A G R E E M E N T BETWEEN THE PEOPLE'S REPUBLIC OF CHINA AND BOSNIA AND HERZEGOVINA ON THE PROMOTION AND PROTECTION OF INVESTMENTS

The People's Republic of China and Bosnia and Herzegovina, (hereinafter referred to as "the Contracting Parties"),

Desiring to extend and intensify the economic co-operation between the Contracting Parties on the basis of equality and mutual benefit;

Intending to create and maintain favorable conditions for greater investment by investors of one Contracting Party in the territory of the other Contracting Party;

Recognising that the promotion and reciprocal protection of such investments under this Agreement will be conductive to the stimulation of business initiative and will increase economic prosperity of the Contracting Parties;

Have agreed as follows:

Article 1. Definitions

For the purposes of this Agreement:

1. The term "investment" means every kind of asset invested by an investor of one Contracting Party in the territory of the other Contracting Party in accordance with the laws and regulations of the latter and in particular, though not exclusively, shall include:

a) Movable and immovable property as well as any other property rights such as mortagages, liens, pledges and similar rights;

b) Shares in, debentures, stocks and any other form of participation in companies;

c) Claims to money or to any performance having an economic value related to an investment;

d) Intellectual property rights such as copyrights and neighbouring rights, patents, industrial designs, technological process, trademarks, trade names, good-will and know-how;

e) Business concessions conferred by law or under contract permitted by law, including concessions to search for, cultivate, extract and exploit natural resources.

Any subsequent change in the form in which assets are invested or reinvested shall not affect their character as investments provided that such change is in accordance with the laws and regulations of the Contracting Party in whose territory the investment has been made.

2. The term "investor" means:

a) In respect of Bosnia and Herzegovina:

(i) Natural persons deriving their status as Bosnia and Herzegovina citizens from the law in from the law in force in Bosnia and Herzegovina if they have permanent residence or main place of business in Bosnia and Herzegovina;

(ii) Legal persons established in accordance with the laws in force in Bosnia and Herzegovina, which their registered seat, central management or main place of business in the territory of Bosnia and Herzegovina.

b) In respect of the People's Republic of China:

(i) Natural persons who have nationality of the People's Republic of China in accordance with the law of the People's

Republic of China;

(ii) Economic entities, including companies, corporations, associations, partnerships and other organizations, incorporated and constituted under the laws and regulations of the People's Republic of China and have their seats in the People's Republic of China, irrespective of whether or not for profit and whether their liabilities are limited or not.

3. The term "return" means an amount yielded by an investment in particular, though not exclusively, including royalties or licence fees, profits, interest, dividends, capital gains, fees and other legitimate income.

4. The term "territory" means:

(a) With respect to Bosnia and Herzegovina: all land territory of Bosnia and Herzegovina, its territorial sea, whole bed and subsoil and air space above, including any maritime area situated beyond the territorial sea of Bosnia and Herzegovina which has been or might in the future be designated under the law of Bosnia and Herzegovina in accordance with international law as an area within which Bosnia and Herzegovina may exercise rights with regard to the seabed and subsoil and the natural resources.

(b) With respect to the People's Republic of China: the territory of the People's Republic of China, including the territorial sea and air space above it, as well as any area beyond its territorial sea within which China has sovereign rights of the exploration for and exploitation of resources of the seabed and its sub-soil and superjacent water resources in accordance with Chinese law and international law.

Article 2. Promotion and Protection of Investments

1. Either Contracting Party shall encourage and create favourable, stable and transparent conditions for investors of the other Contracting Party to make investment in its territory and shall admit such investments, within the framework of its laws and regulations.

2. Investments of investors of each Contracting Party shall at all times be accorded fair and equitable treatment and shall enjoy full protection and security in the territory of the other Contracting party. Neither Contracting Party shall in any way impair by unreasonable or discriminatory measures the expansion, management, maintenance, use, enjoyment or disposal of investments in its territory of investors of the other Contracting Party.

3. Subject to its laws and regulations, one Contracting Party shall provide assistance in and facilities for obtaining visas and working permit to nationals of the other Contracting Party engaging activities associated with investments made in the territory of that Contracting Party.

Article 3. Treatment of Investment

1. Each Contracting Party shall accord to investments and activities associated with such investments by the investors of the other Contracting Party treatment no less favourable than that accorded to investments and activities by its own investors or investors of any third State.

2. Each Contracting Party shall observe any commitments it may have entered into with the investors of the other Contracting Party with regard to their investments.

3. If the provisions of law of either Contracting Party or obligations under international law existing at present or established hereafter between the Contracting Parties in addition to the present Agreement contain a regulations, whether general or specific, entitling investments by investors of the other Contracting Party to a treatment such regulations shall, to the extent that they are more favourable, prevail over the present Agreement, as long as they last.

