERIOD

In accordance with the *Administrative Regulations on Quality of Construction* and other applicable provisions, the Parties agree that the quality warranty period of this Project shall be as follows:

1. With respect to the foundations and the main structure, the quality warranty period shall be the reasonable service life of such structure as prescribed in the design documents;
2. With respect to the waterproofing of roofs and the prevention of leakage and seepage in toilets, rooms and outer walls required to be waterproofed, the quality warranty period shall be _____ years [(five years at least)];
3. With respect to the fitting out of the buildings, the quality warranty period shall be _____ years [(two years at least)];
4. With respect to the electric conduits and wires, pipelines of water supply and sewage, and installation of equipment, the quality warranty period shall be _____ years [(two years at least)];
5. With respect to the heating and cooling systems, the quality warranty period shall be _____ heating periods and cooling periods [(two such periods at least)];
6. The agreed quality warranty periods with respect to other items shall be stated in the Conditions of Contract.

The quality warranty period shall be calculated as of the date of acceptance of this Project by the Employer upon its final completion.

III. RESPONSIBILITY FOR QUALITY WARRANTY

1. With respect to those items which fall within the scope of quality warranty, the Contractor shall dispatch personnel to do repairs within seven (7) days after its receipt of a notice of a request for such repair. If the Contractor fails to do so within the time limit as specified above, the Employer may entrust a third party to do such repairs.
2. If there occurs any accident where urgent repairs are needed, the Contractor shall do repairs immediately after receipt of a notice thereof.
3. If any defect occurs in the structure, which poses any threat to the safety of the buildings, in accordance with the provisions of the *Measures on Quality Warranty of Construction of Buildings* such defect shall be promptly reported to the authorities in charge of administration of construction at the place where this Project is located and appropriate preventive measures shall be taken to deal with such defect and ensure the safety of the buildings. The institute that designed this Project or other design institutes that have attained appropriate

grades of qualifications shall draw up a plan for repair of such defect, which shall be carried out by the Contractor.

4. Upon completion of any repairs, the Employer shall make arrangements for the inspection and acceptance of such repairs.

IV. COSTS OF REPAIRS

Costs of repairs that are subject to the quality warranty shall be borne by the Contractor.

Costs of repairs that are not subject to the quality warranty shall be borne by the party that is liable for such defects.

V. MISCELLANEOUS

The Quality Warranty Letter of this Project shall be executed by the Employer and the Contractor before the completion and acceptance of this Project. The Quality Warranty Letter shall be attached to the Construction Contract as an appendix.

Table E.9. Employer and Contractor Signatories to Quality-Warranty Letter

Employer (Official Seal):	Contractor (Official Seal):
Legal Representative (Signature):	Legal Representative (Signature):
Date of Execution:	Date of Execution:

APPENDIX F

YOU'RE NOT IN KANSAS ANYMORE!

THE CHINA EXPERIENCE

China, noted for its ancient history and culture, is 12 or 13 hours ahead of the U.S. East Coast time zone. It takes up to 14 hours to fly there from the United States, depending upon where you start the journey. In preparation for your first trip to China, there are several things that you should know that will make your trip, your stay, and your return a greater success as you embark on your journey climbing the Great Wall of China.

PART 1. BEFORE YOU LEAVE

ADVANCE READING

A trip to China is likely very different from most destinations you have flown to in the past. The majority of people you will meet speak little or no English. In general, they are a very friendly people and are interested in helping you. The following books are recommended readings for orientation on the general culture and, specifically, the business culture that you should read in advance of arriving or during that long first flight to China. The answer is simple. Although this book will include some similar experiences, it is focused on the specifics of your business journey and the steps necessary to establish manufacturing in China. The listed books will provide background information on working within the Chinese culture.

- *Chinese Business Etiquette: A Guide to Protocol, Manners & Culture in the People's Republic of China*, Scott D. Seligman (Warner Business Books, 1999)
- *China Streetsmart : What You Must Know to Be Effective & Profitable in China*, John L. Chan, John V. Thill, and Barbara E. Schatzman (Pearson/Prentice Hall, 2003)
- *One Billion Customers: Lessons from the Front Lines of Doing Business in China*, James McGregor (Free Press, 2007)

- *Harvard Business Review on Doing Business in China*, Rick Yan and Kenneth Libeberthal (Harvard Business School Press, 2004)
- *Doing Business in China for Dummies*, Robert Collins and Carson Block (John Wiley & Sons, 2007)

PASSPORT AND VISA

In addition to a valid U.S. passport, U.S. citizens are required to have a travel visa to gain entry to China. A Chinese visa (also known as “type F visa”) is issued to foreigners who are invited to China for a business visit, to consult with business associates, to attend professional or business convention, to make commercial contacts, or culture exchanges and short-term studies for a period of no more than six months. A China business visa is typically valid for 6 months with single-entry, 6 months with double-entry, or 6 to 12 months with multiple-entries.

The visa must be in your passport before you will be allowed to board the plane for China. You will also need to have your boarding pass stamped or otherwise marked by the airline personnel at the gate, showing that they have confirmed that you have a valid visa. Also make sure you have the correct home address and phone number of the contact person penciled in your passport. I also suggest that the name and phone number of a contact person in China be paper-clipped to the passport in case of an emergency. You should also keep a copy of your passport page and your visa page in a separate location in the event that you misplace or lose the original documents.

