

Transcript of September 27, 2013 Interview of Henzhao Village Communist Party
General Secretary regarding the ZoneLin Coking Plant

Note: On September 25, 2013 the investigators conducted an initial, non-substantive, interview of a Henzhao village official. On September 27, 2013 our investigators returned and conducted the following detailed interview of Xuezheng Chen, the Communist Party General Secretary of Henzhao Village regarding the ZoneLin Coking Plant:

(Investigator C held the camera in front of a local newspaper showing the date "September 26, 2013." This was the most recent newspaper available in this rural part of China.)

(Investigators exited their vehicle and walked to the office building. Investigator C held up the camera to film the signs showing "Village Committee of Henzhao Village, LuoPing County" and "China Communist Party Henzhao Village Sub-Division Committee.")

Investigator A: Hello sir. Hello sir.

Investigator A: Are you free (to talk)?

Deputy Director Mr. Lu: Huh?

Investigator A: To have a chat? Is it convenient?

Deputy Director Mr. Lu: Have a seat. Have some rest.

Investigator A: Did you just eat?

Deputy Director Mr. Lu: We just ate.

Investigator A: (inaudible)

(After the village official left the room, Investigator C stood up to film the name plate on the official's desk, showing "Name: Ziming Lu, Deputy Director; Work Unit: Party (CPC) Sub-Division Committee of Henzhao Village, Jiulong Township, Luoping County; Contact Number: 13887469857; Complaint Hotline Number: 0874-8716105)

(Investigator C stood up to film the nameplate on the desk a second time)

Deputy Director Mr. Lu: Have you guys eaten anything?

Investigator A/Investigator B/Investigator C: We did, we did.

Investigator A: What about you?

Deputy Director Mr. Lu: I did.

Investigator B: There were some questions we had from the other day, so we came here...

Deputy Director Mr. Lu: (inaudible)

Investigator A: Oh he's at work today?

Deputy Director Mr. Lu: Our General Secretary (highest ranking leader in a jurisdiction under communist party rule) is here.

Investigator A: Oh the General Secretary is here today.

Investigator A: The General Secretary, when is he available?

Deputy Director Mr. Lu: Huh?

Investigator A: I was asking when the General Secretary is free to talk?

Deputy Director Mr. Lu: Right now.

Investigator A: Now?

Investigator C: Is he by himself?

Deputy Director Mr. Lu: (inaudible)

Investigator A: Inspection from the county?

Deputy Director Mr. Lu: (inaudible) inspection.

Investigator A: Must be a lot of people. How many people are there?

Deputy Director Mr. Lu: Wait here.

Investigator A: Okay.

(Official Deputy Director Mr. Lu left the room and the investigators whispered to each other)

(A few minutes later, the Village Committee General Secretary Mr. Chen entered with Deputy Director Mr. Lu and sat down).

Investigator A: Hello, General Secretary.

General Secretary Mr. Chen: Hi.

Investigator A: We came here once before. We are from Sichuan Province Coal Industry Group. We are here to learn a little more about that piece of land you have there. The one underneath the old ZoneLin Coking Plant.

General Secretary Mr. Chen: Yes.

Investigator A: As far as we know, it's been idled right now?

General Secretary Mr. Chen: Right, it is idled.

Investigator A: Our story started this way...back in 2011, we were approached by someone from the US...regarding this piece of land...they wanted to expand the production on this land...uh, to expand this plant, ZoneLin Coking Plant. So we just want to inquire about...by the way, what's your last name, Mr. General Secretary?

General Secretary Mr. Chen: My last name is Chen. Er Dong (composition of the Chinese character Chen) Chen.

Investigator A: Okay, Chen. Er Dong, Chen.

Investigator C: So, General Secretary Chen.

General Secretary Mr. Chen: Right.

Investigator A: Back then, here's how it was back then...there was this American company called Liwei (L&L Energy's Chinese name). I'm not sure if Mr. Chen you have heard of them.

General Secretary Mr. Chen: Yes, I've heard of them.