4. The provisions of paragraphs 1 to 3 of this Article shall not be construed so as to oblige one Contracting Party to extend to the investors of the other Contracting Party the benefit of any treatment, preference of privilege by virtue of:

(a) Agreement establishing customs unions, economic unions, monetary unions or similar institutions, or on the basis of interim agreements leading to such unions or institutions;

(b) Any international agreement or international arrangements relating wholly or mainly to taxation;

(c) Any international agreement or arrangement for facilitating frontier trade and small scale investments in border areas.

Each Contracting Party shall accord to investments and activities associated with such investments by the investors of the other Contracting Party treatment no less favourable than that accorded to investments and activities by its own investors

or investors of any third State.

Article 4. Expropriation

1. Neither Contracting Party shall expropriate, nationalize or take other similar measures (hereinafter referred to as "expropriation") against the investments of the investors of the other Contracting Party in its territory, unless the following conditions are met:

a) For the Public interests;

b) Under domestic legal procedure;

c) Without discrimination;

d) Against compensation.

2. The compensation mentioned in paragraph 1 of this Article shall be equivalent to the value of the expropriated investments immediately before the expropriation is taken or before the impending expropriation becomes public knowledge, which is earlier. The value shall be determined in accordance with generally recognized principles of valuation. The compensation shall include interest at a current commercial rate applicable to the currency in which the investment was originally made form the date of expropriation until the date of payment. The compensation shall also be made without delay, be effectively realizable and freely transferable.

3. The affected investors of either Contracting Party shall have a right, under the law of the Contracting Party making the expropriation, to prompt review, by an appropriate judicial or administrative authority of that Party, concerning the legality of the expropriation, its process and the valuation of the investment in accordance with the principles set out in paragraph 1 of this Article.

Article 5. Compensation for Losses

Investors of either Contracting Party who suffer losses including damages in respect of their investments in the territory of the other Contracting Party owing to war or other armed conflict, revolution, a state of national emergency. Revolt, insurrection or riot shall be accorded by the latter Contracting Party treatment, as regards restitution, indemnification, compensation or other settlement, no less favourable than that which the latter Contracting Party accords to its own investors or to investors of any third State, whichever is more favourable to the investors of the other Contracting Party.

Article 6. Transfers

1. Each Contracting Party shall guarantee to investors of the other Contracting Party the free transfer of payments relating to their investments in and out of its territory. Such transfers shall include in particular, though not exclusively;

(a) Initial capital and additional amounts necessary for the maintenance and development of the investment;

(b) Returns from the investment;

(c) Funds in repayment of loans related to an investment;

(d) Proceeds from the total or partial sale or liquidation of an investment;

(e) Any compensation or other payment referred to in Articles 4 and 5 of this Agreement;

(f) Payments arising out of the settlement of the disputes;

(g) Earnings and other remuneration of foreign nationals who work in connection with the investment in the territory of one Contracting Party.

2. Transfers shall be effected without delay in a convertible currency at the market rate of exchange applicable on the date of transfer.

3. Transfers shall be done in accordance with the procedures established by the exchange regulations of the Contracting Party in whose territory the investment was made.

4. The Contracting Parties undertake to accord to such transfers a treatment no less favourable than that accorded to transfers originating from investments made by investors of any third State.

Article 7. Subrogation

1. If either Contracting Party or its designated agency makes payment to the investors of its own State under a guarantee or a contract of insurance against non-commercial risks it has accorded in respect of an investment in the territory of the other State, the other Contracting Party shall recognize:

a) The assignment, whether under the law or pursuant to a legal transaction in that State, of any rights or claim by the investors to the former Contracting Party or to its designated agency, as well as,

b) That the former Contracting Party or its designated agency is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and shall assume the obligations related to the investment.

2. In the case of subrogation as defined in paragraph 1 of this Article, the investor shall not sue or pursue a claim unless authorized to do so by the Contracting Party or its agency.paragraph 1 of this Article, the investor shall not sue or pursue a claim unless authorized to do so by the Contracting Party or its agency.

Article 8. Settlement of Disputes between an Investor and a Contracting Party

1. Any dispute between a Contracting Party and an investor of the other Contracting Party, related to an investment, shall be as far as possible settled amicably through negotiations.

2. If the dispute cannot be settled amicably through negotiations within six months from the date it has been raised by either party to the dispute, it shall submitted:

- to the competent court of the Contracting Party that is a party to the dispute; or

- to the International Center for Settlement of Investment Disputes (the Centre) under the Convention on the Settlement of Disputes between States and Nationals of Other States, done at Washington on March 18, 1965 provided that the Contracting Party involved in the disputes may require the investor concerned to go through the domestic administrative review procedures specified by the laws and regulations of that Contracting Party before the submission to the Centre.

Once the investor has submitted the dispute to the jurisdiction of the concerned Contracting Party or to the Centre, the choice of one of the two procedures shall be final.

3. The arbitration award shall be based on:

- the provisions of this Agreement;

- the laws of the Contracting Party in whose territory the investment has been made including the rules relative to conflict of laws; and

- the rules and universally accepted principles of international law.

4. The arbitration award shall be final and binding on both parties to the dispute and shall be executed by the Contracting Party Concerned.

Article 9. Settlement of Disputes between Contracting Parties

1. Disputes between the Contracting Parties concerning the interpretation or application of this Agreement should, if possible, be settled by consultations and negotiations through diplomatic channels.

2. If a dispute between the Contracting Parties cannot be settled in accordance with paragraph 1 of this Article within six months from the date of request for settlement, the dispute shall upon the request of either Contracting Party be submitted to an ad hoc arbitral tribunal of three members.

3. Such arbitral tribunal shall be constituted for each individual case in the following way. Within two months from the date to receipt of the request for arbitration, each Contracting Party shall appoint one member of the tribunal. Those two members shall then select a national of a third State who an approval by the two Contracting Parties shall be appointed Chairman of the tribunal. The Chairman shall be appointed within two months from the date of appointment of the other two members.

4. If within the periods specified in Paragraph 3 of this Article the necessary appointments have not been made, either Contracting Party may invite the President of the International Court of Justice to make any necessary appointments. If the

President is a national of either Contracting Party or if he is otherwise prevented from discharging the said function, the Vice-President shall be invited to make the necessary appointments. If the Vice-President is a national of either Contracting Party or if he too is prevented from discharging the said function, the Member of the International Court of Justice next in seniority who is not a national of either Contracting Party shall be invited to make the necessary appointments.

5. The tribunal shall determine its own procedure. The arbitral tribunal shall reach its award in accordance with the provisions of this Agreement and the principles of international law recognized by both Contracting Parties.

6. The arbitral tribunal shall reach its decision by a majority of votes. Such decision shall be final and binding on both Contracting Parties. The ad hoc tribunal shall, upon the request of either Contracting Party, explain the reasons of its award.

7. Each Contracting Party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings; the cost of the Chairman and the remaining costs shall be borne in equal parts by the Contracting Parties. The tribunal may, however, in its descision direct that a higher proportion of costs shall be borne by one of the two Contracting Parties, and this award shall be binding on both Contracting Parties.

Article 10. Application of the Agreement

This Agreement shall be applicable to investments made before or after its entry into force by investors of either Contracting Party in the territory of the other Contracting Party, However, this Agreement shall not apply to events or disputes that have arisen before its entry into force.

Article 11. Consultations and Exchange of Information

1. The representatives of the two Contracting Parties shall hold meetings from time to time for the purpose of:

(a) Reviewing the implementation of this agreement;

(b) Exchanging legal information and investment opportunities;

(c) Resolving dispute arising out of investments;

(d) Forwarding proposals on promotion of investment;

(f) Studying other issues in connection with investments.

Where either Contracting party request consultation on any matters of Paragraph 1 of this Article, the other Contracting Party shall give prompt response and the consultation be held alternately in Beijing and Sarajevo.

Article 12. Entry Into Force, Duration and Termination

1. Each Contracting Party shall notify the other in writing of the completion of the internal legal formalities required in its territory for the entry into force of this Agreement. This Agreement shall enter into force on the first day of the following month after the date of the dispatch of the latter of the two notifications.

2. This Agreement shall remain in force for a period of ten years after the date of its entry into force and shall continue in force unless terminated in accordance with paragraph 3 of this Article

3. Either Contracting Party may, by giving one year in advance written notice to the other Contracting Party, terminate this Agreement at the end of the initial ten year period or at any time thereafter.

4. With respect to investments made or acquired prior to the date of termination of this Agreement, the provisions of all other Articles of this Agreement, the provisions of all other Articles of this Agreement shall continue to be effective for a further period of ten years from such date of termination.

5. This Agreement may be amended by written agreement between the Contracting Parties. Any amendment shall enter into force under the same procedure required for entering into force of the present Agreement.

6. This Agreement shall be applied irrespective of whether or not the Contracting Parties have diplomatic or consular relations.

IN WITNESS WHEREOF the undersigned representatives, duly authorised thereto, have signed this Agreement.

DONE in duplicate at _____this_____day of_____in the Chinese, Bosnian/Croatian/Serbian and English languages, each text being equally authentic. In case of any divergence of interpretation, the English text shall prevail.

FOR THE PEOPLE'S REPUBLIC OF CHINA

FOR BOSNIA AND HERZEGOVINA

Protocol to the Agreement between the People's Republic of China and Bosnia and Herzegovina on the promotion and protection of investments On the signing the Agreement between the People's Republic of China and Bosnia and Herzegovina on the promotion and protection of investments, the undersigned representatives have agreed on the following provisions which constitute an integral part of the Agreement: Ad Article 3, paragraph 1 In respect of the People's Republic of China, paragraph 1 of Article 3 do not apply to: a) any existing non-conforming measures maintained within its territory; b) the continuation of any non-conforming measure referred to in subparagraph a); c) an amendment to any non-conforming measure referred to in subparagraph a) to the extend that the amendment does not increase the non-conformity of the measure, as it existed immediately before the amendment, with those obligations. It will be endeavoured to progressively remove the non-conforming measures. For the People's Republic of China For Bosnia and Herzegovina