
LAWS AND REGULATIONS RELATING TO THE INDUSTRY

The following is a summary of PRC laws and regulations relating to the various aspects of the property sector in China, including:

- Establishment of property development enterprises;
- Foreign-invested property development enterprises;
- Qualifications of property developers;
- Development of property projects;
- Property transactions;
- Property financing;
- Insurance of property projects;
- Major taxes applicable to property developers;
- Measures on stabilizing housing prices;
- Environmental protection;
- Overseas listing; and
- Foreign exchange control.

ESTABLISHMENT OF PROPERTY DEVELOPMENT ENTERPRISES

Pursuant to the Urban Property Administration Law of the PRC (《中華人民共和國城市房地產管理法》) (Decree No.72 of the President) (the “Urban Property Law”) promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, which became effective on January 1, 1995 and was amended on August 30, 2007 and August 27, 2009, a property development enterprise (or “property developer”), is defined as an enterprise which engages in development and sales of property for the purpose of making profit.

Pursuant to the Regulations on Administration of Development of Urban Property (《城市房地產開發經營管理條例》) (Decree No.248 of the State Council) (“Development Regulations”) promulgated by the State Council, which became effective on July 20, 1998, an enterprise which is to engage in the development of property shall satisfy the following requirements:

- it shall have registered capital no less than RMB1,000,000; and
- it shall have at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold the relevant qualification certificate.

Pursuant to the Development Regulations, the local people’s government of a province, autonomous region and/or provincial-level municipality may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a property developer.

Pursuant to the Development Regulations, application for registration shall be submitted to the department of administration for industry and commerce for the establishment of a property development enterprise. The property developer must file for record with the property development authority in the location of the registration authority, within 30 days of the receipt of its business license.

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Pursuant to the Notice on Adjusting the Capital Ratio for Fixed Asset Investment Projects of Certain Industries (《國務院關於調整部分行業固定資產投資項目資本金比例的通知》) (Guofa [2004] No.13) issued by the State Council, which became effective on April 26, 2004, the minimum capital ratio for property development projects (excluding affordable housing projects) was increased from 20% or above to 35% or above.

Pursuant to the Notice of the State Council on Adjusting the Capital Ratio for Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》) (Guofa [2009] No.27), issued by the State Council, which became effective on May 25, 2009, the minimum capital ratio for ordinary commodity housing projects and affordable housing projects was reduced to 20%, while that for other property projects was decreased to 30%.

FOREIGN-INVESTED PROPERTY DEVELOPMENT ENTERPRISES

Pursuant to the new Foreign Investment Industrial Guidance Catalog (2007 Revision) (《外商投資產業指導目錄(2007年修訂)》) (Decree No.57 of NDRC and MOFCOM) jointly promulgated by MOFCOM and NDRC on October 31, 2007, which became effective on December 1, 2007, the development and construction of ordinary residential houses was removed from the category of industries in which foreign investment is encouraged to the category of industries in which foreign investment is permitted. In addition, the category of industries in which foreign investment is subject to restrictions (the “restricted category”) has been adjusted as follows:

- the development of large-scale land, which shall be operated only by Sino-foreign joint ventures or Sino-foreign cooperative ventures;
- the construction and operation of upscale hotels, villas, premium office buildings and international conference centers; and
- the secondary property market and housing agents or brokerages.

The construction and operation of large scale theme parks was removed from the property industry to the culture, sports and entertainment industries, which are still in the restricted category.

Pursuant to the new Foreign Investment Industrial Guidance Catalog (2011 Revision) (《外商投資產業指導目錄(2011年修訂)》) (Decree No.12 of NDRC and MOFCOM) jointly promulgated by MOFCOM and NDRC on December 24, 2011, which became effective on January 30, 2012, the development and construction of villas was removed from the restricted category to the category of industries in which foreign investment is prohibited (the “prohibited category”), and the restricted category has been adjusted as the following:

- the development of large scale of land lots which shall be operated only by Sino-foreign joint venture or Sino-foreign co-operative venture;
- the construction and operation of upscale hotels, premium office buildings and international conference centers; and
- the secondary property market and housing agents or brokerages.

Pursuant to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (《關於規範房地產市場外資准入和管理的意見》) (Jianzhufang [2006] No.171) jointly promulgated and implemented by MOHURD, MOFCOM, NDRC, PBOC, SAIC and SAFE on

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July 11, 2006, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- an overseas institution or individual shall, when investing in China to purchase any not-for-self-use property, abide by the principles of commercial presence and apply, according to the relevant provisions on foreign investment in property, to establish a foreign investment enterprise and may, upon obtaining the approval of the relevant department as well as completing the relevant registration, engage in the relevant operation according to its approved business scope;
- an overseas investor that has not obtained an approval certificate of foreign-invested enterprises or a business license shall not engage in any development or operation of property;
- as to a foreign-invested property enterprise with an investment amount of at least RMB10 million, its registered capital shall not be less than 50% its investment amount. Where the total investment is less than RMB10 million, its registered capital shall be governed by the existing provisions;
- as to the establishment of a foreign-invested property enterprise, MOFCOM or relevant local counter-parts and SAIC or relevant local counter-parts shall grant an approval for establishment according to law, handle the relevant formalities for registration and issue a one-year term approval certificate of foreign-invested enterprises and business license. Where an enterprise fully contributes its transfer fee of the right to land use, it can, upon the strength of the aforesaid certificates, go to the administrative department of land to apply for a use certificate of state-owned land and may obtain an official approval certificate of foreign-invested enterprises in the MOFCOM or relevant local counter-parts on strength of the said use certificate of state-owned land and thereafter, obtain a business license with a term the same as the approval certificate of foreign-invested enterprises and then go through registration in the taxation authority; and
- the transfer of shares in and projects of foreign-invested property enterprises as well as the acquisition of domestic property enterprises by overseas investors shall be subject to the examination and approval of MOFCOM or relevant local counterparts, among others, in strict accordance with the relevant laws and regulations. An investor shall submit the guarantee letters for performance of the contract on the transfer of state-owned land use right, the license for the planning of construction land and the license for the planning of construction projects and the use certificate of state-owned land, certification on the alteration of archival files in the administrative department of construction (property) as well as the relevant certification materials of tax return as produced by the taxation authority.

Pursuant to the Circular of the General Office of the Ministry of Commerce on Relevant Issues Concerning the Implementation of the Opinions Concerning Regulating the Access to and Administration of Foreign Investment in the Property Market (《商務部辦公室關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知》) jointly promulgated and implemented by MOFCOM on August 14, 2006, where the amount of investment of a property enterprise established by foreign investment is not less than US\$10 million, its registered capital shall not be less than 50% of its amount of investment; if the investment amount is more than US\$3 million but less than US\$10 million, its registered capital shall not be less than 50% of its amount of investment; if the investment

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amount is not more than US\$3 million, its registered capital shall not be less than 70% of its amount of investment. Where an overseas investor merges domestic property enterprises through equity transfer or any other means, it shall make appropriate arrangements for the relevant employees, settle the bank debts and pay the transfer fee with its self-owned capital in a one-off manner within three months as of the day the business license of the foreign-invested enterprise was issued. Where an overseas investor acquires the equities of the Chinese party of a foreign-invested property enterprise, it shall make appropriate arrangements for the relevant employees, settle the bank debts and pay the transfer fee with its self-owned capital in a one-off manner within three months as of the day the equity transfer agreement came into force.

The Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Property (《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》) (Shangzihan [2007] No. 50) jointly issued and implemented by MOFCOM and SAFE on May 23, 2007, provides stricter control measures, among other things, as follows:

- foreign investment in the property sector in the PRC relating to upscale properties should be strictly controlled;
- an applicant for establishing a property company shall acquire the land use right or the ownership of real property or building, or conclude a contract on the advance assignment/purchase of the land use right or building property right with the relevant administrative department of land, land developer or owner of the building property right. The examining and approving organ may not approve the application of any applicant that fails to satisfy the above-mentioned requirement;
- where an established foreign-invested enterprise intends to enter the property development or operation business or where a foreign-invested property enterprise intends to engage in a new property development or operation project, it shall apply to the examining and approving organ for extending its business scope or enlarging its business scale in accordance with the relevant laws and regulations governing foreign investment;
- the merger of or investment in domestic property enterprises by way of return on investment (including the same actual controller) shall be placed under strict control. No overseas investor may avoid subjecting its foreign investment in the property industry to examination and approval by means of changing the actual controller of any domestic property enterprise. Where the administrative department of foreign exchange discovers that any foreign-invested property enterprise is illegally established through illegal means as malicious evasion or false statement, the department shall investigate its activities involving the illegal outward remittance of capital and income therefrom and subject it to the liabilities for obtaining foreign currency under false pretenses and not turning over foreign currency owed to the government;
- overseas investors engaging in the property development or operation business in China shall observe the principle of commercial presence, apply for establishing foreign-invested property enterprises according to law and engage in the relevant business within the authorized business scope. Neither the Chinese party nor the foreign party of any foreign-invested property enterprise may enter into any clause directly or indirectly ensuring a fixed return for either party;
- local examining and approving organs shall file the approval of the establishment of foreign-invested property enterprises with MOFCOM for record in a timely manner according to law;

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- no administrative department of foreign exchange or designated bank of foreign exchange may handle formalities for the sales and settlement of foreign exchange under the capital account for any foreign-invested property enterprise that fails to go through the formalities for filing with the MOFCOM for record or failing to pass the annual joint inspection on foreign-invested enterprises; and
- where any local examining and approving department illegally approves the establishment of any foreign-invested property enterprise, the MOFCOM shall find out the violation and give punishment accordingly to correct it. No administrative department of foreign exchange may handle formalities for foreign exchange registration for any illegally established foreign-invested property enterprise.

Pursuant to the Notice on Proper Handling of Archival Documents for Foreign Investment in the Property Industry (《商務部關於做好外商投資房地產業備案工作的通知》) (Shangzihan [2008] No. 23) issued by MOFCOM on June 18, 2008, the competent departments of commerce at the provincial level are authorized to verify the materials for archiving as submitted by the foreign-invested property enterprise, and MOFCOM together with other departments of the State Council shall conduct spot-checks over the above enterprises.

Pursuant to the Several Opinions on the Sound Development of the Property Market (《國務院辦公廳關於促進房地產市場健康發展的若干意見》) (Guobanfa [2008] No.131) promulgated by the General Office of the State Council on December 20, 2008, in order to speed up the development of social security housing, encourage purchases of properties for self-use, and direct property developers to actively cope with the changing market, the following measures will be adopted to facilitate the development of property developers:

- increasing credit financing support to ordinary residential housing developments of low to medium level prices or of small to medium sizes, particularly those under construction;
- providing financial support and other related services to property developers with good credit standing for their merger and acquisition activities;
- developing pilot housing provident fund and providing various funding channels;
- supporting bond issuances by property developers with good credit and financial positions; and
- eliminating urban property tax, and unifying the property taxes applicable to domestic and foreign-invested enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Property Tax (《中華人民共和國房產稅暫行條例》).

Pursuant to the Several Opinions of the State Council for Further Improving the Utilization of Foreign Investment (《國務院關於進一步做好利用外資工作的若干意見》) (Guofa [2010] No. 9) issued by the State Council on April 6, 2010 and the Circular of NDRC on Authorization for the Review and Approval of Foreign-invested Projects (《國家發展改革委關於做好外商投資項目下放核准權限工作的通知》) (Fagaiwaizi [2010] No.914) issued by NDRC on May 4, 2010, foreign-invested projects with a total investment not exceeding US\$300 million within the encouraged or permitted category, other than those requiring the approval of relevant authorities under the State Council according to the Foreign Investment Industrial Guidance Catalog (《外商投資產業指導目錄》), may be examined and approved by the competent authorities of NDRC at the provincial level. Pursuant to the Circular on Issues Concerning the Authorization for the Review and Approval of Foreign Investment

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(《關於下放外商投資審批權限有關問題的通知》) (Shangzifa [2010] No.209) promulgated by MOFCOM on June 10, 2010, the establishment and change of registration of foreign-invested enterprises with a total investment not exceeding US\$300 million within the encouraged or permitted category, and with a total investment of no more than US\$50 million within the restricted category may be examined and approved by the competent authorities of MOFCOM at the provincial level.

As advised by our PRC legal advisor, Haiwen & Partners, given that Shenzhen Youkaisu, our wholly owned subsidiary and a foreign-investment enterprise, does not operate property development, and all our other subsidiaries in the PRC are not foreign-invested enterprises, the property laws and regulations in relation to foreign-invested enterprises are not applicable to us.

QUALIFICATIONS OF PROPERTY DEVELOPERS

Classification and Assessment of the Qualifications of Property Development Enterprises

Pursuant to the Development Regulations, a property developer must file for record its establishment to the property development authority in the location of the registration authority within 30 days after receiving its business license. The property development authority shall assess the qualifications of the property developer based on its assets, professional personnel and development and operational records. A property development enterprise shall only engage in property development projects in compliance with its approved qualification.

Pursuant to the Provisions on Administration of Qualifications of Property developers (“Provisions on Administration of Qualifications”) (《房地產開發企業資質管理規定》) promulgated by MOHURD, which came into effect on March 29, 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification classification certificate for property development. In accordance with the Provisions on Administration of Qualifications, qualifications of property development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to an eligible property developer within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

Business Scope of Property Developers

Pursuant to the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and operation of property within its approved scope of business and may not engage in business which falls outside its approved scope. A class 1 property developer may undertake property development projects anywhere in the PRC without any limit on the scale of such projects. A property developer of class 2 or lower may undertake projects with a GFA not exceeding 250,000 sq.m., and the specific scopes of business shall be as formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality.

Annual Qualification Review of Property Developers

Pursuant to Provisions on Administration of Qualifications, the qualifications of property developers should be annually reviewed. The construction authority under the State Council or the entrusted institution is responsible for carrying out the annual review of class 1 property developers' qualifications. Procedures for the annual review of the qualifications of property developers of class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

DEVELOPMENT OF PROPERTY PROJECTS

Land for Property Development

The Provisional Regulations on the Grant and Transfer of Right to Use State-owned Land in Urban Areas of the PRC (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) (Decree No.55 of the State Council) ("Provisional Regulations on Grant and Transfer"), promulgated and implemented by the State Council on May 19, 1990, adopted a system of granting and transferring the rights to use state-owned land. Pursuant to these regulations, the PRC government, in accordance with the principle of land ownership being separate from land use rights, implemented a system whereby the right to use state-owned land in urban areas may be assigned and transferred, with the exclusion of underground resources, objects buried underground, and public works. The term "state-owned land in urban areas" as used in the preceding paragraph refers to land owned by the public within the limits of cities, county sites, administrative towns and industrial and mining areas. The assignment of land use rights refers to the act of the PRC government as the owner of the land who, with a term of a certain number of years, assigns the right to use the land to land users, who shall in turn pay fees for the assignment thereof to the PRC government. An assignment contract shall be signed for assignment of the land use rights. The maximum term with respect to the assigned land use rights shall be determined based on type of use as listed below:

- 70 years for residential purposes;
- 50 years for industrial purposes;
- 50 years for the purposes of education, science, culture, public health and physical education;
- 40 years for commercial, tourist and recreational purposes; and
- 50 years for comprehensive utilization or other purposes.

Pursuant to the Provisional Regulations on Grant and Transfer, the land user shall, within 60 days of the signing of the land use right grant contract, pay the total amount of the assignment fee thereof, failing which, the assigning party shall have the right to terminate the contract and may claim compensation for breach of contract. After paying the total fee for the assignment of the land use right, the land user shall, in accordance with the relevant provisions, register the land use right, obtain the land use rights certificate and accordingly the right to the use of the land.

Pursuant to the Notice on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use for Construction Projects in Urban Areas (《關於加強城市建設用地審查報批工作有關問題的通知》) (Guotuzifa [2003] No.345) ("Land Use Approval Notice") issued by the Ministry of Land and Resources on September 4, 2003, commencing from the date of the issuance of the Land Use Approval Notice, land use for luxury commodity houses shall be stringently controlled, and applications for land use for building villas shall be restricted. From the date of the issuance of this

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notice, with respect to land use for construction projects submitted to the State Council for approval and relating to land for property development, a written statement regarding the status of utilization of the approved land for property development, and supply and demand information of the relevant city's property market, property prices and vacancy rates shall be made.