The requirements for a Chinese visa change from time to time, but you will need a business letter from your company or an invitation letter from the Chinese company in order to have your visa processed. The letter must be addressed to the “Consulate of China,” and it should explain the purpose of the trip and indicate that they will guarantee financial support for you while in China.

There are several services that can be used to obtain passports and visas. One company is Visaexpress.net, located in Houston.

CELL PHONE

A cell phone is a must when in China. The most economical option may be to purchase the cell phone upon arrival. There are three mobile phone services in China—China Mobile, China Telecom, and China Unicom. I have had good success with China Mobile, and it has a large service area. I have flown to many locations in China and have yet to be in an area where I did not have a signal. Make sure that the phone and service can make and receive international calls so that you can reach or be reached by someone in the United States for business or in the event of a family emergency. You will need to purchase international minutes and use a prefix for any phone numbers in the United States. Once they are programmed into your cell phone, you can then make and receive calls to the United States.

Depending on the type of cell phone you have in the United States, you may be able to replace the SIM card from your phone company with the SIM card of a mobile phone company in China. I am able to use my cell phone and remove the

United States carrier's SIM card and replace it with the China Mobile SIM card. You can purchase minutes from China Mobile or another mobile phone company to add to your account. If you want to be able to make and receive calls internationally, you will need to purchase that service and minutes for overseas calls.

The cell phone should be programmed to call a contact person in China who can speak Chinese (like your general manager). This will come in handy because he will be able to communicate with the taxicab driver, policeman, or whomever, if you are concerned that he or she doesn't understand you. You will also want to have a cell phone for communication within China with your own company personnel, vendors and governmental officials as well.

United States cell-phone companies offer telephone services in China, but the costs are high. If you utilize a smart phone (Blackberry, Palm, iPhone, etc.), your contract may include access to data on your phone at reasonable rates, so that you can send and receive email within China, but you will need a second, local phone to make less expensive internal or international calls.

I use the long-distance service so that I can call home and let my wife know I have arrived safely at various destinations during intra-China trips to various companies. However, use of cell phones for long-distance calls is expensive and can use up the minutes quickly. If you have a laptop, you should also consider installing PC Phone software (Skype, Vonage, etc.), which will enable telephone calls from any location that has an Internet connection. This is the most economical method of making international phone calls for pennies per minute to and from China.

MEDICAL CONCERNS

Healthcare in China, including doctors, hospitals, and pharmacies, is not currently comparable to that in the United States. That being said, some of the following medications (both prescription and over-the-counter) and inoculations are recommended when traveling to Asia. Consult your family physician regarding his or her recommendations, or you may want to contact a local International Travel Clinic. In Pittsburgh, for instance, the UPMC Downtown Corporate Health Program and International Travel Clinic offers this service. They provide a questionnaire regarding the destination and estimated travel dates. Based on that information, they will recommend immunizations, vaccines, and medications to take prior to international travel.

A family physician will likely ask for the destination (including cities and provinces), and based on that, he can provide recommended inoculations and medications. In my experience, the over-the-counter medications as well as the recommended shots and prescription drugs listed below were helpful. We cannot provide medical advice here; please consult your physician. Be aware that some medications can have serious, even life-threatening side effects.

Antispasmodic for the intestines (or "stomach cramps").

Broad-spectrum antibiotic. Your physician may prescribe this medication, to take as per instructions on the label, if you have eaten some "bad food."

Antidiarrheal. This is also helpful if you forget that you shouldn't have ice cubes in your cold drinks or that raw vegetables were not adequately washed in boiled water.

Inoculations.

- Hepatitis A (A booster shot required periodically.) This may be available for free at local health clinics in the United States.
- Hepatitis B
- Typhoid
- Tetanus
- Polio

Cold medications. Pack all over-the-counter cold remedies you would typically use in the United States—cough medicine, cold and sinus/decongestant pills. You could also consider taking a Z-Pak or other common prescription antibiotics, as recommended by your doctor. These items are difficult and sometimes impossible to find in China.

Jet lag. For some people, Tylenol PM, Advil PM, or an equivalent over-the-counter sleep aid can help with jet lag going to China or returning to the United States. Take one or two of these, as necessary, an hour or so before you plan to retire for the evening. It will improve your ability to get a reasonably good night's sleep the first few days after you arrive. This medication does not work for some people, and they go to bed by 9 P.M. and awake at 3 A.M. This is not all bad, because you can then correspond with your U.S. counterparts where it is mid-afternoon. After the first few days, you can cut back to one pill and no pills as your body becomes acclimated to the new time zone.

PORTABLE ELECTRIC DEVICES

Portable electric-powered devices—shavers, hair dryers etc., will not work in China, because of the different voltage and frequency, so you should leave them at home unless they designate that they can. Even if they can, you should purchase an assortment of international electric plug adapters to allow you to plug in your laptop, cell-phone charger, or other electrical item. You can find these at a luggage store, at Radio Shack, and in airports. Tell them that you will be traveling to China so that they can provide you with the correct set of adapters.

Hair dryers are sometimes provided in the Western style hotels. If you have any battery-operated items, you should purchase spare batteries in the United States and take them with you. Chinese batteries are available, and although they are very economical, it has been my experience that they do not last very long.