Investigator A: You have. Liwei came to us, Sichuan Coal Group...wanting to expand the land...uh this coking factory. (inaudible)

General Secretary Mr. Chen: Did they come here once in (inaudible)

Investigator A: Oh, Liwei came here?

General Secretary Mr. Chen: They did. The American company appointed two people to come here.

Investigator A: Oh okay.

General Secretary Mr. Chen: When they came here back then, this plant (ZoneLin) was still being constructed.

Investigator A: Oh, so it hadn't been constructed back then?

General Secretary Mr. Chen: Right.

Investigator A: When was this plant built?

General Secretary Mr. Chen: In...2004.

Investigator C: 2004, which month?

General Secretary Mr. Chen: In 04...hmm...let me think...around, around October was when (they) started...

Investigator A: When they talked to us, they had three names. One is called Liwei Tianneng, one is called L&L Energy and another one is Liwei Taifeng. Which company name did they use when they approached you guys? I mean, Liwei.

General Secretary Mr. Chen: When the plant was being built?

Investigator A/Investigator B/Investigator C: Right.

Investigator A: They have another name called, Long Teng Mining (a weird translation but commonly used Chinese name for LLEN stock in China).

General Secretary Mr. Chen: Long Teng Mining? You were talking about the time around which the plant was built?

Investigator C: Yes.

Investigator A: Because they came to us in 2011 and wanted to expand this plant

General Secretary Mr. Chen: Expansion...(inaudible) later...(inaudible) built...

Investigator C: Uh-um, I didn't get that (due to accent).

General Secretary Mr. Chen: You didn't get that.

Investigator A: Yes, Mr. Chen could you please repeat?

General Secretary Mr. Chen: When they built the plant, they first built the oven (or furnace), right? After that, they were doing the expansion later on. In terms of expansion, they already had built the foundation over this side here (hands motioned). After they finished with that foundation work, they stopped.

Investigator A: So it stopped after they were done with that? Why did it stop?

General Secretary Mr. Chen: I think...it was...because of funding.

Investigator C: Funding?

Investigator A: Basically after our initial round of inquiry, our parent group company now intends to have someone find out whether there's any possibility of us doing something on it (the land) by ourselves...now that the land has been idled.

General Secretary Mr. Chen: Okay.

Investigator A: Because...our parent group company has been expanding south into the Yunnan and Guizhou region, doing a lot of businesses.

General Secretary Mr. Chen: In terms of building something, this one here...it can be built. But it's just the land...because it cannot be nationalized and sold, as the State government has detailed...so we will have to do it like before.

Investigator A/Investigator C: Oh, okay.

Investigator A: The other thing we would like to know is the operational status of ZoneLin before, to see if there's anything we can learn...so we can discuss it when we get back.

General Secretary Mr. Chen: Them? Okay, there's not much worth learning about them.

Investigator A: Why is that?

General Secretary Mr. Chen: Work was mostly done by us here (local government). For example, the land...the land was being maintained by itself (unclear). They pay rent in the middle of the year and do maintenance at year-end. The only thing is contract signed said you have to commit for a number of years. Land rent can be paid annually or at once. Other than that, the guys they sent here were very (inaudible). (Chuckled)

Investigator B: What was the name of the boss?

Investigator A: I think, we have heard it's Laozhong Yang?

General Secretary Mr. Chen: His name is Zhonglin (ZoneLin) Yang.

Investigator A: ZoneLin Yang? Is ZoneLin Yang and Laozhong Yang the same person?

General Secretary Mr. Chen: Same person. It is the same person.

Investigator A: So it is the same person? Because our company has told us it was Laozhong Yang.

General Secretary Mr. Chen: Right. ZoneLin Yang and Laozhong Yang are the same person.

Investigator A/Investigator B: Okay, same person.

General Secretary Mr. Chen: Back then, it was him that was...this land...the head of the factory. This Laozhong Yang is the head of the plant.

Investigator B: We have heard Laozhong Yang had always been the owner. With regard to this Liwei, did they...did Liwei ever cooperate with them on any matter?

