

Regulatory Procedure

EXPORT PROCESSING ZONE AND ITS OPERATIONS



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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INTRODUCTION OF SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME development strategy.

Since its inception in October 1998, SMEDA had adopted a sectoral SME development approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved overhauling of the regulatory environment by taking into consideration other important aspects including finance, marketing, technology and human resource development.

After successfully qualifying in the first phase of sector development SMEDA reorganised its operations in January 2001 with the task of SME development at a broader scale and enhanced outreach in terms of SMEDA's areas of operation. Currently, SMEDA along with sectoral focus offers a range of services to SMEs including over the counter support systems, exclusive business development facilities, training and development and information dissemination through a wide range of publications. SMEDA's activities can now be classified into the three following broad areas:

Creating a Conducive Environment; includes collaboration with policy makers to devise facilitating mechanisms for SMEs by removing regulatory impediments across numerous policy areas

Cluster/Sector Development; comprises formulation and implementation of projects for SME clusters/sectors in collaboration with industry/trade associations and chambers

Enhancing Access to Business Development Services; development and provision of services to meet the business management, strategic and operational requirements of SMEs

SMEDA has so far successfully formulated strategies for sectors, including fruits and vegetables, marble and granite, gems and jewellery, marine fisheries, leather and footwear, textiles, surgical instruments, transport and dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of services are now being offered to the SMEs by SMEDA, which are driven by factors like enhanced interaction amongst the stakeholders, need based sectoral research, over the counter support systems, exclusive business development facilities, training and development for SMEs and information dissemination through wide range of publications.

ROLE OF POLICY & PLANNING DEPARTMENT

The Policy & Planning department of SMEDA is the hub of policy and regulatory research that feeds national, provincial and local government institutions, SME

associations, industrial clusters and individual entrepreneurs with the ultimate objective of creating a conducive business environment. It has a mandate to identify and where suitable initiate strategic projects. The Policy & Planning of SMEDA plays a key role in providing an overall policy direction to SMEDA, under which SMEDA provides support to SMEs. The PP provides guidance based on field realities pertaining to SMEs in Pakistan and other parts of the world. Information resource centre of SMEDA is an integral part of Policy & Planning department while development of Regulatory Procedures is a part of an overall information dissemination function of the department.

In order to facilitate SMEs at the micro level Policy & Planning department has developed user-friendly systems which provide them detail description of the Laws and Regulations including the process and steps required for compliance.

FLOW CHART

EXPORT PROCESSING ZONES AUTHORITY

REGISTRATION:

- Application form is filled by the investor.
- Documents to be attached with the application:
 1. Details of project
 2. Copy of passport
 3. Copy of N.I.C.
 4. Article/Memorandum of Association
 5. Partnership deed
 6. Scrutiny fee of US\$ 250
- Submission of application
- Approval investment proposal within 10 days
- Payment of land cost and registration fee
- Allotment & allocation of plot to the approved applicant within 30 days
- Lease deed to be signed by EPZA & investor
- General agreement to be signed by EPZA & investor
- Applicant is now considered to be registered with EPZA

CONSTRUCTION:

- Investor takes possession of allotted plot
- Submission of building plan with EPZA's Engineering Division
- Informing Zone management about the appointment of contractor & suppliers for construction
- Application to be submitted to Facilities Division for importing materials for construction
- Application to be submitted to Engineering Division for obtaining utilities connection in Zone
- Application to be submitted to Facilities Division for import of machinery, equipment, raw materials, spare parts, etc.
- Contacting clearing & forwarding agency to transport goods

PRODUCTION:

- Start of production
- Zone management to be informed regarding start of production
- Obtaining permit for exporting goods from Facilities Division
- Maintenance of import/export records
- Payment of development surcharge @ 0.5% of free on board value of goods and presumptive tax to Finance Division

EXPORT PROCESSING ZONES AUTHORITY

Foreign investment plays a vital role in accelerating the pace of industrial development in Pakistan. Thus, to provide opportunity to the interested investors for establishing industrial units, government has set up the Export Processing Zones in Pakistan.

In 1980, the Export Processing Zones Authority (EPZA), Pakistan was established with the mandate to plan, develop and operate Export Processing Zones in Pakistan. The main objectives of development of Export Processing Zones in Pakistan were to boost industrialization on regional basis and enhance the country's export by providing a conducive environment to enable investors to setup export oriented units which would, as a consequence, create job opportunities, bring in new technology and know-how, and attract foreign investment. The administrative ministry of EPZA is Ministry of Industries & Production. EPZA is headed by a Chairman and its affairs are managed by the Board of Directors. The members of the Board are appointed from those organizations, which are concerned with imports & exports, foreign exchange transactions of Pakistan and from private sector. EPZA is planning to set up EPZs in close cooperation or under joint venture arrangement with private sector.

BENEFITS OF SETTING UP A UNIT IN EPZs OF PAKISTAN

The EPZA, in order to encourage the investors for setting up a unit in EPZs, is providing following incentives and facilities for investors.

INCENTIVES

1. 100% ownership rights.
2. 100% repatriation of capital & profits.
3. No minimum or maximum limits for investment.
4. Machinery, equipment & material can be imported duty free.
5. No sales tax on input goods including electricity & gas bills
6. Obsolete/old machinery can be sold in domestic market of Pakistan after payment of applicable duties & taxes.
7. National import restrictions are not applicable.
8. Foreign Exchange control regulations of Pakistan are not applicable.
9. Defective goods/waste can be sold in domestic market after payment of applicable duties however only up to maximum of 3% of total value of export.
10. Duty free vehicles allowed under certain conditions. After 5 years of use, vehicles can be disposed off in domestic market on payment of duty on depreciated value.
11. Domestic market of Pakistan available on same conditions as for imports from other countries.

12. Units operating in EPZs can undertake sub-contracting for units of tariff area subject to payment of duty and taxes on value addition only.
13. Only EPZA is authorized to collect presumptive tax¹ at the time of export of goods, which would be final tax liability.
14. EPZ units are allowed to supply goods to Custom manufacturing bonds.
15. Production Oriented Labour laws to be solely regulated by the Authority
16. EPZ manufacturers are to be treated at par with bonded manufacturers in tariff area for any future incentives to be announced for exporters.
17. Relief from double taxation subject to bilateral agreements.