Pursuant to the Urgent Notice of Further Strengthening the Administration of the Land (《關於當前進一步從嚴土地管理的緊急通知》) issued by the Ministry of Land and Resources on May 30, 2006, land for property development must be granted by way of public tender, auction or listing-for-sale. The restrictions on land supply for villa development should be strictly enforced and all supply of land for such purpose and handling of related land use procedures shall be suspended from the date of the notice. Property developers which have not fully paid land premium and other relevant fees shall not be granted land use rights certificates. For the purpose of preventing financial risk, the administration of registration of land use right mortgages shall be strengthened.

The Notice on Strengthening the Administration of Idle Land promulgated by the Ministry of Land and Resources on September 8, 2007 (《關於加大閒置土地處置力度的通知》) (Guotuzidianfa [2007] No.36) provides that land use rights certificates shall not be issued before the land grant premium has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

The Regulation on Bidding, Auction and Listing-for-Sale for the Granting of State-Owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》) promulgated by the Ministry of Land and Resources on September 28, 2007, which became effective on November 1, 2007, provides that:

- with respect to land for industrial, commercial, tourism, entertainment, commodity housing or other business operations, or on which there are two or more intended land users, the assignment thereof shall be conducted through public tender, auction or listing-for-sale. Land for industrial use includes the land for storage but excludes the land for mining;
- a grantee shall not apply for land registration or be granted the certificate of state-owned construction land use right until it has paid the land premium in full in accordance with the land use right grant contract;
- a grantor shall, at least 20 days before bid invitation, auction or quotation, release the announcement on public tender, auction or listing-for-sale at the tangible land market or at the designated place or mass media, and announce the basic conditions about the land for the assignment through public tender, auction or listing-for-sale as well as the time and place for public tender, auction or listing-for-sale;
- after a successful grantee is determined through public tender, auction or listing-for-sale, the bidding deposit paid by such grantee shall be used as the earnest money for land assignment. The grantor shall send out a notice of successful bid to the successful grantee or conclude a transaction confirmation letter with such grantee; and
- a grantee of a public tender, auction or listing-for-sale shall conclude a contract on the assignment of state-owned construction land use right with the grantor at the time stipulated in the notice of successful bid or transaction confirmation letter. The deposit for bidding or competitive purchase as paid by a winner of bidding, auction or quotation shall be taken as the land assignment fee. The deposits as submitted by other bidders or competitive buyers shall be refunded by the grantor within five working days upon conclusion of public tender, auction or listing-for-sale, without interest.

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Pursuant to the Notice on Issues Regarding Further Increasing Supply and Strengthening Control of Lands for Property Development (《關於加強房地產用地供應和監管有關問題的通知》) (Guotuzifa [2010] No.34) promulgated by the Ministry of Land and Resources on March 8, 2010, at least 70% of total land supply must be reserved for economically affordable housing, redevelopment of shanty towns and small to medium-sized residential units for self-use while land supply for large residential units will be strictly controlled and no land shall be provided for villa projects. The land premium must not less than 70% of the standard land premium of the applicable category of land and the bid deposit paid by the property developer must not less than 20% of the minimum land premium. The land grant contract must be executed within 10 working days after the land transaction is confirmed. The minimum down payment of the land premium will be 50% and must be paid within one month after the execution of the land grant contract. The remainder of the land premium must be paid in accordance with the agreement within one year. If the land grant contract is not executed in accordance with the requirements above, the land will not be handed over and the deposit will not be returned. If no land premium is paid after the execution of the land grant contract, the land must be withdrawn.

Pursuant to the Notice on Further Strengthening the Control and Regulation of Land and Construction Project of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》) (Guotuzifa [2010] No.151) jointly promulgated by the Ministry of Land and Resources and the MOHURD on September 21, 2010, standard average floor area and structure proportion of ordinary residential housing developments of small to medium sizes shall be expressly specified. The notice also strictly limits the development and construction of low-density and large-size residential projects, and requires that the plot ratio of residential projects shall be more than one. The Ministry of Land and Resources requires that other than providing valid identity certificates and deposits for bidding, participants of auctions and listings-for-sale of land shall provide a commitment letter pledging that such deposit was not funded by means of a bank loan, shareholder loan, re-lending or raised funds, as well as a credit certificate issued by a commercial bank.

Resettlement

The Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal (《關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知》) (Guobanfa [2004] No.46) issued by the General Office of the State Council on June 6, 2004 addresses issues including, but not limited to, the following: (i) the area of demolition and removal shall be strictly controlled to ensure that the total area of demolition and removal is less than that of the previous year; (ii) stringent procedures of demolition and removal will be implemented so that the process is carried out in an open, fair and just manner; (iii) the supervision and administration of the compensation costs incurred for the demolition and removal shall be strengthened to ensure the completion of the relocation; and (iv) stricter punishment shall be imposed on illegal actions in relation to demolition and removal.

Pursuant to the Regulation on Expropriation of and Compensation for Buildings on State-owned Land (《國有土地上房屋徵收與補償條例》) (Decree No.590 of the State Council) promulgated by the State Council on January 21, 2011 (“Expropriation and Compensation Regulation”), compensation shall be paid before the resettlement. The entity responsible for expropriation shall enter into a compensation agreement with the affected residents, which shall contain the method, amount and payment period of compensation, the location and size of housing where the residents are to be resettled, costs of removal, temporary settlement subsidy or temporary housing, loss caused by production or business suspension, relocation period, method and period of transition and other

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relevant matters. After entering into the agreement, either party may initiate proceedings according to the relevant law if another party fails to fulfill their obligations prescribed in the compensation agreement. If the entity responsible for expropriation and the affected residents fail to reach an agreement within the specified period according to the expropriation and compensation proposal, or if the title ownership of the housing to be expropriated is uncertain, the entity responsible for expropriation may report to the people's government of the relevant city or county which made the expropriation decision to determine the compensation in accordance with the compensation proposal pursuant to the Expropriation and Compensation Regulation, and a relevant announcement shall be made within the area of the buildings to be expropriated. The entity responsible for expropriation shall file the expropriation and compensation for record, and post an announcement regarding the compensation payable to each housing unit within the area of the buildings being expropriated.

Idle Land

Pursuant to the Measures for the Disposal of Idle Land (《閒置土地處置辦法》) (Decree No.53 of Ministry of Land and Resources) promulgated by Ministry of Land and Resources on April 28, 1999 and was amended on June 1, 2012, which became effective on July 1, 2012, "idle land" shall mean any state-owned land for construction use, of which the holder of the land use right fails to begin construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of state-owned land for construction use, or the decision on allocation of state-owned land for construction use. Any state-owned land for construction use of which the construction and development has been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development, or the invested amount is less than 25% of the total investment, or the construction and development of which has been suspended for more than one year, may also be regarded as idle land. Except where the delay in the commencement of the construction and development of a plot of state-owned land for construction use is caused by acts of any government or government department, a plot of idle land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a decision on collecting charges for idle land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land premium or transfer price; the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government having the jurisdiction to approve thereof, issue a decision on taking back the right to use the state-owned land for construction use to the holder of the right to use the land and take back the land use right without compensation in accordance with the provisions of Article 37 of the Land Administration Law of the PRC and Article 26 of the Law of the PRC on the Administration of Urban Property; if any mortgage is created on the idle land, a copy thereof shall be sent to each mortgagee thereof.

Planning of Property Projects

Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) enacted by the Standing Committee of the National People's Congress on October 28, 2007, which came into force as of January 1, 2008, to build any structure, fixture, road, pipeline or other engineering project

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within a city or town planning area, the construction entity or individual shall apply to the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the PRC government for a construction work planning permit.