CASH

The RMB (yuan, or renminbi) is the People's Republic of China's equivalent to the U.S. dollar, and at the time of this writing, the exchange rate in hotels was RMB 6.35 per U.S. dollar. During my earlier trips the exchange rate was as high as RMB 8.0, so you can anticipate over time that the yuan will continue to increase in value.

If it is your first trip, you can exchange your dollars for RMB in the airport or at your hotel. I have found that you get the better exchange rate at your hotel. You

should take the equivalent of US\$50 to US\$60 in RMB with you for pocket money. This can be used to pay the taxi driver or for other purposes. You might consider bringing up to US\$2,000 as backup funds in the event you end up where they don't accept credit cards, you happen to lose your credit card, or it becomes damaged. You just never know when you are flying within China, as you may not end up at your original destination, and you need to stay somewhere that does not accept credit cards. (I don't want to alarm you, because this would be a rare occurrence. Airlines are fairly dependable, but you might consider it as "insurance.")

The exchange rate at an ATM with a credit card can be significantly lower than the hotel exchange rate, so avoid using ATMs except in an emergency. Also, be aware that the ATM's in China do not accept debit cards. Most credit-card companies also charge you an extra fee for using your credit card in China, so I usually pay with cash.

The most common tipping situations involve bellboys and delivery people. They are not anticipating a large tip, and an equivalent of US\$2 to US\$3 is warmly received. You can also choose to tip a taxi driver, but this is not typical. Occasionally taxi drivers don't offer to give you change as a way of getting a their own tip.

COMMUNICATING WITH THE CHINESE

You don't need to learn how to speak Chinese! The Chinese language is a very difficult language to learn, but it is possible for you to learn some key words and phrases in advance of your trip to assist you in communicating when no one is available to translate. In lieu of learning all 6,000+ or more Chinese characters, you can consider learning the phonetic equivalents of the Chinese characters, called Pinyin. Pinyin uses all but one of the 26 letters in the English alphabet. Some suggested examples are provided below for reference.

A pocket English–Chinese/Chinese–English dictionary will come in handy. You may consider obtaining one of several Chinese language courses on CD or CD-ROM. Some local community colleges offer a basic course in Chinese and may also offer more advanced classes as well. I purchased a small hand-held translator that has many typical phrases used for travel, restaurants, hotels, general, etc., circumstances that will speak the equivalent words in Chinese as well as show the Chinese characters on the screen. While you can't use it for a back-and-forth communication, it may get you out of a jam, if you can't reach your in-house Chinese personnel on your cell phone.

UNITED STATES DEPARTMENT OF STATE—BUREAU OF CONSULAR AFFAIRS

Lastly, the U.S. Department of State provides much useful information on their website for travel to China. It is a good idea to check out the information provided there. Following is their website:

http://travel.state.gov/travel/cis_pa_tw/cis/cis_1089.html

If you are going to visit China, they advise that you contact the Embassy and Consulates about your trip. If you enroll, they will keep you up to date with

important safety and security announcements. It will also help your friends and family get in touch with you in an emergency. Following is the link to the Smart Traveler Enrollment Program:

<https://travelregistration.state.gov/ibrs/ui/>

PART 2. TRAVELING TO AND FROM CHINA

INTERNATIONAL FLIGHTS

United, Continental, Delta, Air China, American Airlines, and other major airlines have flights from cities in the United States to China, some with nonstop and others with connecting service. You can choose to land in Shanghai, Beijing, or Hong Kong, depending on your ultimate destination and the available connections. If you have a travel agent, the agent can arrange for your flights. You can also make your own arrangements through the website ExpediaCorporate.com (Egencia, an Expedia Inc. company), or you can go to the airline website of choice. Flying to China is a great way to rack up frequent flyers miles!

The following preparations are recommended prior to your flight to China:

Bring Snacks. Take a supply of snacks for the long flight. (Candy, protein bars, nuts, fruit, beef sticks, etc.). You should consume or discard any items that are not in their original wrapper as well as fruits before you disembark, or you will need to declare these types of items upon arrival with PRC Customs. I must admit that I have not always done that and have taken the snacks to my hotel room for later eating. I have never been checked by Chinese Customs officials, but that isn't to say that I won't some day or that it might not happen to you.

Coach, Business, and First Class. If your company lets you fly business or first-class seats, this is great news for you. If not, these snacks will come in handy as the food served in economy class gets worse every trip I take. I have not yet had the pleasure of flying business class, let alone first class.

Basic Toiletries. Take basic toiletries, contact lens fluids, toothpaste, mouthwash, etc. (in quantities meeting the current guidelines from Homeland Security). In most of the 4-star hotels in China they provide a toothbrush, toothpaste, shaving cream, and a shaver in your room's bathroom, if you forget any of these items.

Delayed Luggage. If you will be in China in excess of a week and will be checking your baggage, take a change of clothes in your carry-on luggage in the event that your luggage does not make it the same day that you do to your ultimate destination. During one trip to China, my bags were not stowed on the first leg of my flight, and consequently, they did not make it to my international flight. When I arrived in the Shanghai Pudong International Airport in China—no baggage. It took 4 more days for my bags to get to my final destination. Needless to say, I had to purchase a few additional items of clothing in China and used the hotel laundry service until my luggage finally arrived.