General Secretary Mr. Chen: They did cooperate.

Investigator B: So they did cooperate?

General Secretary Mr. Chen: Their cooperation was...they planned to take this public. That's why they found this American company.

Investigator A/Investigator B: Oh.

General Secretary Mr. Chen: It did not end up going public, so it ended being forced to tear down under the "shut down of outdated excess capacity" policy. The national government's policy of shutting down excess capacity.

Investigator A: Oh, okay. (inaudible)

Investigator A: So he did cooperate with Liwei?

General Secretary Mr. Chen: Yes, but the company (ZoneLin) was still his own one. The American company came here to do its financial records, but its incomes were separate. That was why they could not combine (inaudible)

Investigator A: Realistically only themselves are familiar with their own financials.

General Secretary Mr. Chen: Right, only themselves. They had these financials done there...(inaudible) can be viewed.

Investigator B: Excuse me, Mr. General Secretary, exactly when did the ZoneLin Coking Plant stop its production? The time it stopped its production activities.

General Secretary Mr. Chen: Production shutdown...let me see...uh hum, it started with the coalmine accident in Shizong (County) (referring to the November 10th 2011 Shizong Mine Accident).

Investigator A: Oh the Shizong mine accident.

General Secretary Mr. Chen: Yes, the coalmine accident in Shizong had it (ZoneLin) impacted. After that, there was no coal to buy. Without coal (supply), they managed to sustain the operation for about two more months.

Investigator B: Which year and month did this accident happen?

General Secretary Mr. Chen: Hmm...last year...the year before...I think it was the year before.

Investigator C: 2011?

General Secretary Mr. Chen: Right. The exact month is something I couldn't remember.

Investigator B: That accident, based on our understanding, it was called 11.10 accidents. So it should have been in November 10th of that year.

General Secretary Mr. Chen: Yes, right. (Nodded his head) After that it managed to operate for about two more months.

Investigator A: Oh, managed to sustain it for two months?

General Secretary Mr. Chen: Managed to sustain the operation until the New Year.

Investigator A: So they kept the operation going on for two months (inaudible)

General Secretary Mr. Chen: Managed to sustain the production until our Chinese Lunar New Year (Note: The 2012 Chinese Lunar New Year was January 23rd 2012).

Investigator A: Then it should be January or February in 2012?

General Secretary Mr. Chen: Around February. Then it couldn't keep going any longer. Once they couldn't keep it going, they started putting out the oven (or furnace).

Investigator A: What did they start? When it couldn't keep producing?

General Secretary Mr. Chen: Putting coal inside the oven to put out the fire. To have it smothered in there. Then there was this official filing from above (means upper level government) asking it to do an expansion.

Investigator A: When did that filing get issued?

General Secretary Mr. Chen: It was issued...it was...09 or 08 when the filing was issued.

Investigator A: So it came that early?

General Secretary Mr. Chen: Yes, after it was issued, there was a deadline given (to expand capacity), which was...hmm...the deadline was...either 2011 or 2010....

Investigator A: Basically, the filing still gave it some time before it must shut down the plant?

General Secretary Mr. Chen: No. To expand.

Investigator B: To expand, or it would be shut down.

General Secretary Mr. Chen: (inaudible). Later on they had all the foundation work done. That probably cost them about RMB 5 million.

Investigator B: Again, our company has learned that, it was still producing at the end of 2012 (*sic* - 2011)? It was still producing in December 2012 (*sic* - 2011)?

General Secretary Mr. Chen: December 2012...let me think...almost 2013. It's being torn down (inaudible)

Investigator A: Was it still producing a little or a part of the factory was still operating while it was being torn down? Was that how it happened? Or it stopped production and immediately was torn down?

General Secretary Mr. Chen: In the end when it was being torn down, it was done quickly. Prior to that, it was producing. All of their equipment was operating, but it just wasn't producing any coal (coking coal), because they had to keep the oven (hot). Once the fire goes out inside (the oven), the oven will be (inaudible). That was why it has to keep it (the oven) on.