In addition, to apply for a construction work planning permit, the relevant documentary evidence on land use, the engineering design plan of the project as well as other related documents shall be submitted. If the project requires a site detailed planning, such planning shall also be submitted. If the project satisfies the regulatory detailed planning and the planning requirements, the competent department of urban and rural planning under the people's government of the city or county or the town people's government specified by the people's government of the province, autonomous region or municipality directly under the PRC government shall issue a construction work planning permit. If a construction project begins without obtaining the construction work planning permit or by violating the provisions of the construction work planning permit, the competent department of urban and rural planning of the local people's government at or above the county level shall order it to stop construction. If it is still possible for the construction entity or individual to take measures to eliminate the impact on the implementation of urban and rural planning, the department shall order it or him to correct within a certain time limit and impose a fine of not less than 5% of the construction cost but not more than 10% the cost; if it is impossible to take measures to eliminate the impact, the department shall order the construction entity or individual to dismantle the building or structure within a certain time limit and confiscate the real objects or the illegal gain, and may also impose a fine not more than 10% of the construction cost.

Construction of Property Projects

Pursuant to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) enacted by the MOHURD on October 15, 1999 and revised and enforced on July 4, 2001, after obtaining the Permit for construction work planning permit, a property developer shall apply for a construction permit from the construction authority under the local people's government above the county level.

Pursuant to the Notice of the General Office of the State Council on Strengthening and Regulating the Administration of Newly Launched Projects (《國務院關於加強和規範新開工項目管理的通知》) (Guobanfa [2007] No.64) promulgated by General Office of the State Council on November 17, 2007, a project may commence construction when the following conditions are met: it conforms to the relevant industrial policies, development and construction planning and market entry standards of the PRC government; the project has completed the formalities of examination and approval, verification or filing; the site selection and layout of the project within the planned area conform to the urban and rural planning, and the relevant planning permit has been transacted in accordance with the relevant provisions of the urban and rural planning law; the approval for land use has been obtained according to law, and the contract on non-gratuitous use of state-owned land has been concluded or the written decision on allotment of state-owned land has been obtained; the environmental impact assessment has been examined and approved in accordance with the provisions on classified administration and graded examination and approval of environmental impact assessment of the construction project; before the commencement of the construction project, the construction unit has obtained the construction permit or commencement report in accordance with the relevant provisions of the construction law, and has taken detailed measures to ensure the quality safety of the construction project, among other things.

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Completion of Property Projects

Pursuant to the Development Regulations, the Regulation on the Quality Management of Construction Projects (Decree No.279 of the State Council) (《建設工程質量管理條例》) enacted and enforced by the State Council on January 30, 2000, the construction company shall, after it receives the report of construction completion of its project, organize the companies concerned such as for design, construction and engineering supervision to carry out acceptance examination. The construction company shall, within 15 days from the date on which the construction project passes the acceptance examination, submit the report of acceptance examination of the construction project and the recognized or approved documents issued by such departments as for planning, public security fire fighting and environment protection to the competent administrative department for construction or other relevant departments for their record. The competent administrative department for construction or any other relevant department shall, when it discovers that the building unit commits an act of violation of the provisions of the PRC government on the quality control of construction projects in the course of acceptance examination, order the building unit to stop the use and to organize the acceptance examination again.

The Provisional Administrative Measures for Acceptance Examination and Filing Upon Completion of Buildings and Municipal Infrastructure Construction (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) enacted and enforced by the MOHURD on April 4, 2000, and was revised on October 19, 2009 and the Provisional Regulations on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure Construction (《房屋建設工程和市政基礎設施工程竣工驗收暫行規定》) (Jianjian [2000] No.142) enacted by the MOHURD and became effective from June 30, 2000 provide:

- construction entities shall submit records to the relevant departments in charge of construction of local people's governments above the county level at the locations of the projects (the "Record-filing Organ") within 15 days of the successful passage of the acceptance examination of the projects in accordance with the provisions of these measures;
- project quality supervision institutions shall, within five days from the date of the successful passage of the acceptance examination of the project, submit the project quality supervision report to the Record-filing Organ; and
- where the relevant Record-filing Organ finds that a construction entity acted in violation of PRC government regulations on quality management of construction projects in the process of the acceptance examination, the said organs shall, within 15 days upon the full receipt of the records for the acceptance examination, order relevant projects to be stopped from using and re-organize the acceptance examination.

PROPERTY TRANSACTIONS

Transfer of Property

Pursuant to the Urban Property Law and the Administrative Regulations on Transfer of Urban Property (《城市房地產轉讓管理規定》) enacted by the MOHURD on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a property, the ownership of the property and the state-owned land use rights attached to the site on which the property is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with

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the local competent property administration where the property is situated within 90 days of the execution of the transfer contract. Where the state-owned land use rights were originally obtained through the government land grant process, the property may only be transferred on the condition that:

- the land premium for the grant of the state-owned land use rights has been paid in full as provided by the grant contract and the land use rights certificate has been obtained;
- if investment and development is to be carried out according to the land grant contract and the project involves housing construction, development representing more than 25% of the total investment has been completed; where the development involves large-scale plots of land, conditions for using land for industrial or other construction purposes have been satisfied; where the construction of buildings has been completed, the property ownership certificate has been obtained; and
- where the property previously transferred according to these regulations is to be retransferred, if it is needed to go through the formalities of assignment and to pay additional land premium, the land proceeds that have been handed in shall be deducted.

Sales of Commodity Properties

Pursuant to the Regulatory Measures on the Sales of Commodity Housings (《商品房銷售管理辦法》) (Decree No.88 of MOHURD) enacted by the MOHURD on April 4, 2001 and effective on June 1, 2001, sales of commodity housing may include both pre-completion and post-completion sales.

Pursuant to the Development Regulations and the Administrative Measures Governing the Pre-sale of Commodity Housings in Urban Cities (“Pre-completion Sales Measures”) (《城市商品房預售管理辦法》) enacted by the MOHURD on November 15, 1994 and revised on August 15, 2001 and July 20, 2004, respectively, the pre-completion sales of commodity housing shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre-completion sales registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sales of commodity housing. A commodity building may only be sold before completion provided that:

- the land premium has been paid in full for the granting of the relevant state-owned land use rights and a land use rights certificate has been issued;
- the construction work planning permit and construction permit have been obtained;
- the funds invested in the development of commodity housing applied to pre-completion sales represent 25% or more of the total investment in the project and the development schedule and the completion and delivery dates have been ascertained; and
- the pre-completion sales have been registered and a pre-sale permit has been obtained.

Pursuant to the Regulations on the Sales of Commodity Housing (《商品房銷售管理辦法》), the post-completion sales of commodity housing may occur when the following preconditions have been satisfied:

- the property developer offering to sell the post-completion properties shall have an enterprise legal person business license and a property developer;
- the developer has obtained a state-owned land use rights certificate or other approval documents of land use;

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- the developer has obtained the construction work planning permit and the construction permit;
- the commodity housing have been completed and passed the acceptance examination;
- the relocation of the original residents has been completed;
- the ancillary infrastructure facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified;
- the property management plan has been formulated; and
- before the post-completion sales of commodity buildings, a property developer shall submit the property development project manual and other documents showing that the preconditions for post-completion sales have been fulfilled to the property development authority for its record.

Pursuant to the Opinion on Further Stabilizing Property Prices (《關於做好穩定住房價格工作意見的通知》) (Guobanfa [2005] No.26) promulgated on May 9, 2005 by the General Office of the State Council, sales of commodity housing shall comply with various regulations:

- according to the provisions of the Urban Property Law, the State Council has decided that pre-sale purchasers of commodity properties may not transfer such properties while they are still under development. Before the completion of construction, delivery of an advance sales commodity housing and the receipt of a property ownership certificate by the pre-sale purchaser, the administrative department of property shall not process property transfers. Where the applicant for property ownership fails to be in line with the advance seller as indicated in the pre-sale contract on record, the registration organ of property title shall not handle the formalities of property title. In addition, a real name system for housing purchases and an immediate archival filing network system for pre-sale contracts of commodity houses should be implemented to prevent any private dealing; and
- the local administrative departments of property should strictly regulate the market assess of those property development enterprises and agencies, seriously investigate into and punish any irregular and rule-breaking sales according to law. Where anyone fabricates contracts, corners housing resources, publicizes false information of price and sales progress, viciously drives up housing prices, misleads consumers to make purchases at a sale, or fails to meet the required construction initiation and completion times, selling prices and dwelling size areas, the local administrative departments of property shall put the aforesaid act on the credit archival filing of property enterprises and publicize it to the general public. For more serious violations, the MOHURD shall, in collaboration with the relevant departments, impose serious punishments according to law in a timely manner and publicize them to the general public.

