

May 8, 2008

To: All worldwide partners and agents

Re: Important update # 1

In the lead-up to the Beijing Olympics Games and in an effort to protect Beijing against terrorism and security threats before, during and after the game while maintaining the flow of trade through Beijing ports; the China Central Customs has made several policy as well as procedural changes that would impact the import/export of shipments in/out of Beijing.

With immediate effect from today till Sep 20, all inbound shipments will go through 3 levels of security and customs inspection from the time the shipment discharges from the vessel or flight.

These additional levels of inspections are:

- 1) Level 1 – The gamma-ray imaging systems (similar to the VACIS systems) at the seaport/airport for examining the contents of trucks, containers for hidden compartments for contraband, explosives, chemical and hazardous items.
- 2) Level 2 – The THSCAN H986 imaging system at the Chaoyang inspection center for examining every boxes/packages for contraband, explosives, chemical and hazardous items. All boxes/packages must be unloaded from the container and liftvans must be devanned for this purpose.
- 3) Level 3 – The physical customs and quarantine inspection at the Beijing Customs warehouse for examining the contents of all boxes/packages. All boxes/packages will be opened for physical inspection and

examination and for computing the import duty/tax levied on the items.

These inspection processes are in sequential order and cannot be advanced to the next level without completing the preceding level. These inspections will inevitably cause delay in clearance and will overall take a longer time to clear an inbound shipment successfully.

Estimated customs clearance time:

Before the changes – Air shipment: 1 –2 working days
Sea shipment – 5 – 7 working days

After the changes – Air shipment – 4 – 5 working days
Sea shipment – 10 – 15 working days

Important notes:

a) Additional operating cost is inevitable as there will be extra labor handling and haulage arrangement for these inspections at different locations. The additional cost is refer to as “**Customs Inspection charges**” and are as follows:

LCL shipments	– US\$ 200.00 per shipment
FCL 20’ cntr	– US\$ 350.00 per 20’ cntr
FCL 40’ cntr	– US\$ 450.00 per 40’ cntr
Air shipment	– US\$ 200.00 per shipment

b) Owing to the new changes in customs inspection, the Customs Cover (Import Permit) cannot be issued by the Customs **without the Original bill of lading**. It is highly recommended that the Original bill of lading be forwarded to us prior to the arrival of the sea shipment. In the event if the Original bill of lading is not available (for those express–released short haul shipments), the Customs Cover (Import Permit) will not be issued by

the Customs until the Delivery Order is exchanged from the shipping company, which will result in longer delays in the customs clearance time.

- c) It is anticipated that almost all FCL containerized shipments will incur additional demurrage/detention charges due to the longer time to perform customs clearance.
- d) We have observed an increase in the thoroughness by the customs & quarantine inspection bureau when examining the shipment at the Beijing Customs warehouse (the 3rd level of inspection). Many inbound shipments have been found to contain items that are either under-declared or wrongly-declared. Customs is losing its tolerance and they have specifically told us that they will not hesitate to seize the entire shipment if such discrepancies are found in future shipments.

The following are just some common mistakes we have observed in some of the inbound shipments. In order to minimize the risk of the entire shipment being seized by customs, we urge you to ensure the following important points.

- 1) **Make sure the quantity tally with your declaration**– The quantity shown on the shipping documents (such as packing list & bill of lading or Airway bill) must match the physical count. If the quantity does not match, the customs will not release the shipment to us. If the shipping documents shows 100 pieces, make sure the physical count is exactly 100 pieces.
- 2) **Make sure the description tally with your declaration** – The description shown on the packing list must match the physical item. This is a common problem faced by us when clearing the shipment. For example, if the packing list wrote “clothes”, make sure the box contains clothes and not something else. If the description does not match, the customs will not release the shipment to us.

We need your cooperation to ensure a smooth and hassle-free customs clearance process, and we ask for your understanding and patience on the possible delay in getting the shipment cleared and delivered to your clients.

If you have any questions, please contact Randy Chiu at +86 10 6581 6950 or email: randy_chiu@unigroupworldwide.com.cn

Thank you for your attention to this urgent matter.