

July 14, 2009

**Interim Progress Review of Lianjiang Central Elementary School Project
in Mingshan, Sichuan**

Dear Donors of Chong Ren Foundation,

Representing the donors, Dr. Erwin Schurtenberger accompanied by Ms. Chen Li, an experienced engineer from Erwin's Beijing office, attended Lianjiang Central Elementary School reconstruction project meeting on July 3, 2009. Ms. Li played a critical role in clarifying complex technical issues during the meeting while the Education Bureau participated by a team of specialists who were readily to answer all questions.

During our inspection, we did not find any negative surprises in terms of quality, costs and schedule. The implementation progress was largely in line with Chong Ren's expectations. The Education Bureau is continuously doing its best to ensure accurate procedures and efficient workflow; the construction company is showing excellent performance; and the supervision company does a solid job with daily checks on the site, as well as issuing daily inspection reports (material checks, work performance, etc.) which we checked on a random basis.

The discussion held on July 3rd was helpful in clarifying and confirming a number of issues, some of which are identical to the Wangu project:

1. Surface area of the classrooms and canteen

As conflicting figures for the total surface area for the Lianjian project appeared during the different planning stages, we asked the authorities to clarify and to confirm final surface area as follows:

- The total construction area for the 15 classrooms was initially proposed to be 1540.4m², the one of the one floor canteen is 368.4m², thus with a total constructed surface of 1,908.8m².
- Per our August 28, 2008 contract, the surface area agreed were 1,400m² for the classrooms and 300m² for the canteen. However, in the revised project plan, the authorities asked for our consent to change the surface areas of the classrooms to 1,650m² and that of canteen to 350m². It was stated clearly that

the costs for such increase will be financed by the Mingshan Government.

2. Seismic fortifications

Tom, surprised by the conflicting data during his communications with Mingshan, had raised the question of whether seismic fortifications in the Lianjian School Project have to be made for earthquakes up to 7 grade of the 8 grade Richter scale. The discussion with the specialists confirmed that two Central State Regulations, both issued on July 30, 2008 and in force since August 1, 2008, classified Mingshan county as Richter Scale 7 area (GB 50011-2008) and as such ordered that all educational buildings and hospitals in scale 7 areas must obtain fortifications to withstand an earthquake of up to 8 on Richter Scale (GB 50223-2208).

The specialists from the Design Institute demonstrated convincingly on the drawing map of how the fortifications will be reinforced at Lianjian School and the construction company also confirmed that the implementation will be strictly in line with the new regulations.

3. Cost adjustments

The additional cost incurred from leveling of the whole school area, landscaping and the construction of a surrounding fence will be covered by the Mingshan local government. However, given the decrease in the prices for construction steel, cement, and other building materials, relevant expenses are expected to be covered by the budget.

4. Schedule for project completion

The construction of the new Lianjiang School will be finished in time for the new school year starting in September 2009. A formal school opening ceremony and celebration can take place at a date proposed by the sponsors, be it in September or later in the year. The Mingshan authorities hope to receive a specific date proposal, possibly before the end of July.

5. Involvement of the local communities

Our desire to see, as much as possible, the local communities involved in such a major school project, has been duly taken into consideration. Quality requirements and price considerations had to be duly observed. As result, an appreciable supply of basic construction materials such as stones, sand, bricks are coming from local sources, less so for more

sophisticated items such as construction steel, window and electrical materials. Non-skilled workers were also considered to some extent. For cleaning work before and after the construction, noticeable free labor will be offered by teachers, students and villagers of the Lianjiang area. Moreover, teachers and villagers will be represented throughout the whole construction period by a representative appointed by themselves, to supervise the construction in tandem with the government supervisor.

6. Payment schedule

Since the progress outlined in this update is satisfactory to Chong Ren, the second installment (40% of the total cost) is being released. The last installment (10% of total cost) is to be released after the final inspection is performed upon project completion. We expect this to take place before the end of 2009.

7. The commemoration plate

The Education Bureau accepts the joint suggestion by Chong Ren and CS not to include our names on the official plate of the Lianjian School and welcomes the idea of duly stating on a special commemoration plate that Chong Ren together with CS charity Fund has rebuilt the school for the youths of Lianjiang (exact wording to be defined by Chong Ren and CS, and the place of the plate to be suggested by Mingshan).

Sincerely,



Mark Qiu
Chong Ren Foundation



Erwin Schurtenberger
Chong Ren Foundation

Exhibit A

Donor Representatives Visited Lianjiang Central Elementary School



On June 1, 2009, Mark, Tom and Erwin visited and inspected the construction site of Lianjiang Central Elementary School after the Groundbreaking Ceremony in Wangu.



Accompanied by Ms Chen Li, an experienced engineer, Erwin revisited Lianjiang again on July 3, 2009.



Exhibit B

Lianjiang Central Elementary School

Post-Earthquake School Campus, July 29, 2008



Ground-Breaking Ceremony, February 20, 2009



Exhibit C

Building Progress of Lianjiang Central Elementary School

The Main Classroom Building



June 1, 2009



July 3, 2009



When Completed

The Corridor



June 1, 2009



July 3, 2009

The Staircase



June 1, 2009



July 3, 2009

The 2nd Floor Classroom



July 3, 2009



Single Floor Canteen



June 1, 2009



July 3, 2009