The Carry-On Advantage. If you are taking a short trip of around a week or ten days, consider packing all your clothing into a carry-on bag and avoid checking any baggage at all. I have done this frequently, and by using the hotel laundry service (it can be a bit pricey), I am able to recycle three to four sets of clothing for

a seven-day trip. This also comes in handy if you have a lot of time to wait at the terminal, because most airlines will allow you to check in early and get your boarding pass if you have no luggage to check. This is especially beneficial once you have accumulated enough frequent-flyer miles to warrant staying in the business lounge. It also may get you a better seat. On one trip, I had to delay my departure for two days. That resulted in my not finding any aisle seats in the economy plus section of the airline. However, on the day I arrived at the airport, I went to the airline desk to check in early and, surprisingly, I was able to change my seat from the middle of the 5-seat center section (aargh!) to an aisle seat in economy plus.

Extra Toothbrush. The net travel time from the East Coast of the United States door-to-door is over 24 hours, so you may want to brush your teeth during the flight. There have been some reports that the drinking quality of the water in the airline restrooms has not always been great, so you may want to take a supply of bottled water or obtain water from a flight attendant prior to brushing your teeth. They offer water frequently on the flight.

Medications. You should pack your prescriptions or over-the-counter medications in your carry-on luggage, just to make sure you have them in the event your checked baggage is delayed or lost.

Wipes to Freshen Up. Use baby wipes or moist towelettes to freshen up on long flights, on hot days and after running to make your connecting flight.

Drink Lots of Water. During the long international flight, drink plenty of water. As I mentioned, the flight attendants serve water frequently during the long trip, and I recommend that you take advantage of this service.

Walk and Stretch. Get out of your seat and walk down the aisle and back to your seat periodically. The airlines may show recommended stretching exercises you can do in your seat to ensure good blood circulation.

Cabin Temperature. Even if you are traveling in the summer, take a sweatshirt or something else warm to wear on the plane because the cabin temperature can be cool. (It's -65° F. on the outside of the plane at 35,000 feet.)

On-Plane Forms before Landing. Prior to disembarking from your plane in China, you may be required to fill out several forms provided by airline personnel. These may include a health form, an arrival card, and a Customs form. The latter will have to be filled out even if you have nothing to declare. Check with the airline attendant regarding these requirements because they change from time to time. Sometimes the airline attendants do not have enough of these forms to go around, but you will be able to get these forms at the airport after you arrive and before you clear Customs. The entry form is actual a dual form with half for your use upon entering China and the other half when you depart. You will show the completed arrival form along with your passport and visa to the Chinese Customs agent upon your arrival.

Card for China's Customs on Departure. When leaving China, you must fill out a departure card, which is available at the airline counter, or you can use the other half of your arrival/departure card that you filled out before arriving in China. You will provide this form to China Customs prior to going through the security gate.

U.S. Customs Form. When you return to the United States, the airline attendants will provide you a Customs form to fill out for claiming items that you are bringing

into the United States. On this form, list any items you have purchased on China. The form will be given to the U.S. Customs agent along with your passport at your initial airport upon reentering the United States. The agent will mark your Customs form and return it to you. You will provide this form to the Customs agent after you pick up your luggage. If you have additional flight connections, you will need to recheck your baggage and go through Security again.

Time Between Flight Connections. Make sure that there is sufficient transfer time to make your connections, especially if you need to pass through U.S. Customs, which will require you to pick up your bag and then recheck it for the domestic flight or at your connecting airport when you arrive back in the United States.

Checked Luggage. If you fly through Hong Kong or Beijing, you may be able check your baggage all the way through to your destination where you will clear Customs. Check first with the airline from the United States. Some airlines have developed relationships with the Chinese domestic airlines and will allow baggage transfer.

Connecting Flights. If your destination is Shanghai, you will land at the international airport in Pudong, called the Shanghai Pudong International Airport. If you have a connecting flight, more than likely it will depart from the Shanghai Hongqiao International Airport., which is an hour away by taxi from the Pudong airport. Originally, the Chinese government planned to shut down the Hongqiao airport, but due to the distance from the city of the Pudong airport, it was impractical and costly for the Chinese citizens to get there, so they now operate two airports in Shanghai. Recently, they built a new terminal—terminal 2 at the Shanghai Hongqiao International Airport. There are a limited number of connecting flights at the Pudong airport, which leave from terminal 1 for domestic flights.

Future Maglev Train. There has been some discussion that China may construct a Maglev (magnetic-levitation) train between the Pudong and Hongqiao airports. At the time of publication, a target date for starting the project had not been announced.

PART 3. YOUR STAY IN CHINA

1. PERSONAL HYGIENE

Wash or sanitize your hands frequently when in China. Depending on where you go, the restroom facilities may not have soap to wash your hands, paper towels, or toilet tissue. In many restrooms in China, there may only be one roll of toilet paper located just inside the door to the bathroom. There is no toilet paper in the stalls! Make sure that when you leave your hotel room that you carry the following items with you:

- A small bottle of hand sanitizer liquid.
- Baby wipes or something equivalent to wipe your face.
- Several pocket-size packets of tissue (Kleenex) or travel-size toilet tissue.

2. CREDIT CARDS

Review your credit-card charges thoroughly at the end of your trip to ensure that someone has not used your credit card for unauthorized purchases. I have experienced this once and had to cancel my credit card and have a new one reissued. You may want to consider using cash, due to the international fees added on to your credit card when using it in China.