The Notice of the State Council on Resolutely Curbing the Soaring of Housing Prices in Some Cities (Guofa [2010] No.10) (《國務院關於堅決遏制部分城市房價過快上漲的通知》) promulgated by State Council on April 17, 2010 provides:

- for implementing more strictly differentiated housing credit policies. For families (including the borrower, the spouse and minor children) for purchases of first housing

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units for self-use with a construction floor area of 90 sq.m. or more, the down payment on the relevant mortgage loan shall not be less than 30% of the total price; and

- for the strict enforcement of the various means of speculation in housing and speculative purchase of housing units. In areas where the prices of commodity housing have risen too quickly or to an overly high level, or housing is in short supply, commercial banks may suspend the grant of housing loans for the third and further housing units according to the level of risk.

Pursuant to the Notice of the State Council on Issues Related to Further Enhancing the Regulation and Control of Real Estate Market (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) (Guobanfa [2011] No. 1) promulgated by the General Office of the State Council on January 26, 2011, including:

- reinforcing the differentiated housing credit policy. In respect of households that purchase a second housing unit through a mortgage loan, the down payment ratio shall not be lower than 60%. The loan interest shall not be lower than 1.1 times the benchmark interest rate. The respective branches of the PBOC may raise the down payment ratio and interest rate on loans for a second home based on the price control targets set by the local people's government for newly constructed houses and the policy requirements, and on the basis of national unified credit policies. The banking supervision department shall tighten the supervision and inspection of the differentiated housing credit policy implemented by the commercial banks. Conduct violating the regulations shall be dealt with sternly; and
- rationalize the guidance of housing demand. All municipalities directly under the PRC government, cities specifically designated in the state plan, provincial capitals and cities in which the housing prices are excessively high or rising rapidly are to formulate and implement measures for the restriction of housing purchases strictly within a specified period. In principle, households with a local registered residence which already own one residence and households without a local registered residence which are able to produce a local tax payment certificate or a proof of social insurance contribution for a certain number of years shall be restricted to purchasing one residence (including newly constructed commodity housing and second-hand housing). In respect of households with local registered residence which already own two residences, households without local registered residence which have already owned one set and more housing, and households without local registered residence which are unable to provide a local tax payment certificate or a proof of social insurance contribution for a certain number of years, no houses shall be sold to them within its own administrative area for the time being;

Mortgage of Property

Pursuant to the Urban Property Law:

- when a property is transferred or mortgaged, the ownership of the building and the right to use the land occupied by the building are transferred or mortgaged at the same time;
- the mortgage of property shall mean the non-transfer provision of legal property by the debtor to the mortgagee as guarantee of debt payment. If the debtor fails to make repayments, the mortgagee has priority to be repaid first through the auction of the mortgaged property according to law;

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- the title of a housing property plus the right to use the land occupied by the housing property obtained lawfully may be designated as mortgage right. The right to use land obtained through lease may be used as a mortgage;
- a mortgage loan shall be made only upon the presentation of the land use rights certificate and property ownership certificate;
- the mortgagor and mortgagee shall sign a written mortgage loan contract;
- for mortgage loans where the land use right was obtained through transfer, the mortgagee has the priority to be paid first only after a fund equivalent to the lease fees for the right to use the land has been paid upon an auction of the property according to law; and
- after a property mortgage contract is signed, any newly added housing property on the land does not form part of the mortgaged property. If the mortgaged property must be auctioned, the newly added housing property may be auctioned together with the mortgaged property, but the mortgagee does not receive first priority of payment for any amount derived from the auction of the newly added housing property.

The Law of the PRC on Property Rights (《中華人民共和國物權法》) (“Property Law”), which was adopted at the fifth session of the Tenth National People’s Congress on March 16, 2007 and came into effect on October 1, 2007, provides:

- where a building is mortgaged, the right to use land for construction occupied by such building shall be mortgaged together. Where the right to use land for construction is mortgaged, all buildings on such land shall be mortgaged together. In case a mortgagor fails to mortgage the properties according to the preceding paragraph, the properties that have not been mortgaged shall be regarded as having been mortgaged together;
- mortgages of buildings under construction shall be registered, and the mortgage right is established as of the date of such registration; and
- after the right to use land for construction is mortgaged, the newly constructed buildings on the land shall not form part of the properties under mortgage. If the aforesaid right to use land for construction must be auctioned, the newly added housing property may be auctioned together with the mortgaged property, but the mortgagee does not receive first priority of payment for any amount derived from the auction of the newly constructed buildings.

Pursuant to the Administrative Measures on Land Registration (《土地登記辦法》) (Decree No.40 of the Ministry of Land and Resources) issued by the Ministry of Land and Resources on December 30, 2007, which took effect on February 1, 2008, land registration refers to the registration of land-use rights of relevant land for public review. With respect to the mortgage of land use right, mortgagee and mortgagor shall apply for mortgage registration of the land use right by presenting the land rights certificate, the master debtor-creditor contract, the mortgage contract and other relevant certificates. If a parcel of land has been mortgaged more than once, the mortgage registration shall be made according to the sequence of applications for mortgage registration. If the conditions for mortgage registration are satisfied, the competent administrative department of land and resources shall record relevant items stipulated in the mortgage contract on the land register and the land use rights certificate and issue the certificate of other rights over land to the mortgagee. If the mortgage under registration application arrives at the maximum limit of mortgage, the entry of the guaranteed maximum amount of creditor’s rights and the term of maximum mortgage and other items shall be

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noted down. The Circular on Implementing the Land Registration Measures and Further Strengthening Land Registration Work (《關於貫徹實施《土地登記辦法》進一步加強土地登記工作的通知》) (Guotuzifa [2008] No.70), issued by the Ministry of Land and Resources on April 8, 2008, calls for stringent land registration according to relevant laws, cessation of illegal registration, and prohibition of legalizing illegal land through land registration. The Circular states that registrations will not be granted in cases involving unresolved land disputes, as well as cases where the full contract price has not been paid or where the use of land has been changed illegally.

The Procedures for Property Registration (《房屋登記辦法》), issued by MOHURD on February 15, 2008 and became effective on July 1, 2008 provide:

- building registration shall adhere to the principle of consistency between the property ownership and the subject holding the land use right within the extent as occupied by the building;
- where a property development enterprise applies for the initial registration of ownership of a building, it shall concurrently apply for registration of buildings legally co-owned by all property owners such as public areas, public facilities and property management service buildings within the building zone, which shall be recorded by the building registration authority in the building register book without the issuance of any certificate of ascription of rights in a building;
- after the forenotice registration is made, without the written consent of the right holder of the forenotice registration, the building registration authority shall not accept an application for registration of a disposition of such a building. Where, after the forenotice registration is made and the creditor's rights are extinguished or within three months from the date when the relevant building registration can be conducted, a party concerned applies for a building registration, the building registration authority shall conduct the relevant registration according to the forenotice registration matters; and
- where, after the advance seller and advance purchaser enters into a contract on the purchase and sale of a marketable building, the advance seller fails to apply for a forenotice registration together with the advance purchaser as agreed on, the advance purchaser may unilaterally apply for the forenotice registration.

Lease of Properties

Pursuant to the Urban Property Law and the Regulations on Leases of Commodity Housings (《商品房屋租賃管理辦法》) enacted by the MOHURD on December 1, 2010 and became effective from February 1, 2011, the parties to a lease of a property shall enter into a lease contract in writing. A registration system is adopted for leases of properties. The parties shall file with the property administration authority under the local government of the city or county in which the building is situated for any newly signed leases, revisions or termination of leases. A party to a residential lease may entrust another person to handle lease registration and filing formalities in writing.

