

COMPETENT AUTHORITY AGREEMENT REGARDING THE INTERPRETATION OF ARTICLE 19 OF THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME

The competent authorities of the United States and the People's Republic of China hereby enter into the following agreement (the "Agreement") regarding the application of Article 19 (Professors and Teachers) of the Agreement Between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income and accompanying Protocol, signed at Beijing on April 30, 1984, as amended by the Protocol signed at Beijing on May 10, 1986 (the "Treaty"). The Agreement is entered into under paragraph 3 of Article 24 (Mutual Agreement Procedure).

Article 19 (Professors and Teachers) of the Treaty states:

An individual who is, or immediately before visiting a Contracting State was, a resident of the other Contracting State and is temporarily present in the first-mentioned Contracting State for the primary purpose of teaching, giving lectures or conducting research at a university, college, school or other accredited educational institution or scientific research institution in the first-mentioned Contracting State shall be exempt from tax in the first-mentioned Contracting State for a period not exceeding three years in the aggregate in respect of remuneration for such teaching, lectures or research.

It is understood that the three-year exemption period begins to run from the first day the individual enters the first-mentioned Contracting State (hereinafter referred to as the "host state") for the primary purpose of teaching, giving lectures or conducting research at a university, college, school or other accredited educational institution or scientific research institution (the "entry date"). It is agreed that if an individual to whom Article 19 applies is present in the host state for the primary purpose of teaching, giving lectures, or conducting research for more than three years following the entry date, then the host state may begin to tax the individual's remuneration for teaching, giving lectures or conducting research starting with the first day of the fourth year. Such an individual's remuneration for the first three years will not lose its host state exemption.

It is further agreed that the three-year exemption period is suspended when an individual to whom Article 19 applies discontinues teaching, giving lectures or conducting research and departs the host state. Provided that the individual is, or immediately before returning to the host state was, a resident of the other Contracting State, the three-year exemption period resumes when the individual returns to the host state for the primary purpose of teaching, giving lectures or conducting research at a university, college, school or other accredited educational institution or scientific research institution.

It is understood that the exemption provided in Article 19 is not available if the research is not undertaken in the public interest, but for the private gain of a specific person or persons.

Michael Danilack

United States Competent Authority

Internal Revenue Service

Date:

WANG Xiaoping

P.R. China Competent Authority

State Administration of Taxation

Date: