



**PENGHAO STONE COMPANY**  
- the American Trading Company in China

Would you like a dependable source in China? Would you like to know how to buy in China safely? We have written this document to give you some background information regarding stone buying in China and what to expect.

**Who are we?** Shown above are the Penghao team; Nancy Hong in the office in China, Steve Thoner, Penghao's US associate, and me . . . Chris Johnson, Sales Rep. I've been in the stone business for 20 years, and I've always wanted to have a Chinese source, but I was worried how to do it. Then, Steve – someone I've worked with for 7 years – began to go to China for his own sourcing, and over time, we realized his experience there could benefit others. He helped create Penghao Stone, headquartered in Xiamen – China's city of stone. Steve Thoner spends between 40%-50% of his time there (the rest of his time in Maine), and his knowledge of factories and hard to get materials in China is unsurpassed. We are currently supplying quality customers throughout the US in both Cut to Size projects and full size slabs.

**Trading Companies and Factories** – since the days of Marco Polo and the Silk Road, there have been trading companies working in China. Chinese factories tend to be oriented toward the local market, and they do things in certain ways because that is how business is done within China. Their thinking is different because their needs are different. Trading companies exist to translate the unique needs of American clients with Chinese capabilities, so that the two sides work well together. Trading companies also act as a coordinator so that a single order can combine material cut in different factories, yet be loaded into a single container.

There are many hundreds of factories throughout China cutting stone, and their massive domestic building industry will insure that more factories are born every day. But the capabilities of each factory are infinitely diverse. Some factories focus on domestic stones, whereas others are stronger in imported materials. Some factories have modern Italian machinery and others use good Chinese copies, and still others use primitive equipment. And not every factory focuses on large slabs – some work on carving statuary, or monuments, or tiles or mosaics.



We had a case of an exclusive material that we bought from the quarry owner for two of our American distributors, but the quality of production wasn't right. He was cutting the blocks into slabs one at a time with a single bladed block cutter (see photo at left). There are uses for this machine, but not for producing gauged 3cm slabs.

To satisfy American standards, Steve chose to purchase blocks himself from the owner (see photo of Steve selecting

blocks), and ship them to another factory to be cut on a modern gang saw into high quality slabs. The result was a win/win for the quarry and the distributor . . . a steady supply of an exclusive material which could be guaranteed to the distributors of this color.

**Quality and Selection** – in nature, quality is a matter of selection, not engineering. In each quarry, wherever in the world it might be, there is a range of material in both color and structure. The challenge for the quarry owner is to increase the yield by selling as many of his blocks as possible as first choice, thereby keeping his costs down and letting him sell at a good price.





The rapid pace of construction in China has meant that they tend to think in terms of quantity. Historically, they have looked for granites which are consistent and available in massive quantities (see photo left of G603). With these kinds of materials, there is no waste at a quarry, and every block can be used to the fullest.

However, our market has been driven largely by kitchen countertops and has become a fashion business, with clients looking for color and veining to be the focus of the kitchen. Typically, granites that meet these needs are more difficult to work with, need resining and are from smaller quarries. To work with such materials has not typically been the Chinese way. But with careful effort, PENGHAO STONE has been able to find some unique materials in China, which the Chinese themselves have overlooked due to production challenges and low volume. We find our clients seek out exact these types of materials – like the New Verde Chain (see photo at right).



Quality comes from knowing who to work with so that the right factory is cutting the right material. Steve and Nancy constantly visit factories inspecting material and working with the Chinese on our client's needs.



You can be sure one of us has personally seen every slab we ship. We inspect the materials before they are put into bundles so we can look directly at the finish, the color and the structure of the slabs. Only then are they packed into treated wood for export.

## Logistics, Procedures and Paperwork

In the end, all transactions boil down to procedures and paperwork. We have tried to answer the most common questions here. Please let us know if you have any other concerns.

**Payment and Terms** – the US is the only market where terms exist as the norm. Much of the rest of the world operates on a cash basis. Chinese factories, with rare exception, do not offer terms. Therefore, we don't either. Because most of the US market wants 3cm and the norm in China is 2cm, even cutting a block into 3cm slabs is considered a special order. Therefore, they ask of us a deposit to begin the processing. Hence, our normal terms are 30% deposit with the order, and the balance is due when the material is ready for loading. Occasionally, if the material is in our inventory already cut and polished, then we skip the deposit step and take the full payment at loading. All terms will appear in our original Proforma.

**Port Charges** – When you receive a proforma from us, you will notice the Port Charges, which is a Chinese Tax fee charged in the port by the government on the value of the container – usually around \$400. It is charged to the company who is shipping the material as on the bill of lading (which is us). Sometimes, if you buy direct from one single factory, they simply bury the port charge into the quote on the material. However, a Trading Company like us which combines materials from more than one factory, only works with each factory in ex factory pricing. (For example, the Chinese Dark Emperor is not cut by the same factory as the Ming Green). We gather up materials from different sources, get the container packed and become the shipper. Therefore, we quote prices ex factory and add the port charge. It is in all our proformas. We have considered adding 16 cents to each price to bury the charge, but it would be paid one way or the other.

**Documents** – when we first prepare a proposal for you, we send you a Proforma Invoice. On it are all the details of our offer, including the terms and the wire transfer information. Sometimes there is a Port Charge (see above) and sometimes there is an internal freight charge if we have to move material long distances to combine into one container. When we receive the deposit (see "Payment and Terms" above), we begin to process the order. When it is finished and ready to load, we send a Commercial Invoice and Packing List to you for final payment. Then when final payment is made, and the container is loaded, a copy of the documents goes to the Chinese office of the freight company (see Freight section below).

**Wire Transfers** – the only way to make payment to China is by wire transfer. We put all the wire transfer information on each document, including a US correspondent bank, if available. The wire transfer information changes from order to order, and careful attention should be paid to the instructions given. We appreciate an emailed copy of the wire transfer confirmation from your bank to allow us to trace the payment on the Chinese side. We will confirm receipt of the payment by return email.

**Freight** – we can quote freight, or use your favorite freight forwarder. We do not make any money on freight, but some clients prefer us to use their contacts. Sometimes we can get a better quote by calling within China, than our clients get in the US. So it is good to check. However, usually if freight is quoted on the Chinese side, the amount must be paid up front with the order.

When we process the documents, our office in China sends them to the freight forwarders office in China (either our contact or yours). We prepare these documents with an Express Release Bill of Lading. EXPRESS RELEASE or TELE-RELEASE means that consignee (recipient) does not have to provide a set of originals Bill of Lading in order to recover cargo at the destination. Shipment on express release should be released at the destination upon providing a copy of the B/L. No originals required. If you need an addition copy of documents emailed to you, please let us know.

**Insurance** – we recommend client obtains insurance to cover damage during shipping. We recommend this, as we cannot be liable for any damage after it has left our hands.

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