Property Law

The Property Law provides detailed rules regarding the following kinds of major property rights:

- the owner of real or movable property has the right to possess, use, seek profits from and dispose of the real or movable property according to law;

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- a usufructuary right holder shall enjoy the right to possess, use and seek proceeds from the real or movable property owned by another party according to law;
- the holder of real property rights for security shall enjoy priority to receive payments from the property for security in case the obligor fails to pay its due debts or the circumstance for the realization of real rights for security as stipulated by the parties concerned occurs, unless otherwise prescribed by law;
- the real property rights of the state, collectives, individuals or any other right holder shall be protected by law and shall not be infringed by any entities or individuals;
- the term of the right to use land for construction for residential purposes shall be automatically renewed upon expiration. The term of the right to use land for construction not for residential purposes shall be renewed according to law. Where there are stipulations about the ownership of houses and other real properties on the aforesaid land, such stipulations shall prevail; if there is no such stipulation or the stipulations are not explicit, the ownership shall be determined according to the provisions in the laws and administrative regulations; and
- the owner of a building may manage the building and its affiliated facilities themselves or by entrusting a real property service enterprise or any other management personnel. The owners are entitled to change the real property service enterprise or any other management personnel hired by the construction entity according to law.

PROPERTY FINANCING

The Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》) (Yinfa [2003] No.121) issued by PBOC on June 5, 2003 specifies the requirements for banks to provide loans for the purposes of property development and individual residential mortgage as follows:

- commercial banks shall issue loans applied for by property enterprises only through property development loans, and shall not issue in the form of property working capital loans or any other forms. Where non-property loans are issued to property enterprises, commercial banks shall observe the principle of “recovering only, and no issuing.” The proprietary capital (owner’s equity) of property enterprises applying for loans shall be no less than 30% of the total development investment. Property loans extended by commercial banks may only be used for local housing projects and may not be used cross-regionally;
- loans to land reserve institutions shall be mortgage loans, the amount of which shall not exceed 70% of the assessed value of purchased lands, and the term of loans shall not exceed two years. Commercial banks shall not issue loans to property enterprises for the purpose of paying for land premiums; and
- commercial banks shall further expand the spectrum of individual housing loans to allow more people to benefit from such loans. To reduce unnecessary interest for borrowers, commercial banks shall issue individual housing loans only to those who purchase housing where main structural development has already been completed. Where borrowers apply for individual housing loans to purchase their first residence for self use, the ratio of down payment shall remain 20%; for second or further residences, the ratio of down payment shall be raised appropriately.

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Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (《商業銀行房地產貸款風險管理指引》) (Yinjianfa [2004] No.57) issued by the CBRC on August 30, 2004, a commercial bank shall not grant any form of loans to a project owner that has not obtained the land use rights certificate, the construction land planning permit, the construction work planning permit or the construction commencement permit.

Pursuant to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Deposit Interest Rate of Excess Reserve (《中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) enacted by PBOC on March 16, 2005 and became effective from March 17, 2005, down payments for individual mortgage loans increased from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine the extent of increase in property prices according to specific situations in different cities or areas.

The Opinion of the MOHURD and Other Departments on Adjusting the Housing Supply Structure and Stabilizing Property Prices forwarded by the State Council (《關於調整住房供應結構穩定住房價格的意見》) (Guobanfa [2006] No.37) on May 24, 2006 provides the following:

- loan facilities for property development will be under stricter control. Commercial banks are not allowed to grant loan facilities to property developers who do not have the required 35% or more of the total capital for the construction projects. Commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to property developers who have a large number of idle land and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer; and
- from June 1, 2006 onward, individual purchasers who apply for mortgage loans shall pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

The Opinion on Standardizing the Admittance and Administration of Foreign Capital in Property Market (《關於規範房地產市場外資准入和管理的意見》) (Jianzhufang [2006] No.171) enforced by MOFCOM, the MOHURD and the NDRC on July 11, 2006 provides:

- an overseas investor that has not obtained an approval certificate of foreign-invested enterprises or a business license shall not engage in any development or operation of property;
- where any foreign-invested enterprise fails to make full payment of its registered capital, fails to obtain the land use rights certificate or fails to make its project development capital reach 35% of the total project investment amount, it shall not deal with any domestic or overseas loan and the administrative department of foreign exchange shall not approve the settlement of the foreign exchange loan thereof; and
- the Chinese or foreign party in a foreign-invested property enterprise shall not stipulate any term on fixed return or disguised fixed return in any contract, constitution, equity transfer agreement or any other document in any form.

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The Notice on Issues Relating to Standardizing Different Residential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) (Yinfa [2010] No. 275) jointly issued by PBOC and CBRC on September 29, 2010 provides:

- all commercial banks shall suspend the granting of housing loans to resident families for purchasing third and further residences; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for a period of one year or longer;
- for the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price; for families who purchase a second residence with a mortgage loan, the down payment shall not be less than 50%, and the loan rate shall not be less than 1.1 times the benchmark rate; and
- all commercial banks shall strengthen the management of consumption loans, and prohibit such loans from being used for purchasing houses. For property development enterprises with land idle, that change the use and nature of land, delay the time of construction initiation or completion, hold back housing units for future sales, or have other records of violations of laws or regulations, all commercial banks shall suspend the granting of loans to them for new development projects and suspend the extension of loans. Any commercial bank which fails to earnestly implement the differential credit policies shall be seriously punished once the issue is ascertained.

INSURANCE OF PROPERTY PROJECTS

Pursuant to the Construction Law of the PRC (《中華人民共和國建築法》) enacted by the Standing Committee of the National People's Congress on November 1, 1997, which took effect on March 1, 1998 and was amended on April 22, 2011, construction enterprises are required to maintain and pay for accident and casualty insurance for workers engaged in dangerous operations.

The Guidance of the MOHURD on Strengthening the Insurance of Accidental Injury in Construction Work (《建設部關於加強建築意外傷害保險工作的指導意見》) (Jianzhi [2003] No.107) issued by the MOHURD on May 23, 2003 further emphasizes the importance of accidental injury insurance in construction work and provides specific guidance.

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Corporate Income Tax

The CIT law provides:

- A resident enterprise shall pay corporate income tax on its income derived from both inside and outside China;
for non-resident enterprises with offices or establishments inside China, it shall pay corporate income tax on its income derived from China as well as on income that it earns outside China but which has a real connection with said offices or establishments; for non-resident enterprises with no office or establishment inside China, or for non-resident enterprises whose income has no actual connection to its offices or establishment inside China, it shall pay corporate income tax on income derived from China; and

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- where any provision in a tax treaty concluded between the government of the PRC and a foreign government is different from the provisions in this law, the provision in the treaty shall prevail.

Pursuant to the Implementation Rules of Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted by the State Council on December 6, 2007 and became effective from January 1, 2008, income obtained by a non-resident enterprise with no office or establishment inside China, or for a non-resident enterprise whose income has no actual connection to its institution or establishment inside China shall be taxed at the reduced 10% rate. The following income shall be exempted from CIT:

- interest income obtained by a foreign government from loans to the Chinese government;
- interest income obtained by an international financial organization from loans to the Chinese government or the resident enterprises thereof at preferential rates; and
- other income as approved by the State Council.

Pursuant to the Notice of the SAT on How to Understand and Determine the “Beneficial Owners” in Tax Agreements (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) (Guoshuihan [2009] No.601) issued by the SAT and became effective on October 27, 2009, the term “beneficial owner” in relevant provisions of the agreements on the avoidance of double taxation signed by the PRC government with foreign countries (including the arrangements on the avoidance of double taxation signed with Hong Kong and Macau) refers to a person who has the right to own and dispose of the income and the rights or properties generated from said income. The “beneficial owner” may be an individual, a company or any other organization which is usually engaged in substantial business operations. An agent or a conduit company is not a “beneficial owner.” The term “conduit company” refers to a company which is usually established for purposes of avoiding or reducing taxes, and transferring or accumulating profits. Such a company is only registered in the country of domicile to satisfy the organizational form as required by law, but it does not engage in such substantial business operations as manufacturing, distribution and management.

Pursuant to the Confirmation of Completion Conditions for Development of Products by Property Developer (《關於房地產開發企業開發產品完工條件確認問題的通知》) (Guoshuihan [2010] No.201) promulgated by the SAT on May 12, 2010, a property is deemed completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Property developers should settle and calculate the amount of corporate income tax for the current year in a timely manner.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》) enacted by the State Council on December 13, 1993 and became effective from January 1, 1994 and which was later amended in November 2008 and became effective from January 1, 2009, for all entities and individuals engaged in the provision of services as prescribed in the regulation, the transfer of intangible assets or the sales of real estate within the territory of the PRC shall pay the business tax in accordance with these regulations. The tax rate on the transfer of real estate, their superstructures and attachments is 5%.