3. THEFT

The most common crime is pickpocketing, so you should invest in a money belt or some other method of keeping large amounts of cash in a place other than your wallet. Use your bedroom safe to avoid carrying large amounts of cash on your person. When walking on the street, you should consider keeping your wallet in one of your front pockets, if you are male.

4. TRANSPORTATION WITHIN CHINA

Travel options within China include airlines, taxis, buses, subways, trains, and ferries (across rivers like the Yangtze).

Chinese Airlines

There are many domestic Chinese airlines including Air China, China Eastern, China Southern, Dragonair, Shanghai Airlines, Xiamen Airlines, etc. Airline tickets in China are reasonably priced, and you will find that flights are frequently full. They are all maintained or supervised by experienced Western personnel, and I have found them to be fairly reliable, although they sometimes have a more colorful or descriptive way to announce arrival or departure delays. For flight arrangements within China, you should utilize your local personnel on the ground.

Use the marketing group of the industrial zone that you are investigating to make the flight arrangements, or once you have established operations, you have your local staff make the arrangements through a Chinese travel agency. The local Chinese travel agencies usually can provide good discounts for flights within China because they are the most economical method of purchasing tickets. China issues electronic tickets, just as in the United States.

If you purchase through a travel agency and miss a connection due to a delayed incoming flight or are able to travel on an earlier or later flight on a different airline, you will have to purchase a new ticket and then try to obtain a refund from the travel agency later. If there is a flight available on the same airline, then you can pay extra to get a seat on the alternate flight and the premium can be relatively high to make this change. To purchase a ticket, you will need to provide the airline or travel agency with your passport number.

If you have several places you will be visiting in China, and you want to develop your itinerary in advance of having the tickets purchased by the travel agency, you can go to the website FlyChina.com to find out the schedules of most Chinese airlines. I have not personally purchased any tickets from this website, but I believe it

to be reputable because we have checked the schedules from that website with the local agency and found that they are in agreement.

Most airports in China provide flight information including airlines, flight numbers and gates in both Chinese and English. All pertinent flight information (gate changes, flight departure announcements, flight delays, etc.) are announced over the PA system.

Your flight may be delayed for several reasons. One flight was delayed due to the Chinese Air Force conducting air exercises along the flight route. There are also delays and cancellations due to mechanical problems and weather conditions. Occasionally, your flight may be redirected to an intermediate airport, also due to weather, etc. This happened to me once; it was announced that we would be landing at another airport with little additional information. We landed at the airport, and we stayed on the tarmac for nearly an hour. (It could have been a domestic or military airport, I don't know.) There were no announcements or explanations during our wait. Eventually, the plane took off, and we continued on to our destination, again, with no further comment other than to prepare for takeoff.

Sometimes the announced reasons for delayed or cancelled flights can be somewhat humorous when translated into English. On one flight, we were delayed 4 hours due to "airline under construction." It was funny to imagine that it only takes four hours to build a plane in China. We happened to see the pilot (an American) later in the lobby of the Chinese hotel next to the airport and learned that it was a maintenance problem requiring repair that delayed the flight.

Most of the airports have restaurants. At the international airports in Hong Kong, Shanghai, and Beijing, you can get a Burger King hamburger, Kentucky Fried Chicken, or Pizza Hut pizza. I have eaten at all of these restaurants and found that Burger King food is just like in the States. KFC and Pizza Huts have been somewhat "China-fied," if I can make up a word. The domestic airports have Chinese restaurants, and these are mostly OK. You can order your selections from a menu which sometimes is in both English and Chinese with pictures of the actual food, or it may be cafeteria-style eating. Just point to what you want! In some of the small airports, be aware that there may not be any nonsmoking areas, and in addition to that, you may find that if you want to sit in a certain area that has comfortable seating that you may have to purchase some Chinese tea for the right to stay there. Speaking of smoking, there are many smokers in China, and you may be offered a cigarette by your host. It is more like the 1950s in the United States.

Similar to airports in the West, there are stores selling clothing, books, toiletries, and packaged food (nuts, cakes, dried fruits, candies, etc.).

Taxis

Always use the official taxicab stand at the Chinese airports. Look for a line that is set up like an amusement-park ride with railing guiding you back and forth until you get to the curb and the taxi. Independent cab drivers may approach you (sometimes aggressively) as soon as you are in the general departure area, but don't use them because they will not use a meter. They will try to negotiate a higher rate than the metered fare or will charge you a higher rate once you have reached your destination.

When you get into a taxi from the official airport taxi stand, or when you hail a taxi from the side of the road, make sure the driver turns on the meter. In the past, Beijing taxi drivers were famous for not turning on the meter. Their preference would be to drive you to your destination and then negotiate a price. Since the Olympics were held in China, this is not much of a problem as it once was. But whatever town or city you are in, if they don't start the meter, just point to it, and he or she will get the message. Shanghai taxi drivers do not pull this stunt for fear of losing their license.

I have found that the taxi drivers are mostly very pleasant, and in some cases, they will try to communicate to you in English. They will also share a laugh with you if you are able to say a few words in Chinese to them.

Most hotels, restaurants, business etc., will have a business-card-size name card with Chinese and English wording. They may also include a list of local places to visit that is in English and Chinese, which you can show to the driver. Carry this card with you as an easy way to explain to the taxi driver where you want to go and to ensure that you can return to your hotel after you have finished sightseeing or shopping. You are not expected to provide a gratuity for taxis, but sometimes they don't give you your change. At some hotels, the hotel staff will give you one of their hotel cards with the taxi number on it, in the event that you later learn that you left your personal property in the car.