FACILITIES

1. One window service and simplified procedure
2. EPZA provides all infrastructural facilities like water, gas, electricity and telephone.
3. Skilled and unskilled Labour is available abundantly.
4. Sub-contracting is allowed without limit on variety and quantity in the zone or outside the zone.
5. Garment manufacturing units can take part in the auction of quotas if unit is located in Export Processing Zones.
6. The manufacturers in the zone may avail GSP concessions given by various countries on import from Pakistan.
7. Work area is peaceful, secure, environmentally protected and pollution free.
8. Inter-unit transfer of finished goods among exporting units is allowed.

ELIGIBILITY CRITERION

Eligible Investors

The following persons may establish industrial or warehousing/trading units in a Zone:

- Foreign investor;
- Foreign investor in collaboration with a resident citizen of Pakistan or a company incorporated in Pakistan;
- Pakistani resident or a company incorporated in Pakistan.

EPZA's Industrial Schedule

¹ Presumptive Tax: The tax collected on behalf of Income tax department by the EPZA is known as presumptive tax. These tax rates are given in the 8th schedule. Almost 90% of the industries fall under part I. The rates are as follows:

Part I	0.75% of exports;
Part II	1.00% of exports;
Part III	1.25% of exports.

There are no major restrictions as to which type of industry can be set up in the EPZs. Industries including light engineering goods, electronic items, computers, leather products, watches, precision instruments, hospital equipment, fruits and vegetables processing, etc., can be set up in the Zones but those industries engaged in manufacturing alcoholic beverages, narcotics, arms and ammunition, and those contributing to serious atmospheric or water pollution are prohibited. Investors in the Zone for importing, warehousing and re-export of goods abroad can also set up the international distribution centers. Allied service industries like Banking, Insurance, etc., can also be set up in a Zone to facilitate the investors.

But EPZA gives greater importance to hi-tech projects, capital intensive projects, labour intensive projects or projects based on maximum local raw material.

Eligible Form of Investment

The convertible foreign currency may be used for all types of investment made in the Zone. Up to 100% of the equity can be invested by a foreign investor as well as non-resident Pakistani. There are no restrictions on proportion of investment in a Joint venture between a foreigner or foreign company and a non-resident or resident Pakistani. However, not more than 40% of equity of a resident Pakistani would be covered by State Bank of Pakistan for providing foreign exchange.

INFRASTRUCTURE

Land

The land is available for subleased for a period of 30 years renewable by mutual agreement. The plot sizes for industrial sector are uniform i.e., 1000 M² and investors may get adjacent plots depending on the availability of the land area. The table below provides the cost of land for various types of investors.

PROJECT NAME	AREA	PRICE OF INDUSTRIAL PLOT (PER SQ.METER)	PRICE OF WAREHOUSING (PER SQ.METER)	ANNUAL GROUND RENT(PER SQ.METER)	WHETHER ON LEASE OR OUTRIGHT SALE
Karachi EPZ	200 Acres (433 Plots)	US\$5.00 (Down payment)	US\$20.00 (Down payment)	US\$1.5(for industrial) US\$2.5(For warehousing)	On Lease

Risalpur EPZ	92 Acres (137 Plots)	US\$6.50 (Down payment)	US\$16.00 (Down payment)	US\$0.50(for industrial) US\$1.25(For warehousing)	On Lease
Sialkot EPZ	238 Acres (881 Plots)	US\$5.21	Yet to be decided	Ownership	Ownership
Gujranwala EPZ	113 Acres (162 Plots)	US\$12.71	Yet to be decided	Ownership	Ownership

The investor has to make down payment before the execution of agreement. The investor also has to pay the registration fee of US\$ 1,000/ and the development surcharge @ 0.5% of FOB (free on board) values of exports.

Gas Charges

EPZA is providing its investors gas at prevailing Government rates minus taxes and it will be payable at the prevailing US\$ conversion rate.

Electricity Charges

The electricity is supplied according to the need of the unit i.e. whether connected load is of high tension or low tension. The unit rate varies with the consumption and connected load of electricity. The electricity rates vary with prevailing government rates.

Water Charges

The cost of water supply in EPZ is at prevailing government rates minus taxes. Exact rates can be found from the nearest EPZ office.

All the utilities charges are to be paid at the prevailing US\$ conversion rate.

PROCEDURE

A business concern can easily obtain the approval for setting up a unit in the Zone by following the steps stated below:

- Submission of an application form. EPZA has divided investors into two categories industrial sector and warehousing/trading sector investors. Each sector has separate application form (the sample forms are given in the annexure).
- Documents to be attached with the application are:
 - i. Details of the Project such as, description of machinery, plant & equipment to be installed in factory, and nature of raw material to be imported from Pakistan and abroad, manufacturing process, services & marketing arrangement, etc.
 - ii. Photocopy of Passport of a Foreign Investor or Non-resident Pakistani
 - iii. Copy of National Identity Card of Resident Pakistani investor.
 - iv. Payment of US \$ 250 as scrutiny fee.
 - v. Partnership Deed.
 - vi. Articles/Memorandum of Association.
 - vii. Any other supporting document.
- The application is processed and approved by the Board of Directors.

Once the approval is obtained the investor is advised to make payment for the required land within thirty (30) days. After the payment is received, plot(s) is (are) identified and allotted to the approved unit in a formal sanction letter mentioning terms & conditions for operation of a unit. The sanctioned unit is to submit filled in prescribed form for registration of the firm with EPZA. The Investor is to sign the Lease Deed and the General Agreement with EPZA (sample forms are given in the annexure). The applicant is now considered registered with EPZA. The investor may now open a bank account in any of the banks operating in the Zone.

Construction/Installation Stages

Once the registration is completed the investor is to take possession of the plot allotted. Investors have to submit building plan for construction of factory building within 3 months of the possession of land to Engineering Division of EPZA. Thereafter, Zone management is to be informed about the appointment of contractor and suppliers for construction of building and supply of construction material. An application is to be submitted to Facilities Division for import of construction material. For the connection of Power, Water, Gas Telephone & Fax etc. an application is to be submitted to Engineering Division. The investor has to obtain approval from the Facilities Division to import machinery & other equipment, raw material, spare parts, etc., after the construction of building. Then investor engages clearing and forwarding agency for clearing and transportation of goods to and from Zone.