LAT

According to the requirements of the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) (Decree No.138 of the State Council), which was enacted on December 13, 1993 and amended on January 8, 2011:

- any taxpayer who gains income from the transfer of property shall be subject to land appreciation tax;
- land appreciation tax shall be subject to a regime of four progressive rates: 30% on the amount of appreciation not exceeding 50% of the sum of deductible items; 40% on the amount of appreciation exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the amount of appreciation exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the amount of appreciation exceeding 200% of the sum of deductible items;
- a taxpayer is exempt from land appreciation tax if: (i) the taxpayer builds houses of ordinary standard for sales and the amount of appreciation does not exceed 20% of the sum of deductible items; (ii) land and properties recalled and requisitioned for construction purposes by the PRC government according to law; and
- deductions to be made in the calculation of land appreciation comprise: (i) the lease price paid for the use of the land; (ii) the cost and expenses spent in the development of the land; (iii) the cost and expenses in the construction of new buildings and attached installations, or the appraisal prices of old buildings and structures; (iv) tax payments arising from the transfer property; (v) other deductions as prescribed by the Ministry of Finance (“MOF”).

The Notice in respect of the Administration of the Collection of Land Appreciation Tax (《關於認真做好土地增值稅徵收管理工作的通知》) (Guoshuihan [2002] No.615) issued by SAT also on July 10, 2002 requests that local tax authorities modify the management system for land appreciation tax collection and related operation procedures, to build up a proper tax return system for land appreciation tax and to improve the methods of pre-levying tax for pre-sold properties. The notice also indicated that the preferential policy of land appreciation tax exemption has expired and that such tax shall be levied again for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposals that have been approved and capital was injected for development.

The Notice of the SAT in respect of Further Strengthening the Administration of the Collection of Land Use Tax and Land Appreciation Tax in Cities and Towns (《國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知》) (Guoshuifa [2004] No.100) on August 5, 2004 indicated that the collection of land appreciation tax should be further strengthened. Deductions and exemptions of the land appreciation tax which was not approved by competent authorities, shall be corrected immediately and shall be levied again. Except for the construction of economically affordable houses, land appreciation tax for other kinds of land for property development shall not be deducted or exempted. The Notice of Certain Issues Regarding Land Appreciation Tax (《關於土地增值稅若干問題的通知》) (Caishui [2006] No.21) issued by ministry of finance and SAT on March 2, 2006 clarifies the relevant issues regarding land appreciation tax as follows:

- the notice sets out the defined standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commodity properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption

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has been filed with the tax authority at the locality of the property before the notice is issued and for which land appreciation tax exemption has been granted by the tax authority on the basis of the criteria of ordinary residential properties originally set by the people's government of the province, autonomous region or municipality, no adjustment shall be made retroactively;

- all regions shall further improve the measures for the advance collection of land appreciation tax, and decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the level of value appreciation in the property industry and market conditions within the region and on the basis of the specific property categories, namely, ordinary standard residential properties, non-ordinary standard residential properties and commercial properties. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up;
- if any tax pre-payment is not paid within the advance collection period, overdue fines shall be imposed additionally as of the day following the expiration of the prescribed advance collection period, according to the relevant provisions of the Law of Tax Collection and Administration (《税收征收管理法》) and its implementation rules; and
- as to any property project that has been completed and passed the inspection upon completion, where the floor area of the property as transferred makes up 85% or more in the saleable floor area, the tax authority may require the relevant taxpayer to settle the land appreciation tax on the transferred property according to the matching principles regarding the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region, municipality, or a city under separate state planning.

The Notice on the Administration of the Settlement of Land Appreciation Tax of Property Developer (《國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知》) (Guoshuifa [2006] No.187) issued by the SAT on December 28, 2006, which came into effect on February 1, 2007, provides:

- the settlement of land appreciation tax shall be made for each property development project approved by the relevant departments of the state; as for a project developed by stages, the settlement shall be made for each stage of the project. Where a development project includes both ordinary housing and non-ordinary housing, the appreciation shall be calculated separately;
- where it is under any of the following circumstances, the taxpayer shall settle its land appreciation tax when: (i) a property project is completed and sold out; (ii) a property project that has not been completed and is subject to final accounts is transferred as a whole; or (iii) the land use right is directly transferred;
- the competent tax authority may ask the taxpayer to settle its land appreciation tax where: (i) for projects that have completed construction and acceptance examination, the building area already transferred makes up 85% or more of the salable building area of the whole project, or where this proportion is below 85%, the residuary salable building area has been leased or is in self-use; (ii) the sales are not completed upon the expiration of three years since the day when the sales (or pre-sale) permit is obtained; (iii) the taxpayer has

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applied for writing-off tax registration but has not gone through the formalities for the settlement of land appreciation tax yet; or (iv) other circumstances as prescribed by the provincial tax authorities;

- where a property enterprise uses its property development for the welfare of its workers, rewarding, foreign investment, distributions to the shareholders or investors, repaying its debts, or in exchange for the non-monetary assets of any other entity or individual, among other things, if the ownership is transferred, it shall be deemed as a sale of property, and revenue therefrom shall be determined in accordance with the following: (i) revenue shall be determined in accordance with the average price of the same kind of property sold by the company in the same region and in the same year; (ii) revenue shall be determined by the competent tax authority by referring to the market price or appraised value of the same kind of property sold in the same region and in the same year;
- where a property enterprise uses develops portion of its property development for self-use, lease or any other commercial purpose, if the relevant property ownership rights are not transferred, the land appreciation tax thereon shall be exempted, the revenue therefrom shall not be listed in the settlement of tax payment, and the corresponding costs and expenses shall not be deducted; and
- the tax authority may, by consulting the tax burdens of the local enterprises similar to it in terms of development scale and income level, collect land appreciation tax from the property developer by verification on the basis of the levying rate that is not lower than the advance levying rate, where: (i) the property developer fails to set up accounting books in accordance with the provisions of laws and administrative regulations; (ii) the property developer fails destroys the accounting books without authorization or refuses to provide the data of tax payments; (iii) the property developer fails has established accounting books, but the accounting items are confusing, or its cost information, revenue vouchers and expense vouchers are damaged or incomplete and it is difficult to determine the transfer income or amount under the deductible items; (iv) the property developer satisfies the settlement conditions of land appreciation tax, but it fails to go through the settlement formalities within the prescribed time limit, and it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; (v) the taxable basis declared is obviously on the low side and without legitimate reason.

Deed Tax

Pursuant to the Provisional Regulations of the PRC on Deed Tax (《中華人民共和國契稅暫行條例》) (Decree No.224 of the State Council) enacted by the State Council on July 7, 1997 and became effective on October 1, 1997:

- the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax; and
- the rate of deed tax is 3% to 5%. The people's government of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the MOF and the SAT for record.

The Adjustments to Taxation on Property Transactions (《財政部國家稅務總局關於調整房地產交易環節稅收政策的通知》) (Caishui [2008] No.137) issued by the MOF and SAT on October 22, 2008,

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and was amended on October 1, 2010 the stamp duty on residential properties sold or purchased by individuals, and the land appreciation tax on residential properties sold by individuals are temporarily suspended.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) enacted by the State Council on September 27, 1988, which came into effect on November 1, 1988, and revised by the State Council on December 31, 2006:

- the land use tax in respect of urban land is levied according to the area of relevant land. The measuring of the areas of land occupied as mentioned in the preceding paragraph shall be determined by the people's governments of the provinces, autonomous regions and municipalities directly under the PRC government in light of the actual conditions; and
- the annual amount land use tax rates per sq.m. are as follows: (i) between RMB1.5 and RMB30 in large cities; (ii) between RMB1.2 and RMB24 in medium cities; (iii) between RMB0.9 and RMB18 in small cities; (iv) between RMB0.6 and RMB12 in county towns, towns/bases operated under an organizational system, and industrial and mining districts.