If you are making connections in Shanghai and you need to take a taxi from the Pudong international airport to the Hongqiao domestic airport, you should have copies of "Take Me to Hongqiao Airport" in Chinese with you to provide to the taxi driver.

Traveling by taxi (or in any motor vehicle) in China can be an adventure. You will find that the rules of the road in China are somewhat different than in the United States. Some four-way intersections may not have stop signs or stoplights.

Taxi drivers are typically very aggressive and interested in getting to your destination quickly. You may experience a few slowpokes, but they are the exception rather than the rule.

Speed limits, stop signs, stoplights (when they exist), solid lines separating traffic may only be "guidelines" and are not always strictly obeyed. We have joked that all of the lesser skilled taxi drivers are no longer on the road because they had accidents. This behavior is not just associated with taxi drivers. I have been driven to and from the airport and to dinners by my hosts, who also drove this way.

All of the drivers, however, seem to understand the rules, and they only infrequently get hostile with one another as they break in line or cut another driver off. This happens frequently, but there is not a lot of horn blowing, unless the driver in front won't move out of the way or is going too slow. You may think that you are going to hit the adjacent car, bus, or truck, but I have been fortunate not to have been in an accident. As the drivers sometimes come very close to each other, they may drive on the wrong side of the road, they will pass on the right, and may even drive up on the sidewalk to go around backed up traffic.

While in the States, when there are road repairs in progress, you will see pylons placed several miles before the work begins. In China, there will only be a set of pylons or barriers encircling the immediate work area. There are few flagmen, like

what you would experience in the United States. (I can't say that I've ever seen one.)

Bus Travel

The same comments about cars apply to bus drivers,, with the exception that the bus driver will probably yield to a large truck but will otherwise win out in any direct competition with automobiles.

You can travel within a city inexpensively by bus, but you need to know which buses to select. Also, as you find in other circumstance, like elevators, lines in Customs, etc. the Chinese are not like Westerners in allowing for individual personal space. As a result, they will pack in very tightly on buses. Many buses lack air conditioning.

Intercity buses may also include a kung-fu style Chinese movie for your entertainment pleasure. Intercity buses are typically air conditioned, although on one trip, the bus driver must have either been trying to conserve fuel or the air conditioning just shut down on its own, and we traveled several miles as it got warmer and warmer. Someone must have complained because the driver eventually turned the air conditioning back on.

Trains

China has a well-developed network of railroad trains throughout the country. The trains are used by many Chinese during the various holidays as they travel to visit family. Besides the standard trains and speeds, they also operate several high-speed railroads, including a Maglev that runs between Shanghai Pudong International Airport and the outlying Pudong outskirts of Shanghai. There have been ongoing discussions about building a Maglev between the Shanghai Pudong International Terminal and the Shanghai Hongqiao International Airport, but construction had not begun at the time of my writing of this book. (Note: Recent concerns have been expressed about the safety of the high-speed trains.)

Subways

The larger cities, such as Shanghai, and Beijing, have subways that are relatively inexpensive and are safe to ride.

Ferries

Subject to your destination, you may experience a ferry ride across some of the larger rivers. This is not unlike a ferry ride in the United States. Your driver will drive right onto the ferry, and you can either sit in your car or get out of your car during the ferry ride.

5. THIS IS NOT YOUR NEIGHBORHOOD CHINESE RESTAURANT

Eating in China

The Chinese food you will experience in China in most cases is very different from the Chinese restaurants back home. There are some exceptions to this; you may find fried rice and fried noodles that taste similar to those dishes in the United States.

They may also offer a serving similar to a pepper steak that you may order in a U.S. Chinese restaurant, and there are few other similarities. You will not receive a fortune cookie at the end of the meal because that is a Western invention and not a real Chinese custom.

And, yes, the Chinese use chopsticks. At some restaurants (during a business luncheon), they may offer you knives and forks if you appear to be struggling with your chopsticks. I advise that you gut it out and learn how to use the standard Chinese eating implements. You can practice this in the U.S. in a Chinese restaurant or at home, but I don't recommend that you try to follow the instructions on how to hold the chopsticks because that will only confuse you. Hold the chopsticks between your fingers and do what comes naturally to you as you practice picking up food. Slippery food is the most difficult to pick up.

Spoons are used for the many soups offered, and you can use them along with the chopsticks, as necessary.

In rare instances, it is acceptable to use your fingers to pick up your food and eat it, but this is the exception rather than the rule. Exceptions I have experienced are when eating large shrimp or mollusks. You will know it is OK to use your fingers when they provide you with thin plastic gloves so that you can pick up the food with your fingers.

Also in rare cases with a somewhat large, slippery piece of boneless beef, waiters will bring a fork and knife, and the Chinese will also use the fork and knife.

Possibly due to generations of oppression, poverty levels, and many years of having to make do with food that it is available, the Chinese will prepare meals from all parts of the animal, including chicken knees, chicken feet, fish intestines, goose and duck tongue, and other "delicacies" that I won't go into here. As mentioned in the introduction, they also prepare and eat the fat of the animal with just a little meat. It can be very tasty but all fat. Some beef and chicken dishes arrive with the bones. You need to be careful not to break a tooth. Chicken parts, like legs, thighs, breasts, and wings, are not butchered like they are in the United States. Rather, the chicken is just chopped up and cooked with skin, bone, and meat.