Investigator A: Okay, so they have to keep it on. So when Liwei approached us in 1st half of 2011, back then they claimed ZoneLin Coking Plant was owned by them. Have you heard about this company, Mr. Chen?

General Secretary Mr. Chen: Yes I have. I have heard of Liwei company. People from Liwei have been here before. I know, because they came here to (inaudible) about land.

Investigator A: General Secretary Chen, do you know the name of Liwei's boss?

General Secretary Mr. Chen: I don't know their boss. I haven't asked about this about them.

Investigator A: Oh you haven't asked.

General Secretary Mr. Chen: When they were here, we just answer whatever they want to know. (inaudible) some information. We never cared about other things.

Investigator B: But this ZoneLin Coking Plant has always been owned by Laozhong Yang, right?

General Secretary Mr. Chen: Yes, always been.

Investigator A: When they approached us...our leaders, they said that this ZoneLin Coking Plant was theirs, but the truth was not like this?

General Secretary Mr. Chen: (Shook his head). No no no.

Investigator C: It wasn't?

General Secretary Mr. Chen: Absolutely not. I knew that...after Laozhong Yang's ZoneLin Coking Plant was built, he used it as the collateral for a loan. With that loan, they bought a coal mine in Shizong (county). His loan came from ICBC bank (Industrial and Commercial Bank of China). All of this...I was aware of.

Investigator A/Investigator B: Okay.

General Secretary Mr. Chen: That mine they bought is going to be worth about 300 million now...nowadays. Last year, Kunming Steel offered them 200 million and they wouldn't merge (sell).

Investigator A: Kunming Iron and Steel?

General Secretary Mr. Chen: Yes. Kunming asked them to merge and he wouldn't merge (with them). That's why I knew it (the plant) was all his. For example, all of his permits and certificates had been reviewed and verified by us...because I couldn't let you build a plant without looking at those, what if something goes wrong like an accident, we have to be responsible for (inaudible).

Investigator A/Investigator B: (inaudible)

General Secretary Mr. Chen: The name was on all of the permits and certificates. It's all Laozhong Yang.

Investigator A: Oh, they were all under Laozhong Yang's name.

General Secretary Mr. Chen: Laozhong Yang had a company and I've visited it. Having dealt with him for a long time, (we're) kind of like friends. It's been a while.

Investigator A: Back then, how did Liwei approach you guys?

General Secretary Mr. Chen: Liwei didn't approach us. They went to the (people from) plant. Those people came to us, asking...

Investigator A: So basically Liwei and ZoneLin are, at the very most, in some type of business cooperative relationship?

General Secretary Mr. Chen: Right, right.

Investigator A: So Liwei was here to help Laozhong Yang go public?

General Secretary Mr. Chen: That was possible. They were talking about some American company back then, then I (inaudible). Their accounting guys and I got along very well. We spent some time together and chatted with each other.

Investigator A: Oh.

General Secretary Mr. Chen: They were preparing to take it (the plant) public. The main purpose was to go public. (Inaudible)

Investigator B: The leaders from our company wanted us to come here and inquire about this matter. We used to have someone come here, in December 2012 (*sic* - 2011), and saw it (ZoneLin) was still producing. However, when we were here yesterday, we learned that they stopped production in 2011. So we are a little confused and trying to figure out the exact (interrupted).

General Secretary Mr. Chen: This plant...this plant...was torn down exactly...in December.

Investigator B: Which year?

General Secretary Mr. Chen: Last year.

Investigator B: Basically, in December of 2012, they tore down the plant.

General Secretary Mr. Chen: Correct, completely torn down.

Investigator A: Did the demolition process start in December?

General Secretary Mr. Chen: Yes, (it) started in December. It was fast to tear it down, taking only about 40 days.

Investigator C: What about production shutdown? When did it stop production?

Investigator B: When did it stop its production activity?

General Secretary Mr. Chen: Production shutdown...it has been idled for...let me see...nearly 10 months.

Investigator B: 10 months?