Production Stage

Information regarding the start of the production is to be provided to the Zone management by the industrial unit. The investor has to obtain permit for exporting goods from the Facilities Division at EPZA. The investor has to maintain the record of all goods Imported/Exported. The investor has to pay development charges of 0.5% of FOB (free on board) value of goods (to be exported) and presumptive tax to Finance Division at EPZA.

Security

Gate passes are issued for entry in the Zone to the employees by Security of the gate. A permanent ID cards may be issued and worn after submission of an application to I.P Division, which after verification by Investment Division, is sent to Security Division.

Customs post is at the gate of the Zone, which is authorized to check imports/exports made. They may confiscate any good being illegally imported/exported and may also take legal action.

Any industrial activity in the Zone should be in a manner to keep the Zone free from any adverse environmental effect.

Reinforced twenty-four hours, round the clock Security manpower in zone.

ZONES

ESTABLISHED ZONES

1. Karachi Export Processing Zone

The EPZA's first project was Karachi Export Processing Zone (KEPZ). KEPZ is planned over an area of approximately 500 acres. It is located at a distance of 10 km from Port Qasim and 30 km from Karachi Port.

The EPZA chose Karachi as its first processing zone due to it being an important geographical location, as Karachi is located at the center of main international trade routes both sea and air. An international airport and seaport at Karachi further enhances its key role. Also because of availability of support services, availability of high quality technical & professional manpower at low cost, offices of all leading financial institutions, shipping companies & airlines, moderate temperature/climate throughout the year, highly developed & advanced low cost residential/commercial areas with high rise buildings ideal for expatriates.

2. Sialkot Export Processing Zone

Sialkot Export Processing Zone (SEPZ) is located in Punjab. EPZ Sialkot comprising 238 acres is located at Sambrial at a distance of 20 kilometers on Sialkot-Wazirabad highway. Being highly potential area, out of 881 plots about 95% already stand booked. There is a large scope of establishment of high-tech industry in the fields of surgery, sports and leather garments particularly due to abundant availability of skilled manpower. It is envisaged that this zone will create employment opportunities for around 30,000 people.

3. Risalpur Export Processing Zone

It is located in the Frontier Province. EPZ Risalpur comprising 92 acres has direct access to the central Asian markets. The zone is located at a distance of about 50 kilometers from Peshawar near Mardan interchange on Islamabad-Peshawar motorway section. The area has the potential of trading and warehousing business, mineral, fruits & vegetable processing, marble & granite, food & sweets, carpet and furniture industry due to availability of respective raw material and cheap skilled labor

Multinational Companies can use this site as a jumping board for the export of their goods to Central Asian Republics, Iran, and Afghanistan. It is envisaged that this zone will facilitate exports up to US\$ 100 Million per annum and create employment for 7000 people.

4. Gujranwala Export Processing Zone

Gujranwala EPZ is located in Punjab about 3km on main Gujranwala-Lahore G.T. Road. It is a joint venture between Punjab Small Industries Corporation (PSIC) and is ready for operational activities. There is a potential for light engineering, ceramics and cutlery. Its envisaged exports are US\$ 400 million per annum and it will create 5000 jobs.

IMPORT & EXPORT OF GOODS INTO THE ZONE

IMPORT OF GOODS INTO THE ZONES

The investor has to keep the following points in mind for the import of goods in Zones:

- All types of goods may be imported into the Zones from abroad or from the Tariff Area².
- For assessment and clearance of goods imported into a Zone, separate bill of entry of goods imported for a Zone and other documents showing details of

² Tariff Area is any area in Pakistan outside the limit of a Zone.

the goods are to be presented to the Customs authorities³. These goods then will be assessed on the basis of the existing procedure.

- The necessary customs clearance formalities are to be carried out by an investor or his licensed clearing agent approved and authorized by the Authority.
- The goods cleared are secured and sent to the Zone under Customs supervision. A pass specifying the name of the importer and the clearing agent (if any), number of vehicle, description and quantity of goods with the marks and numbers and contents, is sent along the goods. The customs officer allowing the entry of the goods will retain the pass on receipt of the goods in the Zone.
- Admission of goods may be refused when the goods are either prohibited or certain restrictions are imposed on the basis of public morality or order, public security hygiene or health or for veterinary or python-pathological considerations, or relating to the protection of patents, trade marks or copy-rights.
- The Authority allows the entrance of Hazardous goods to a Zone only when special storage area is available within the Zone.
- The Authority sets the period for which the goods may be admitted to a Zone.

IMPORTS FROM TARIFF AREA

The goods enter a Zone from the Tariff Area for further processing in a Zone, after completion of export formalities that are normally undertaken for export out of the country. Those goods, which are entitled to exemption or repayment of Customs duties and sales tax on exportation, are exempted immediately after entering a Zone.

EXPORT OF GOODS FROM THE ZONES

Any goods removed from a Zone for exportation will be exported under the export procedure and documentation are to be completed on the basis of exemption from duties and taxes. Goods cleared for export are forwarded to the exporting station under Customs Supervision. A pass specifying the name of the exporter and the clearing agent (if any), number of vehicle, description and quantity of goods with the marks and numbers and contents, is sent along the goods. The customs officer allowing the export of the goods will retain the pass on receipt of the goods in the Zone. All Customs formalities pertaining to removal of goods from the Tariff Area are completed at the main Customs Check Post or any place within the Zone approved for this purpose by the Collector of Customs. Export Processing Zones manufacturers are treated at par with the bonded manufacturers in tariff area.

³ The Collector of Customs of a Zone is one in whose Jurisdiction that Zone is established.

REMOVAL OF GOODS FROM THE ZONE TO TARIFF AREA

Removal of imported raw materials, imported goods in the same state and goods produced by investors in a Zone to Tariff Area for home consumption may be allowed subject to the import restrictions and formalities applicable to imports from abroad, customs-duties and other taxes levied on imports into Tariff Area from the Zone shall be the same as duties and taxes levied on similar imports from abroad.

Any goods permitted by the authority for entry into the Tariff Area may be taken out of the Zone after fulfilling all the requirements prescribed under the Act and the Rules made there under for the direct import from aboard into the Tariff Area.