I have found the fresh fish to be quite tasty. There is one particular seafood restaurant where we eat lunch during visits, where we did not have a menu. We just go with owner/ chef to pick out the type of fish and vegetables we wanted.

In more formal settings during a business luncheon, the head of the fish may be given to the guest of honor. This is to symbolize his or her importance. There is not a lot of meat on the head of a fish, but you can find some under the jaws.

Safety is not always the number one priority in China, and that applies to food preparation in some instances. We were taken out to eat by an equipment vendor to a local restaurant—a small, humble establishment with several aquarium like containers with live fish, eels, crab, etc. At one point during the lunch, the waitress carried in a large bowl of liquid and set it on the table. She quickly returned with fresh, filleted cubes of fish, which she proceeded to scrape into the bowl of liquid. The fish cubes immediately began to pop and sizzle! The container was full of hot cooking oil. The fish, cooked right on our table, was delicious, but I hate to think what would have happened had she tripped or slipped and fallen with that container of hot cooking oil.

There are many meats from animals or seafood that Westerners likely have not eaten before (e.g., horse or dog meat, monkey brains, rat, chicken feet, sea worms). You may be served dishes called “drunken” shrimp or “drunken” crab, where the food brought to the table consists of shrimp or crab immersed in some form of hard liquor. The live shellfish move more and more slowly until they become completely inebriated, that is, “drunk” and stop moving. At that point, you are supposed to pick one up and eat it. It’s a sort of “drunken” sushi.

Other unusual seafood that I have experienced is uncooked lobster, where the lobster was brought to the table moments after it was killed with some body movement still occurring and the antenna still moving. If you have never had uncooked lobster meat, it is very transparent.

If someone suggests that you eat at a “hot pot,” they are describing a restaurant in which each table has either a central pot with boiling water on a heating element, or in some cases, individual hot posts sit on heating elements before each diner. You select from various uncooked selections of meat, fish, and vegetables and drop them into the boiling water until they are cooked. It’s sort of like fondue, but rather than oil or chocolate, it is boiling water! Spices are sometimes added to the mixture to provide additional flavor to the boiled items.

As I’ve discussed in an earlier chapter, the Chinese business meal is an event. Yes, there are typically many courses with the exception that you usually don’t eat a large quantity of any one item. The different courses seem to keep coming forever as they place various meat, fish, and vegetable dishes on the table or in many cases, on a type of glass lazy Susan. (See [figure F.1](#).)

The food is eaten community style as each person picks up food using chopsticks and either immediately places it in his mouth or on the plate in front of him. The latter is especially the case if it is a large piece of meat and bones. The guests are served more than they can eat, or it would be considered an embarrassment to the host if there was not enough food prepared.



Figure F.1. Community-Style Chinese Meal.

Table manners at a Chinese meal are very different from those in the States, because of the use of chopsticks and the absence of forks to hold the food and knives to cut it. As result, it is acceptable to pick up the food with your chopsticks, and chew off a piece for consumption, letting the remaining portion to fall from your mouth onto your plate. Shrimp or crayfish is typically served in the shell, and the accepted method of eating is to place the entire shrimp in your mouth, and using your tongue and teeth to extricate the shrimp meat from the shell while it is still in your mouth and then to spit out the shell on your plate.

If you are staying at a Western-chain hotel, it is a good idea to eat breakfast at the hotel restaurant, because and it may be included in your hotel room rate. It also gives you the opportunity to start your day with an American-style breakfast. If you are not going to have a formal business dinner with someone and would prefer a break from the standard Chinese food for lunch, you may also choose to have the hotel make a sandwich for you to take with you and keep in a refrigerator at your place of business.

Except for the major four- and five-star hotels that cater to the Western markets, do not consume fresh salads or fruit unless the fruit has a skin that can be peeled. The source of the lettuce or tomatoes may come from a local garden, where they still use human waste as fertilizer, the produce has not been cleaned adequately, or with boiled water.

You can usually tell when the meal is over as the last course is typically a plate of fruit—watermelon, cantaloupe, a cherry tomato, a slice of apple, etc. Toothpicks are provided to eat the fruit. It is considered acceptable manners to spear the fruit with the toothpick and bite off pieces of the fruit until it has been eaten.

Desserts at a Chinese meal are not typically like a Western dessert with cake, pie, ice cream, or cobbler. In some restaurants, they do offer cake, but it is usually in small pieces and much lighter in consistency than a typical cake from the United States. Some sweet foods may be served during the meal, such as a type of tapioca or a round, cooked dough ball with a sweet filling.

Believe it or not, overall, I like most Chinese food that I have been served.

Drinking in China

Do not drink the tap water or have a drink with ice cubes. It has not been purified like the water supply in the United States, and it may contain organisms that could make you sick because your system is unaccustomed to them. Drink bottled water acquired in the hotel or restaurant or supplied by vendors at their offices. Never purchase water from a street vendor, because it could be rebottled local tap water.

Beer is always available, and soft drinks, such as Coca-Cola, Pepsi, Sprite, and ginger ale, even sugar-free or “light” varieties—are available in many restaurants.