Investigator A: Then it must have stopped in the beginning of 2012?

General Secretary Mr. Chen: Right. But when it was idled, there was almost no people working there. There was coal over there and the oven had steam coming out it.

Investigator B: So the equipment was still working...

General Secretary Mr. Chen: So it looked like as if it was still operating (interrupted)

Investigator B: It looked like back then as if it was still operating...

General Secretary Mr. Chen: But in fact no one was working there.

Investigator B: ...so it in fact didn't have any profit or profitability

General Secretary Mr. Chen: Right, right.

Investigator A: The purpose of keeping it on was just to protect the oven?

General Secretary Mr. Chen: Yes yes. Protecting that oven (inaudible)

Investigator B: In other words, it basically completely stopped producing since...February of 2012. Was that correct?

General Secretary Mr. Chen: Right. It...let me see...it was right at the Chinese Lunar New Year (January 23 2012), so they paid off the outstanding money and let people go home, leaving only about 10 people in there.

Investigator A: To watch the plant?

General Secretary Mr. Chen: To take care of it.

Investigator B: Right now, who owns that land?

General Secretary Mr. Chen: The land right now...(interrupted)

Investigator B: It belongs to the government now?

General Secretary Mr. Chen: It's still collectively owned by the people.

Investigator B: It's owned by the people.

General Secretary Mr. Chen: Yes, the village people.

Investigator C: Then, is that piece of land classified as land for commercial or agricultural usage?

General Secretary Mr. Chen: Agricultural usage.

Investigator B: Now it's still agricultural land.

Investigator A: Mr. Chen, do you still remember what was the deadline given by the government filing for them to be shutdown?

General Secretary Mr. Chen: The deadline...that, I couldn't remember...let me see. They've got this filing. They did photocopy that filing and sent it here.

Investigator B: Okay. Because when our company's people came here in December *last year (sic - 2011)* and saw the plant, we thought it was still producing...

Investigator A: Still producing. Yeah.

General Secretary Mr. Chen: (Took out his cell phone) Let me ask what was the specific date on that file?

Investigator A/Investigator C: Okay.

Investigator A: The employees in the plant were all locals from here?

General Secretary Mr. Chen: They used (outside) workers. Technical personnel were brought in by themselves. I was responsible for (recruiting) average workers.

Investigator A: The low level ones.

General Secretary Mr. Chen: Yes, the lower level ones, were arranged by us, the government.

Investigator B: In other words, when we come here later, there shouldn't be any problem with human resources?

Investigator A: There should be enough human resource if we decide to invest, right?

General Secretary Mr. Chen: Human resource supply...human resource...in terms of technical personnel, you'd better bring (inaudible)

Investigator A: Technical personnel would definitely be supplied by us.

General Secretary Mr. Chen: It's more convenient, and easier to manage (inaudible)

Investigator C: General Secretary Chen, if we decide we want that piece of land, is it to be sold (to us) or rented?

General Secretary Mr. Chen: Rented.

Investigator C: Okay, for rent.

General Secretary Mr. Chen: Right.

Investigator A: How many employees did they have back then?

General Secretary Mr. Chen: Employees? It had over 200.

Investigator A/Investigator B: Over 200, okay.

General Secretary Mr. Chen: They hired a lot of workers.

Investigator B: General Secretary Chen, now basically are you the only person calling the shots on these decisions (investment promotion)?

General Secretary Mr. Chen: There is also a village committee.

Investigator A: Okay, there's the village committee.

General Secretary Mr. Chen: And a Party (Communist Party of China) Committee. (General Secretary Mr. Chen attempted to call someone with his cell phone).

General Secretary Mr. Chen: "Hello."

Investigator B: How about this? Mr. Chen, let me write down your phone number. So in case we have more questions later, we can call you without coming here.

General Secretary Mr. Chen: 135-774-43968.

Investigator B: 135...774...43968. Good.

Investigator C: Do you mind telling us your full name?

General Secretary Mr. Chen: Pardon me?

Investigator C: Full name?