The goods produced in a zone and removed to Tariff Area for home consumption are chargeable to customs-duties in the form in which they enter the Tariff Area.

SUBCONTRACTING FOR UNITS OF THE TARIFF AREA

Units operating in a Zone are allowed to undertake subcontracting for units of the tariff area subject to payment of duty and taxes on value addition only and sales tax if chargeable on the value of supply with the prior permission of the Collector of Customs.

DESTRUCTION

Any goods admitted to a Zone on having been rendered unfit for consumption may be allowed to be destroyed or rendered commercially value-less by an officer of Customs not below the rank of an Assistant Collector of Customs in such manner as may be prescribed by the Collector of Customs. The manufacturer in Export Processing Zone is allowed to remove @ 3% of the total value of export, the defective 'B' grade goods, waste, used packing materials, empty drums and cartons generated or produced in the Zone to tariff area on payment of duties and taxes.

UNACCOUNTED GOODS

When any importer fails to provide proper account of the imported goods to an officer of Customs not below the rank of an Assistant Collector of Customs, the importer may be asked to pay an amount equal to the duties and taxes leviable thereon and be liable to pay penalties imposed for such violation.

REMISSION OF DUTIES

The duties and other taxes (if any), may be remitted in full or in part, by the Collector of Customs in the following cases:-

- (i) When any goods are damaged or destroyed by unavoidable circumstances or causes beyond the control of the importer or the owner;
- (ii) when the waste or refuse of the goods is destroyed and
- (iii) When goods imported are bona fide samples for study, testing or design.

RESTRICTION ON REMOVAL OF GOODS FROM THE ZONES

Permission from the Collector of customs is required before taking goods out of the Zone or for transfer to another Zone or to a customs manufacturing bond in a tariff area or for subcontracting. Transfer of ownership of goods admitted to a Zone may be allowed only if goods are not used for retail sale.

SECURITY OF THE ZONES

Each Zone shall be delimited and bounded with secured boundary fencing and suitable check posts may be established after approval of the Collector of Customs. Authority according to the layout approved by Collector of Customs constructs the check post. The Collector of Customs may impose restrictions on access to a Zone in form of establishing the hours of business or under permanent or intermittent supervision, or make spot checks on the goods entering into the Zone to ensure that no unauthorized goods have entered the Zone.

EXPORT PROCESSING ZONES AUTHORITY, GOVERNMENT OF PAKISTAN,

Head Office

Landhi Industrial Area (Ext).
Mehran Highway,
Karachi-75150
Tel: 021-111-777-222, 5082001-2
Fax: 021-5082005
Email: info@epza.gov.pk
Web: <http://www.epza.gov.pk>

Sialkot EPZ
Tel :0526-524191,52435
Fax: 0526-524191

Risalpur EPZ
Tel: 0937-880441
Fax: 0937-880442

Regional Office:

5th Floor, L.D.A. Plaza,
Egerton Road,
Lahore
Tel: 042-6310671
Fax: 042-6310670
E-mail: lepza@wol.net.pk

ANNEXURES

SAMPLE FORMS

- Application for Investment in Industrial Sector
- Application for Investment in Warehousing/Trading
- General Agreement
- Lease Deed



Export Processing Zones Authority Karachi

APPLICATION FOR INVESTMENT
IN
INDUSTRIAL SECTOR
EXPORT PROCESSING ZONE _____

Type of organisation
(Tick Where applicable)

- Public Limited
 Private Limited
 Partnership
 Sole Proprietorship

PART - A

1. Particulars of the sponsor/s (Investor/s)

1.1 Name/s and nationality (if Pakistani, please state that he/she is non-resident.)

1. _____
2. _____
3. _____
4. _____

1.2 Address _____

Telephone, Fax, Telex contact:- _____

Business/Office _____

Residence. _____

1.3 Present Business _____

1.4 Sponsor's position in the present business _____

1.5 Name, address and telephone/fax contact of sponsor's representative _____

2. Particulars of the proposed industry

2.1 Name of project _____

2.2 Type of Industry _____

2.3 Items/products to be manufactured _____
alongwith by-products.

Also indicate the nature of waste/effluents _____

2.4 Please attach separate sheet for details about description of project, type of machinery/plant, equipments, furniture & fixtures to be installed in factory and nature of raw materials to be imported from Pakistan and abroad, manufacturing process, process lay-out, service, marketing arrangements etc.

PART - B

2.5	Cost of project:	Amount in US\$ Million			
		Contributed by foreign participants (a)	Non-resident Pakistani participants share (b)	Resident Pakistani Participant's share (Non-repatriable) (c)	Total (a+b+c)
	Capital Cost	_____	_____	_____	_____
	Working Capital	_____	_____	_____	_____
	TOTAL:-	_____	_____	_____	_____

2.6.	Capital Structure	Amount in US\$ Million
	Paid-up Share Capital	_____
	Long-term loans (Source & Interest rate)	_____

2.7	Approx break-up of cost: (Amount in US\$ Million)
	Capital cost: - Cost of Land _____
	- Cost of construction _____
	- Cost of Plant & machinery _____
	- Others _____
	TOTAL: _____

Working Capital	- Raw material for _____ months
	- Salaries & wages for _____ months
	- Utilities for _____ months
	- Others _____
	TOTAL: _____

2.8	Total Production capacity envisaged	Initial production (in quantity)	(in U.S\$)	Full production (in quantity)	(in U.S.\$)
	Product description				
	1. _____	_____	_____	_____	_____
	2. _____	_____	_____	_____	_____
	3. _____	_____	_____	_____	_____
	4. _____	_____	_____	_____	_____
	5. _____	_____	_____	_____	_____

3. Infrastructure requirements

3.1	Land (in square meters)	_____
3.2	Utilities requirements	
3.2.1	Power (kw)	_____
3.2.2	Water (gallons per day)	_____
3.2.3	Gas (CFT per day)	_____
3.3	Other Services	
3.3.1	Telephone	_____
3.3.2	Telex	_____
3.3.3	Any other (please specify)	_____

4. Manpower Requirements (at full production)

		TOTAL	PAKISTANI	NON-PAKISTANI
4.1	Number	_____	_____	_____
4.2	Monthly salaries and wages (US\$)	_____	_____	_____