Use bottled water provided by the hotel when rinsing out your mouth and toothbrush after brushing your teeth in the hotel room in lieu of the tap water in your bathroom. In a few instances, hotels may have a separate spigot, labeled “purified water, safe for drinking,” but these have been the exception and I still used the bottled water.

During both a social dinner, but typically more often during a business dinner, much wine, liquor, or beer is consumed. The Chinese may offer many toasts during

the course of the meal. You may toast the person next to you or the entire table, either by gently contacting your glass with the person you are toasting. The waitress keeps an eye out for how much alcohol or soft drink is in your glass, and once the level is low or you have emptied the glass, they will refill your glass.

One popular toast is to raise your glass to your business host and say, “*gumbai*,” which means in Chinese “empty glass,” which means you are to drink every drop of booze in your glass. You try to catch the person you are toasting when his/her glass is full, and yours is nearly empty, so that he has to gulp down a full glass.

Your ability to hold your liquor well through one of these dinners is looked upon very positively by your Chinese host. You may want to select a designated drinker. One person may be able to drink more beer, and one can drink more liquor.

If you resist drinking, your hosts will pressure you into drinking by making light of you and questioning your manhood or womanhood. This happened to me on my first trip to China. We were having a business meal with a potential joint-venture company, and the Chinese lady sitting next to me implied in so many words that I was a wimp, because I wouldn't participate in the many toasts and excessive alcoholic beverage consumption that occurs at these meetings. Since I was comfortable with both my manhood and my reasons for not drinking alcohol, her comments didn't bother me. I don't know if women would be treated similarly or not. My guess is that they would not.

It has been my experience that if, as a nondrinker, you explain that you do not drink either because of health reasons or religious beliefs, they will respect you. In some cases, they may not understand, but if you stick to your resolve, they will honor your wishes.

I should mention that even if you don't drink the alcohol, you are expected to participate in the toasts by drinking some other form of drink, like soda, fruit juice, or something similar, but usually not water. During my first experience in China, after someone in my group explained that I did not drink, I had to select another drink. (This was the same time my masculinity came into question.) A common alternative drink to soda or fruit juice is a type of sweet coconut milk that comes in a can. Since I didn't want to have my body concentrated with caffeine, the coconut milk became my beverage of choice. During that dinner I drank so many cans of coconut milk, I don't think I could drink another glass if I had to.

6. LODGING

You will be required to show your passport when checking into hotels. There are four-star and five-star hotels in China, that may be part of an international chain, like Marco Polo, Marriott, Hilton, Crowne Plaza, that provide very comfortable accommodations. There are also locally owned Chinese hotels. Some of these hotels can be sumptuous with a hotel lobby that may be quite a showplace of marble and glass. However, that may not always carry through to the rooms, in which you may find very thin carpet with worn spots. In what may appear to be an aged hotel may actually be recently built, but due to poor-quality construction and low-cost material choices, the building may appear much older. Most Chinese hotels, both name brand and local, provide a very firm bed. During my first ever visit to China, I had

the opportunity to experience one of the firmest beds. That bed was a thin sheet of wood with a “mattress” that was about 1-inch thick.

7. CHINESE CULTURE

I recommend that you read a few of the books referenced at the beginning of this chapter for a thorough review of the various cultural differences you should be aware of. I have already mentioned some of the customs common at business lunches or dinners. Another behavior that will surprise you if you are not expecting it is the concept of proximity or lack of individual personal space. You will find that when you are engaged in a conversation with a Chinese person that he or she may stand very close to you. You will see this behavior regarding how they “pack” themselves onto buses. If you are standing in line, such as waiting to clear Customs, or for any other line you might be in, if a new line opens up, it is everyone for themselves, and that includes all ages. Both men and women will literally race you to get in line, including using their bodies to jockey for position. If you are waiting to board a plane, you may find that there is not much of a line, just a mob of people who are pressing to go by the agent. Don't take offense to this; just do in China as the Chinese do.

SHALL WE GO?

It is my hope that you have found this information helpful. Now that we have reviewed why you may want to consider China, you will know what it takes to get there and what it is like being there. I hope this has not discouraged you from making that first trip and investigating establishing manufacturing operations in China.

APPENDIX G

SURVEY—RECOMMENDED ADDITIONS TO THE NEXT EDITION

As noted in the introduction to this book, a Chinese proverb states, “When someone shares something of value with you, and you benefit from it, you have a moral obligation to share it with others.”

This book was written based on my experiences establishing manufacturing operations in China, and although I don’t think my experiences were unique, others who have done this will likely have a story to tell from their experiences, which could be added to the material presented here. I would like to hear from any individuals that would like to relate their specific experiences.

If I receive sufficient feedback, I will write a new edition that would include those experiences. It is not necessary for contributors to mention their company names or their own name because that is not as important as the information that they may be able to provide to improve this text. If contributors have been given the OK to identify their company name, or wish to give their own name, that would be fine, too. For me to publish that identification in the revised text, I will require written permission from the company. My experiences obtaining permissions from companies for this book indicate that this could be difficult.

Rather than develop a specific list of questions, I believe the best approach is to request survey participants to do the following:

1. List the chapter number and title of this book and then provide your suggested input.
2. Recommend and provide input for additional chapters on other subjects:
 - a. Tentative title to the chapter
 - b. Specific material

This feedback should be sent to the author at the following email address:
13stepschinamfg@gmail.com

Bruce W. Mitchell

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