General Secretary Mr. Chen: Xuezhen Chen.

Investigator C: Xuezhen Chen, okay.

Investigator A: Xue as in study?

General Secretary Mr. Chen: Yes, Xue as in study, Zhen as in truth.

Investigator C: So General Secretary Chen you are mainly in charge of....the Party (CPC) Committee of Henzhao village?

General Secretary Mr. Chen: (Nodded his head).

Investigator A: So General Secretary Chen, basically like you mentioned earlier, the specific time they stopped all production activity was February 2012?

General Secretary Mr. Chen: Uhuh (Nod his head on camera).

Investigator A: After that, just for the purpose of protecting the oven, they kept it burning?

General Secretary Mr. Chen: (Noded his head and tried to make another phone call).

(General Secretary Mr. Chen put down his cell phone on the table)

Investigator A: So if we decide to build a new plant here, how much do you want for the land rent?

General Secretary Mr. Chen: Land rent is RMB 800 per Mu (a Chinese unit measure of area, 1 Mu = 1/6 acres)

Investigator A: And that land is about over 100 Mu in size?

General Secretary Mr. Chen: It's about 100...uh

Investigator A: What's the exact size in Mu?

General Secretary Mr. Chen: It's about 110 Mu, close to 120.

Investigator A/Investigator B: 110 okay.

Investigator A: RMB 800 per Mu per Year?

General Secretary Mr. Chen: Yes, per annum.

Investigator A: If we ever want to build a plant, the design capacity we will apply to build is at least one million tons (per year). So...it's going to be helpful to the tax revenue (of the village).

Investigator C: Do you have any sort of incentive policy in terms of taxation?

General Secretary Mr. Chen: They (ZoneLin) used to be (inaudible)?

Investigator C: I'm sorry, what?

General Secretary Mr. Chen: Benefit enterprise (Exempted entity)

Investigator A: Paying interest?

General Secretary Mr. Chen: Benefit receiving enterprise. This plant was a benefit receiving entity. Its taxes were rebated.

Investigator A: Oh taxes were rebated (to them).

General Secretary Mr. Chen: Basically, after filing and paying the taxes, it (the money) gets returned to you.

Investigator C: We heard when the plant was actually shut down back then, that the government compensated them some money, was that the case?

General Secretary Mr. Chen: They were compensated about 1.5 million RMB.

Investigator A: RMB 1.5 million? How much did it cost to build this plant back in the day? Do you have any idea?

General Secretary Mr. Chen: When they built it...I think...back then...I heard it was RMB 30 million.

Investigator A: Oh, 30 million.

Investigator C: What about this 1.5 million (Investigators whispered to each other).

Investigator B: Was there any sort of standard to determine the amount? The compensation?

General Secretary Mr. Chen: To build the plant?

Investigator B: For example, they were compensated RMB 1.5 million. Was that determined based on some kind of standard? I need to understand the policy, too.

General Secretary Mr. Chen: That...I have no idea. That was set by the provincial government.

Investigator A: That compensation money was paid to Laozhong Yang, right?

General Secretary Mr. Chen: That's correct. Your (inaudible) torn down, then you sent (inaudible) to the provincial (inaudible) commission. Once (inaudible) commission signed off on it, the money was paid.

Investigator A: That process would take some time?

General Secretary Mr. Chen: The duration of the process. There is definitely some time. The whole process takes probably...half a year, to complete.

Investigator A/Investigator B: Oh okay.

Investigator C: Where did they find the construction contracting teams to build the plant?

General Secretary Mr. Chen: To build the plant?

Investigator C: Uh huh.

General Secretary Mr. Chen: Those guys that built the plant...I think their company is not around anymore. I think one of them was that Kan Nie company. There are a lot of choices to hire to build the plant.

Investigator C: Okay.

Investigator A: Actually you can bring people from your hometown to do it, but it's easier to use the local labor force.

Investigator A: In terms of the compensation, was it based on a percentage of some sorts? Like based on your construction cost?