PART - C

5. **Cost of production and sales revenue**

		Figures in US\$ Million	
		Initial Production	Maximum Production
		At . . % Capacity	At 100% Capacity
5.1	Cost of Production		
5.1.1.	Raw material imported:		
	(a) From Pakistan	_____	_____
	(b) From other countries	_____	_____
5.1.2.	Packing materials imported:		
	(a) From Pakistan	_____	_____
	(b) From other countries	_____	_____
5.1.3.	Spare parts:		
	(a) From Pakistan	_____	_____
	(b) From other Countries	_____	_____
5.1.4	Power, Gas, Water and other utility charges.	_____	_____
5.1.5	Rents & Rates	_____	_____
5.1.6	Wages and Salaries	_____	_____
5.1.7	a) Administrative expenses	_____	_____
	b) Selling expenses	_____	_____
5.1.8	Other manufacturing overheads	_____	_____
5.1.9	Pre-operational expenses	_____	_____
5.1.10	Depreciation	_____	_____
5.1.11	Interest	_____	_____
5.1.12	Ex-factory Cost	_____	_____

(Total items 5.1.1 to 5.1.12)

		Figures in US\$ Million	
		Initial Production	Maximum Production
		At _____ % Capacity	At 100% Capacity
5.2	Sales Revenue		
5.2.1.	FOB Value of exports	_____	_____
5.2.2	EPZA charges 1% of FOB Value of exports	_____	_____
5.2.3	Net Sales Revenue (5.2.1 - 5.2.2)	_____	_____
5.3	Operating Profit (5.2.3 - 5.1.12)	_____	_____
5.4	Other Revenues and expenses (Please specify)	_____	_____

6. **Time Schedule for commencement of activities from date of allocation of site**

	MONTH
6.1	Site Development _____
6.2	Construction of Factory Building _____
6.3	Installation of Machinery. _____
6.4	Trial Production. _____
6.5	Commercial Production. _____
6.6	Achievement of 100% Capacity _____

UNDERTAKING

1. I/We hereby undertake to carryout the provisions of EPZA Rules 1981 and EPZA Customs Rules-1981 framed under Ordinance IV of 1980, and as amended from time to time.
2. My/our industrial operation will not endanger the Zone with atmospheric hazards or environmental pollution of any sort. In any case I/we shall take all possible measures to check/control the pollution and shall dispose of the industrial waste etc in a manner acceptable to KEPZ administration.
3. Following papers/documents/fee is attached with the application.

SIGNATURE & DESIGNATION
OF THE APPLICANT

SEAL

DATE

Enclosures

- | | | |
|--------------------------|----|--|
| <input type="checkbox"/> | 1. | Scrutiny fee US\$ 250 |
| <input type="checkbox"/> | 2. | Passport copy |
| <input type="checkbox"/> | 3. | N.I.C. Copy |
| <input type="checkbox"/> | 4. | Articles/Memorandum
of Association |
| <input type="checkbox"/> | 5. | Partnership Deed |
| <input type="checkbox"/> | 6. | Description of project (as per Col. 2.4 (part-A) of the application) |
| <input type="checkbox"/> | 7. | Any other point in favour of the project. |

(PLEASE TICK WHICHEVER APPLICABLE)



Export Processing Zones Authority Karachi

APPLICATION FOR INVESTMENT IN WAREHOUSING/TRADING SECTOR EXPORT PROCESSING ZONE

Type of organisation
(Tick Where applicable)

- Public Limited
- Private Limited
- Partnership
- Sole Proprietorship

PART - A

1. Particulars of the sponsor/s (Investor/s)

1.1 Name/s and nationality (if Pakistani, please state that he/she is non-resident.)

1. _____
2. _____
3. _____
4. _____

1.2 Address _____

Telephone, Fax, Telex contact:

Business/Office _____

Residence _____

1.3 Present Business _____

1.4 Sponsor's position in the present business _____

1.5 Name, address and telephone/fax contact of sponsor's representative _____

2. Particulars of the proposed activity

2.1 Name of project _____

2.2 Type of Warehousing/Trading items _____

2.4 Description of project: (Please attach separate sheet)

2.4.1 Type of items to be dealt with	Approx. annual qty. transacted	Indicative Countries of Imports	Indicative Countries of Exports
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

2.5 Capital cost of project (Amount in US \$ Million)

Cost of Construction on m ²	_____
Cost of material handling/ storage equipment	_____
Cost of other equipment	_____
Others	_____
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Please give details about nature of raw materials to be imported from Pakistan & abroad. </div>	Total: _____

2.6 Breakup of investment (Amount in US \$ Million)

	Contribution by Foreign participants (a)	Non-Resident Pakistani's share (b)	Resident Pakistani's Non-repatriable Share (c)	Total (a+b+c)
(a) Capital Cost	_____	_____	_____	_____
(b) Working Capital	_____	_____	_____	_____
Total:	_____	_____	_____	_____

2.7 Capital Structure: (Amount in US \$ Million)

Owner/Paid-up Share Capital	_____
Long-term loans (Source & Interest rate)	_____

3. Any other point you wish to submit in favour of the project

(Please attach separate sheet)

4. Approximate annual operational cost		<u>(Amount in US \$ Million)</u>
4.1 Wages & Salaries of operational Staff	_____	_____
4.2 Administrative, selling & marketing expenses	_____	_____
4.3 Power, gas, water & other utility charges	_____	_____
4.4 Rents, etc.	_____	_____
4.5 Others	_____	_____
	TOTAL:	_____
5. Expected operational results		<u>(Amount in US \$ Million)</u>
5.1 <u>material for trading</u>		
a) From Pakistan	_____	_____
b) From other countries	_____	_____
	TOTAL (a + b):	_____
5.2 <u>packing/package material to be imported</u>		
a) From Pakistan	_____	_____
b) From other countries	_____	_____
	TOTAL (a + b):	_____
5.3 Total of annual material inventory (5.1 + 5.2)	_____	_____
5.4 Total annual sales expected (FOB) value	_____	(US \$ Million)
5.5 ^{0.5} % EPZA charges on F.O.B. value	_____	(US \$ Million)
5.6 Net sales Revenue (5.4 – 5.5)	_____	(US \$ Million)
5.7 Total operating profit {5.6 – (4.0 + 5.3)}	_____	(US \$ Million)