General Secretary Mr. Chen: No, not that. It was part of the mandated "shutdown of outdated capacity" process. That process must be based on the size of the (coking) oven.

Investigator A/Investigator B: Oh okay.

Investigator A: So it was mainly based on your (inaudible).

General Secretary Mr. Chen: Yes, depending on what kind of tonnage you were originally approved to build.

Investigator A: Your approved capacity.

General Secretary Mr. Chen: Right. Compensating based on how much your production...(interrupted).

Investigator C: General Secretary Chen, do you know anything about its (ZoneLin's) operating status back then, such as their annual production volume?

General Secretary Mr. Chen: Annual production? Let me see...they could produce...every one of their holes was 4 tons.

Investigator C: How much?

Investigator A: 4 tons per hole.

General Secretary Mr. Chen: Every hole is about 4 tons. They had about 20 holes...22 holes. They actually had about 30 holes, but they were only using 22. They ran 3 shifts a day.

Investigator C: 22 Holes. 4 tons per hole.

General Secretary Mr. Chen: Yes, you can do the calculation. They ran 3 shifts a day, so you get over about 60 holes...70 holes working at the peak.

Investigator A: When they built the plant, it cost them RMB 30 million?

General Secretary Mr. Chen: Yes, including land, plant, equipment, etc.

Investigator A: Sorry?

General Secretary Mr. Chen: Land lease, capital spending, and equipment.

Investigator A: Land, expenditure, and equipment.

(The Deputy Director Mr. Lu walked in the room and offered something, likely cigarettes, to the investigators)

Investigator B: Oh, thank you.

Investigator C: I'm okay. No thanks.

General Secretary Mr. Chen: Back then; no one came to invest with them to improve (to expand the capacity), if there was someone (inaudible)

Investigator A: At that time, Liwei came to us...uh, I don't know the deal between Liwei and Laozhong Yang...

General Secretary Mr. Chen: Right, they probably (interrupted).

Investigator A: When Liwei talked to us, they probably wanted to...from us, to get some...

General Secretary Mr. Chen: Yes, probably.

Investigator A: It's got to be that, right?

General Secretary Mr. Chen: Right.

Investigator A: Otherwise they wouldn't come to us (for financing).

General Secretary Mr. Chen: Because they were out of money while constructing it (expansion).

Investigator A: Right.

General Secretary Mr. Chen: Because, when they were building it, all the equipment were brand new, except for the ovens.

Investigator A: Liwei must be...helping Laozhong Yang go public (to raise money) and Yang would pay them a little money.

General Secretary Mr. Chen: Like a middleman (inaudible), I guess so.

Investigator A: However, that plant was definitely not owned by Liwei?

General Secretary Mr. Chen: No, definitely not. It used to get its financials done (prepared) every month (by Liwei) in the beginning, and then later on they only did it once a quarter.

Investigator A: You're talking about Liwei?

General Secretary Mr. Chen: Yes, Liwei. Actually, what they did was, after the (internal) accounting guys finished with their work, and then they (Liwei) came in and did another one (Mr. Chen grinned). They would only start that once they got here and (inaudible).

Investigator A: They were doing this financials just to meet the requirements of going public?

General Secretary Mr. Chen: Right. Mainly for going public (inaudible), as we thought.

Investigator C: So I'm afraid those financials were not really reliable?

General Secretary Mr. Chen: Uh huh (in an affirmative tone). Because (inaudible) their accounting people and us (inaudible).

Investigator B: General Secretary Chen, exactly which village committee is this place? In Luoping County...?

General Secretary Mr. Chen: Jiulong Township, Henzhao Village.

Investigator B: Henshao village?

General Secretary Mr. Chen/Deputy Director Mr. Lu: Henzhao.

Investigator A: By the way General Secretary Chen, back then when ZoneLin Coking Plant was operating, there was another piece of land underneath it? What's happening to that piece of land? (sic, Investigator A was confused about the questions. This "another piece of land" he was asking about was the same piece of the land Investigator B and Investigator C was referring to earlier).

General Secretary Mr. Chen: Uh, which one underneath it?

Investigator A: I mean, oh, this one was being expanded later on?

General Secretary Mr. Chen: This part was what had been expanded out later.

Investigator A: Under the subsequent expansion plan?

General Secretary Mr. Chen: Yes, the expansion, which later didn't get completed.

Investigator A: But the land it later used for the expansion...how long has it been since the original date the plant was built?

General Secretary Mr. Chen: It was...uh...was about 2 years from that.

Investigator A: 2 years. How did they produce anything before that piece of land was completed?

General Secretary Mr. Chen: Before...before?

Deputy Director Mr. Lu: (inaudible)

General Secretary Mr. Chen: Before that it was still producing with the old ovens. The coking plant (inaudible).

Investigator A: Pardon me?

General Secretary Mr. Chen: The coking plant's area (inaudible), it separately (inaudible)

Investigator C: Coking plant...

Investigator A: Oh basically, they increased the number of ovens when doing the subsequent expansion?

General Secretary Mr. Chen: Yes.

Deputy Director Mr. Lu: (inaudible)

Investigator B: Previously, we always thought it (the plant) only stopped production in December 2012. In fact, it actually stopped production as early as February (2012).

General Secretary Mr. Chen: It stopped production in February.

Investigator A: Basically, in February, most of the employees were laid off, leaving only about 10 people to take care of the place until it was torn down at last?

General Secretary Mr. Chen: Yes. (Nodded his head)

Investigator A: And it was torn down in December 2012?

General Secretary Mr. Chen: Yes. Its equipment and machines were still running, you guys must have happened to see smoke coming out of there (during your last visit).

Investigator A: Although the equipment were running, it had no production... (interrupted)

General Secretary Mr. Chen: Right. (inaudible)

Investigator B: Our guys were here to see it and said it appeared to still be producing in December. Who would know they stopped in February?

General Secretary Mr. Chen: Right. (Coughed) It stopped right around the first a few days of February.

Investigator A: The first several days of February, okay. Was that piece of land taken back by the government right after that or what?

General Secretary Mr. Chen: Not really, they were still paying rent for a while.

Investigator A: They have been paying rent for a while after it's been torn down?

General Secretary Mr. Chen: They still wanted to build (another plant).

Investigator A: Even after it was torn down?

General Secretary Mr. Chen: They wanted to do it before it was torn down.

Investigator A: So after its demolition, the land was return to the government.

General Secretary Mr. Chen: Yes, it was returned to us.

(Conversation paused for several seconds)

General Secretary Mr. Chen: Because...the land (inaudible). The land was not nationalized, so they were merely paying rent. In the beginning they paid rent annually. Later on, they paid only once every two years. (inaudible)

Investigator A: Every two years.

(Conversation paused for several seconds)

Investigator A: I found you guys around this region really like this "water-smoke"?

General Secretary Mr. Chen: We like smoking this.

Investigator C: (Chuckled)

Investigator A: Anything else? (Investigators queried each other).

Investigator A: Because our visit this time was merely an initial inquiry, if we decide to go forward, we....

Investigator B: Definitely will have more people to follow up with this matter.

Investigator A: So we wanted to make sure we have accurate information, so there won't be any surprises or interruptions of any type, etc.

(Investigators whispered to each other)

Investigator B: Then I guess we will be taking off.

Investigator A: Good.

Investigator B: If we have more questions later, we'll be contacting you to ask.

General Secretary Mr. Chen: Sure.

Investigator A: If we decide to do this, we will send more technical and other personnel over.

General Secretary Mr. Chen: Sounds good. If you guys want to come here to do something, I can ask them (people from ZoneLin) for some materials (documents). They had already built and finished the bottom part, the foundation works, etc. (of the failed expansion)

Investigator A: Good.

Investigator B: Sounds good. Thank you, General Secretary Chen.

Investigator A: Thanks for your time. Sorry to bother you.

General Secretary Mr. Chen: No problem. Good.

(Investigators stood up and started to head out of the office, walking downstairs)