PART-B

1. Infrastructure requirements		
1.1 Land in square meters	_____	_____
2. Utilities requirements		
2.1 Power (KW)	_____	_____
2.2 Water (Gallons per day)	_____	_____
2.3 Gas (CFT per day)	_____	_____
3. Other services		
3.1 Telephone	_____	_____
3.2 Telex	_____	_____
3.3 Fax	_____	_____
3.4 Any other (Please specify)	_____	_____

4. Time Schedule for commencement of activities from date of allocation of site

	MONTH
4.1 Site Development	_____
4.2 Construction of Warehouse Building	_____
4.3 Installation of Equipment	_____
4.4 Trial Operation	_____
4.5 Commercial Operation	_____
4.6 Achievement of 100% Capacity	_____

PART-C

1. Manpower Requirements (at full operation)

	TOTAL	PAKISTANI	NON-PAKISTANI
1.1 Number	_____	_____	_____
1.2 Monthly salaries and wages (US\$)	_____	_____	_____

UNDERTAKING

- I/We hereby undertake to carryout the provisions of EPZA Rules 1981 and EPZA Customs Rules-1981 framed under Ordinance IV of 1980, and as amended from time to time.
- My/our Trading operation will not endanger the Zone with atmospheric hazards or environmental pollution of any sort. In any case I/we shall take all possible measures to check/control the pollution and shall dispose of the industrial waste etc in a manner acceptable to KEPZ administration.
- Following papers/documents/fee is attached with the application.

Enclosures
(PLEASE TICK WHICHEVER APPLICABLE)

- () 1. Scrutiny fee US\$ 250
- () 2. Passport copy
- () 3. N.I.C. Copy
- () 4. Articles/Memorandum of Association
- () 5. Partnership Deed
- () 6. Description of project (as per Col. 2.4 (part-A) of the application)
- () 7. Any other point in favour of the project.

SIGNATURE & DESIGNATION
OF THE APPLICANT

SEAL

DATE



GENERAL AGREEMENT

THIS AGREEMENT MADE AND ENTERED AT KARACHI THIS _____ DAY OF _____ 19 _____ BETWEEN THE EXPORT PROCESSING ZONES AUTHORITY THROUGH ITS SECRETARY HAVING ITS HEAD OFFICE AT KARACHI EXPORT PROCESSING ZONE, LANDHI INDUSTRIAL AREA, EXTENSION MEHRAN HIGHWAY, (HEREINAFTER CALLED "AUTHORITY") OF THE ONE PART AND AUTHORIZED REPRESENTATIVE OF M/S. PLOT NO _____ SECTOR _____ HAVING THEIR OFFICE SITUATED AT _____ KARACHI, (HEREINAFTER CALLED "INVESTOR") OF THE OTHER PART.

WHEREAS IT IS MUTUALLY AGREED AS FOLLOWS:

1. THAT THE INVESTOR AGREES TO ABIDE BY THE PROVISIONS OF ALL LAWS, RULES, REGULATION, BYE-LAWS AND TERMS AND CONDITION APPLICABLE TO EXPORT PROCESSING ZONE AT KARACHI.
2. THAT THE INVESTOR SHALL, FROM TIME TO TIME, FURNISH TO THE AUTHORITY A LIST OF ARTICLES, GOODS INTENDED TO BE MANUFACTURED IN HIS ESTABLISHMENT AND THE NAMES AND QUANTITIES OF ESTIMATED IMPORTED MATERIALS AS WELL AS LOCAL MATERIALS, IF ANY TO BE USED THEREIN.

3. THAT THE INVESTOR SHALL, WHENEVER APPLICABLE, SUBMIT TO THE AUTHORITY THE FOLLOWING REPORTS, RETURNS AND/OR DOCUMENTS WITHIN THE TIME SPECIFIED HEREUNDER :
 - A. AMENDMENT TO THE ARTICLES OF INCORPORATION OR BYE-LAWS WITHIN (30) THIRTY DAYS FROM THE DATE OF REGISTRATION OF SAID AMENDMENT.
 - B. CHANGE OF ANY DIRECTOR/PARTNER OR OTHER PRINCIPAL OFFICER WITHIN THIRTY (30) DAYS AFTER SAID REPLACEMENT.
 - C. LIST OF FOREIGN OFFICERS AND EMPLOYEES, THEIR NATIONALITIES AND POSTS.
 - D. INTIMATION OF THE DATE OF OPERATION OF THE INDUSTRY WITHIN TEN (10) DAYS FROM THE SAID DATE AND
 - E. INTIMATION IN ADVANCE OF ANY PRECEPTIBLE CHANGE IN THE PRODUCTION PROGRAMME.
4. THAT THE INVESTOR SHALL KEEP AND MAINTAIN STOCK ACCOUNTS OF ALL GOODS RECEIVED IN SUCH FORM AND MANNER AS TO SHOW CLEARLY, AT ANY TIME, THE PARTICULARS OF QUANTITIES RECEIVED, QUANTITIES IN HAND AND QUANTITIES EXPORTED /DELIVERED, AND SUCH ACCOUNTS SHALL BE BALANCED AND STOCK TAKEN AND THE INFORMATION SUPPLIED TO THE AUTHORITY AT THE END OF EACH MONTH.
5. THAT THE INVESTOR SHALL MAKE ENTRY OF THE GOODS RECEIVED AND DELIVERED IN THE STOCK ACCOUNTS WITHIN THREE (3) DAYS FROM THE RECEIPT AND DELIVERY OF GOODS.
6. THAT THE INVESTOR SHALL SUBMIT TO THE AUTHORITY COPIES OF ITS AUDITED ANNUAL OR SEMI-ANNUAL FINANCIAL STATEMENT AND SUCH OTHER INFORMATION WHICH THE AUTHORITY MAY REQUIRE FROM TIME TO TIME.
7. THAT THE INVESTOR SHALL BE BOUND TO PAY TO THE AUTHORITY ALL RATES, CHARGES AND FEES FOR SERVICES WHICH THE AUTHORITY MAY PROVIDE FROM TIME TO TIME.
8. THAT THE INVESTOR SHALL NOT USE OR PERMIT THE USE OF THE PREMISES OR ANY PART OF THEREOF TO BE USED FOR ANY OTHER PURPOSE EXCEPT THE ONE FOR WHICH THE ESTABLISHMENT HAS BEEN SANCTIONED.
9. THAT THE INVESTOR SHALL NOT TRANSFER OR EXCHANGE ANY GOOD/MATERIAL WHETHER RAW OR FINISHED TO ANOTHER INVESTOR OPERATING WITHIN ZONE WITHOUT INTIMATION TO THE AUTHORITY.

10. THAT THE INVESTOR SHALL ENSURE THAT ALL OPERATIONS DURING THE COURSE OF MANUFACTURE OR PRODUCTION WILL NOT ENDANGER PUBLIC SAFETY OR PUBLIC HEALTH AND SHALL TAKE ALL MEASURES AGAINST PILFERAGE, MISUSE, SMUGGLING ETC. OF THE GOODS IMPORTED AND PRODUCED.
11. THAT THE INVESTOR SHALL MAKE PROVISION FOR THE TREATMENT AND DISPOSAL OF INDUSTRIAL WASTE AND SCRAPES IN A MANNER ACCEPTABLE TO THE AUTHORITY.
12. THAT THE INVESTOR SHALL TAKE ALL REASONABLE PRECAUTION TO ENSURE THE SAFETY AND SECURITY OF THE BUILDING, STRUCTURES, STORES, GODOWNS, PLANTS MACHINERY AND ENGINES BUILT, INSTALLED OR STORED.
13. THAT THE INVESTOR SHALL ALLOW AUTHORIZED OFFICER OF THE AUTHORITY ACCESS TO THE PREMISES AND RECORD FOR ENSURING DUE COMPLIANCE OF PROVISION OF THIS AGREEMENT.
14. (A) THAT IF THE INVESTOR DECIDES TO WITHDRAW OR SUSPEND OPERATION, HE SHALL SEND A WRITTEN NOTICE TO THIS EFFECT TO THE AUTHORITY BEFORE IMPLEMENTING SUCH DECISION.

(B) THAT UPON THE WITHDRAWL OR SUSPENSION OF OPERATION, AS PROVIDED HEREIN ABOVE, THE INVESTOR SHALL NOT BE ENTITLED TO CLAIM THE INCENTIVES.
15. THAT THE INVESTOR SHALL BE ENTITLED TO ALL INCENTIVES PROVIDED IN THE SCHEME ON THE DATE THESE PRESENTS.
16. THAT THE INVESTOR SHALL BE ENTITLED TO THE FACILITIES AS LAID DOWN IN THE SCHEME PROVIDED THAT THE RATES OF UTILITIES SHALL BE FIXED BY THE AUTHORITY FROM TIME TO TIME.
17. PROVIDE ALWAYS IT IS HEREBY AGREED AND DECLARED AS UNDER:-
 - A. ANY DISPUTE BETWEEN THE PARTIES SHALL BE REFERRED TO ARBITRATION AS PROVIDED UNDER SECTION 24 OF ORDINANCE IV OF 1980 AND SUCH PROCESSINGS SHALL TAKE PLACE AT KARACHI.
 - B. THAT THE AUTHORITY RESERVES THE RIGHT TO WITHDRAW /CANCEL /REVOKE THE SANCTION OF THE INVESTOR IF HE COMMITS ANY BREACH OR VIOLATES ANY OF THE TERMS AND CONDITIONS AGREED UPON BETWEEN THE INVESTOR AND THE AUTHORITY UNDER THIS AGREEMENT OR ANY OTHER AGREEMENT OR IF IN THE OPINION OF THE AUTHORITY THE PURPOSE FOR WHICH, SANCTION WAS ACCORDED IS NOT BEING FULFILLED.

IN WITNESS WHEREOF THE PARTIES HAVE SET THEIR HANDS THIS DAY MONTH AND YEAR AS HERE-ABOVE WRITTEN.

SIGNED ON BEHALF OF THE AUTHORITY: _____

SIGNED ON BEHALF OF

IN PRESENCE OF:

1. _____

2. _____

LEASE DEED

THIS LEASE DEED IS MADE AT KARACHI, on this _____ day of _____ one thousand nine hundred ninety _____ BETWEEN EXPORT PROCESSING ZONES AUTHORITY, an Authority having been established under Ordinance IV of 1980, and having its office at Karachi Export Processing Zone, Landhi Industrial Area Extension, Mehran Highway Landhi, Karachi (hereinafter to be referred to as the LESSOR which expression where the context so admits includes the person deriving title under it) of the ONE PART

and

_____ having its/their office at _____ (hereinafter called the LESSEE (s) which expression where the context so admits shall include the person/persons deriving title under him/them).

WHEREAS in consideration of the Annual Ground Rents to be paid and the amount of US Dollar _____ as the Down Payment paid by the Investor, the Lessors are pleased to lease out _____ plot of land bearing No. Sector _____ admeasuring _____ square meters and situated in the Karachi Export Processing Zone, Karachi, as per plan annexed hereto and bounded as under :

On the North, _____
 On the South, _____
 On the East _____ &
 On the West _____

for use and enjoyment and occupation only as _____

and no other use except with the prior written consent and permission of the Lessors.

That initially this lease is for a period of 30 (thirty) years from _____ day of _____ 19__ yielding and paying during the said period the clear Annual Ground Rent at US Dollar _____ per square meter.

The lease, however, is extendable for a further period of 30 (thirty) years with mutual consent and on such terms and conditions as may be agreed.

That the Annual Ground Rent is payable on or before 10th of July every year without any deductions and without prejudice to the right of the lessor to revoke this lease and of its right of re- entry upon the lease land and all other rights and remedies that may be open to the Lessor including the penalty at 5% above official bank rate p.a., if not paid from the date as agreed above.

AND WHEREAS the LESSEE (s) hereby agrees as follows :-

- (1) That the LESSEE within 45 days of this lease or taking over the physical possession of the plot, whichever is earlier shall submit three copies of the

- building drawings proposed to be raised on the plot alongwith the lay out plan/details of the machinery to be installed, for perusal and approval of the Lessors. The Lessor within fifteen days of the receipt of the drawings shall approve or dis-approve the same with or without conditions and shall intimate to the Investors of the amendment, addition or alteration in the drawings, if any. However, the approval shall not be withheld unreasonably and the approval shall be deemed to have been accorded on the expiry of the above period of fifteen days in case no intimation is sent to the Investor (about the change/addition, amendment or alteration in the drawings).
- (2) That the LESSEE within 60 days of the receipt of approval shall commence the construction of the building and shall complete the same, instal the machinery within a period of one year. The period of one year can be extended by the Lessor for a further period of six months or more provided the Investor shows a sufficient ad good cause for not completing the building or not installing the machinery within the period allowed for this purpose.
- (3) That in case the LESSEE does not submit the above documents within the specified period or does not complete the building and instal the machinery, then the Lessor shall be entitled to charge non-utilization fee equal to 1% of the estimated cost of the work remaining incomplete every month till the work is completed. After this period the lease shall be cancelled and the plot shall be resumed. The

amount paid by the Investor shall also be liable to forfeiture.

- (4) That the LESSEE shall pay regularly the rents at the time already mentioned.
- (5) That the LESSEE shall not erect or suffer to be erected any new building or erection and/or make any structural addition or alteration therein, except with the prior consent and approval of the Lessor in writing. The approval/permission the Lessor may grant to the LESSEE with or without condition as may be deemed necessary or desirable by the Lessor. However, the approval shall not be refused or withheld unreasonably.
- (6) The LESSEE shall pull down and remove forthwith any building, erection, addition or alteration raised, erected and/or made in contravention of this lease on receipt of notice from the Lessor and shall immediately rectify the consequences of such breach.
- (7) That the LESSEE shall maintain the building and all the erections properly and the factory, its machineries and engines in good working condition to the satisfaction of the Lessor, except the deterioration or damage resulting from the reasonable/natural wear and tear.
- (8) That the LESSEE shall use the plot for the purpose of

and shall not use or permit it to be used for the pur-

pose other than it is leased out, except with the prior consent in writing of the Lessors.

- (9) That the LESSEE shall make proper arrangement for the disposal of the debris and other waste arising out of the construction and maintenance of building and manufacture or conduct of the trade.
- (10) That the LESSOR shall not use the land or the building for residential purpose or to house any person except with the permission of the Lessor.
- (11) That the LESSEE shall permit Lessor or its servants and officers at all reasonable time to enter the building/factory or structure for the purpose of ascertaining the observance of the conditions of this lease.
- (12) That the LESSEE shall not convey transfer, sell, sub let or underlet or part with the possession of the plot or the building/factory raised thereon without the written consent/permission of the Lessor. However, in special cases and special circumstances the Lessor may grant approval/permission.
- (13) That the LESSEE may assign, MORTGAGE, under let or create any charge or security or part with the possession of the land, building, factory or the machinery and engines installed therein with banks or financial institutions with the prior written consent of the Lessor.
- (14) That the lessor shall hold the first charge on the land, building and machinery to the extent of its rental dues

and all other claims including labour claims which may be legally found due and payable by the LESSEE to the Lessor at any time thereafter unless the covenants hereof.

- (15) That the LESSEE shall indemnify and keep the Lessor well saved and harmless from and against every claim or demand howsoever, arising from any act or default of the Investor.
- (16) That the LESSEE shall keep the building, structure and the factory, plant, machinery and the engines insured for the full insurable value against risk of loss or damage by fire and war risk with some respectable insurer and to pay the premia for the same as and when the same becomes due and payable. Adequate fire fighting arrangement shall be provided by the LESSEE in their factory premises. In case of non reconstruction of the factory within twelve months of the receipt of full insurance amount, the allotment of the plot would be cancelled.
- (17) That the LESSEE shall on termination or sooner of the terms of the lease, shall quietly and peaceably within six months or sooner, shall pull down and remove all buildings, erections, plant, machinery, engines and fixtures and restore the plot/land to such a level/condition as the same was at the time when it was handed over/leased out to him. AND it is agreed that in case the LESSEE does not remove all the property, then it shall be used for the benefit of the Lessor who shall be at liberty to remove, sell or dis-

pose of the same in the manner it thinks fit and proper, without paying any compensation to the LESSEE for or in respect of the same and any expenses in connection with such retention, removal, sell or disposal being recoverable from the LESSEE the charges for the period of six months allowed for removal, at the same rate at which the Annual Ground Rent is payable.

- (18) That the LESSEE in addition to the Annual Ground Rent shall pay Electric, Gas and Water charges and surcharge for late payment to the Lessor on or before date mentioned on the bills and the charges/bills for Phones, Fax and Telex direct to the concerned departments/authorities.
- (19) That in case of default in the payment of Annual Ground Rent for two consecutive years the lease shall be liable to termination and Lessor shall be entitled to re-entry on the plot.
- (20) That in case of cancellation of lease due to non-payment of Annual Ground Rent, the same would be adjusted against the down payment for land of the lease.
- (21) That in case of default in payment of the aforesaid service charges i.e. the Gas, Water and Electricity by the LESSEE the Lessor shall be entitled to disconnect the supply/provide the facility of the same and the amount so payable shall be recovered before restoration of the facility.

- (22) That any dispute relating to the interpretation of the provisions of the lease shall be referred for Arbitration to an arbitrator appointed by the parties in Pakistan.
- (23) That the Lessors covenant with the LESSEE as follows :-
- (i) That the Lessor shall allow the LESSEE to enjoy and use the plot/land and the building/structure raised thereon, peacefully and without any let or hinderance so long the LESSEE performs his part of the lease and the stipulations therein.
 - (ii) It is hereby further agreed by an between the parties as follows :
 - (iii) That in the event of this lease expiring by efflux of time and not being determined by the Lessor, the LESSEE shall have the option to renew the lease for a further term of 30 years upon such terms and conditions as may be mutually agreed.

IN WITNESSES whereof the parties have set their respective hands and seal at _____ on the day month and the year first above mentioned.

Signed, sealed ad delivered
by the within named.

EXPORT PROCESSING ZONE

in the presence of :-

WITNESSES :

1.

2.

Signed, sealed and delivered
by the within named :

in the presence of :

1.

2.