Property Tax

Pursuant to the Provisional Regulations of the PRC on Property Tax (《中華人民共和國房產稅暫行條例》) (Guofa [1986] No.90) enacted by the State Council on September 15, 1986 and became effective from October 1, 1986, property tax shall be 1.2% if it is calculated on the basis of the residual value of a property, and 12% if it is calculated on the basis of the rental.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) (Decree No.11 of the State Council) enacted by the State Council on August 6, 1988 and effective from October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Urban Maintenance and Construction Tax

Pursuant to the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (Guofa [2010] No.35) promulgated by the State Council on October 18, 2010, regulations, rules and policies regarding urban maintenance and construction tax shall be applicable to foreign-invested enterprises, foreign enterprises and foreign

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individuals from December 1, 2010. Regulations, rules and policies in respect of urban maintenance and construction tax and education surcharge issued by the State Council as well as finance and tax department of State Council since 1985 and 1986 shall also be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals.

Education Surcharge

Pursuant to the Provisional Provisions on Imposition of Education Surcharge” (《徵收教育費附加的暫行規定》) (Decree No.588 of the State Council) enacted by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (《關於籌措農村學校辦學經費的通知》).

Pursuant to the Notice of Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (Guofa [2010] No.35) promulgated by the State Council on October 18, 2010, regulations, rules and policies regarding education surcharge shall be applicable to foreign-invested enterprises, foreign enterprises and foreign individuals from December 1, 2010.

MEASURES ON STABILIZING HOUSING PRICES

The General Office of the State Council enacted the Notice on Effectively Stabilizing Property Prices (《關於切實穩定住房價格的通知》) (Guobanfangdingian [2005] No.8) on March 26, 2005, requiring measures to be taken to restrain surging property prices and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council forwarded the Notice of Opinion on Stabilizing Property Prices (《關於做好穩定住房價格工作意見的通知》) (Guobanfa [2005] No. 26) issued by departments including the MOHURD, which provides that:

- Intensifying the planning and control and improving the supply structure of houses:

All regions shall, according to the property market demand thereof, clarify the construction scale, project allocation and progress arrangement of common commodity houses and economically affordable houses of the current year and the next year as soon as possible. Where the house price is in excessive growth, the supply of common commodity houses and economically affordable houses at mediate or low prices are insufficient, emphasis shall be put on the common commodity houses and economically affordable houses at moderate or low prices in the house construction, and the areas of construction initiation and completion and the proportion of common commodity houses and economically affordable houses at moderate or low prices in the overall construction shall be clarified and be publicized to the general public as soon as possible and shall be subject to the social supervision so as to stabilize the social prediction. The people’s governments at the provincial level shall reinforce the supervision and examination on the implementation of all municipals (regions) and counties. All the administrative departments of city planning shall, on the precondition of being in compliance with the overall city planning, accelerate the progress of work, give priority to the examination of projects in the planning and grant the guaranty for location choice according to the demand for the construction of common commodity houses and economically affordable houses at moderate or low prices. At the

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same time, the said administrative departments shall strictly control the construction of low-density or top-grade houses. For those construction projects of common commodity houses at moderate or low prices, before any supply of land, the administrative department of city planning shall provide such requirements of planning and designing as height of buildings, volumetric fraction and green land according to the controlling detailed plan. The administrative department of property shall, in collaboration of the relevant departments, put forward such controlling requirements as the sales prices of houses and the areas of dwelling sizes, which shall be the precondition of any land transfer, so as to ensure an effective supply of small or medium-sized houses at moderate and low prices. All regions shall intensify the supervision and administration on the planning licensing for property development projects, carry out a second planning examination on those house projects that haven't been initiated for 2 years and resolutely cancel those projects that fail to meet the requirements of planning licensing;

- Intensifying the control over the supply of land and rigorously enforcing the administration of land:

All regions shall, on the precondition of a strict implementation of the overall layout and plan of land use, adjust the structure, mode and time of land supply in proper time according to any change of the property market. For those regions where the price of any land as used for residential house and the house price is in excessive growth, we should properly elevate the proportion of the land as used for residential houses in land supply, attach importance to increasing the land supply for the construction of common commodity houses and economically available houses. We should continuously cease the land supply for villas and strictly control the land supply for top-grade houses. We should further improve the land purchase and reserve system, actively introduce the market mechanism, straighten out land development, lower the costs of land development and enhance the supplying capability of land for common commodity houses;

- Adjusting the policies of business tax in the link of house transfer and strictly regulating the collection and administration of tax:

From June 1, 2005, where anyone resells his house that has been bought for less than 2 years, the business tax shall be collected on the basis of the full amount of income from the sale of his house; where anyone resells his common house that has been bought for more than 2 years (including 2 years), the business tax thereof may be exempted; where anyone resells his non-common house that has been bought for more than 2 years (including 2 years), the business tax shall be collected on the basis of the margin between the income from house sale and the payment for house purchase; All the regions shall strictly define the application scope of the current tax preferential policies concerning house and reinforce the administration of tax collection;

- Clarifying the standard of enjoying favorable policies for common houses and guiding the construction and consumption of houses in reasonable manner:

In order to guide the construction and consumption of houses, the development of land-saving houses shall be fostered and the support of favorable policies to those common houses of medium or small sizes at moderate and low prices shall be granted. Those houses that enjoy the favorable policies shall, at the same time, satisfy the following conditions in principle: the volumetric fraction of the buildings in residential communities shall be more than 1.0, the floor space of a single set of apartment shall be less than

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120 square meters, and the bargaining price is 1.2 times lower than the average dealing price of those houses as built on the land at an identical level. All provinces, autonomous regions and municipalities directly under the PRC government shall, according to the actual situations, formulate the specific standards for those common houses that may enjoy favorable policies within the administrative regions thereof. A proper float is allowed for the standard of floor space and price of a single set of apartment. However, the upward floating proportion shall not be more than 20% of the aforesaid standard. The specific standards of all municipalities directly under the PRC government and the capital cities of all provinces shall be reported to the MOHURD, the MOF and the SAT for archival filing and shall be promulgated before May 31, 2005;

- Intensifying the construction of economically affordable houses and improving the cheap house-renting system:

All regions shall, according to the Measures for the Administration of Economically Affordable Houses (No.77 [2004] of the MOHURD) and the provisions of the local people's governments, implement the bidding invitation and tender system for projects of economically affordable houses, intensify the construction of economically affordable houses, strictly implement the guiding price of the government, take control of dwelling size areas and sales targets, effectively lower costs of development and construction. The profits of those construction entities shall be controlled within 3%. The specific requirements shall be clarified in the Decision on the Allocation of State-owned Lands, which shall be publicized to the general public. The house-leasing industry shall be encouragingly developed and regulated so as to increase house supplies and elevate the capability of house guaranty.

Opinion on Adjusting the Structure of Property Supply and Stabilizing Property Prices forwarded by the State Council on May 24, 2006 (《關於調整住房供應結構穩定住房價格的意見》) (Guobanfa [2006] No.37) of the MOHURD and other relevant government authorities provides the following:

- Adjusting the structure of property supply:

Developers must focus on providing small to medium-sized ordinary commodity properties at low- to mid-level prices to cater to the demands of local residents. As of June 1, 2006, newly approved and commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable units). If municipalities directly under the PRC government, cities listed on state plans and provincial capital cities intend to adjust such prescribed ratio based on special condition, they must obtain special approval from the MOHURD. Construction projects that have been approved but have not yet obtained a construction permit must follow the prescribed ratio;

- Further adjustments on tax, loan and land policies:

(i) from June 1, 2006, business tax will be levied on the full amount of the sales proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price; Commercial

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banks are not allowed to approve loan facilities to property developers who do not fulfill the capital fund requirement of 35% or more for their construction projects;

(ii) commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the property developers who have a large reserve of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more;

(iii) at least 70% of the total land supply for residential property development must be used for developing small to medium-sized ordinary housing (including economical housing) and low-cost housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted; and

(iv) the relevant authorities will levy a higher surcharge against those property developers who have not commenced the construction work for more than one year from the commencement date stipulated in the State-owned land use right contract and will order them to set the schedule for commencing the construction work and completion. The relevant authorities will confiscate without compensation the State-owned land use right from those property developers who have not commenced the construction work beyond two years from the commencement date stipulated in the State-owned land use right contract without proper reasons. The relevant authorities will dispose of the idle land of those property developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

A supplemental Opinion on the Implementation of the Residential Property Size Ratio in Newly Built Residential Buildings (Jianzhufang [2006] No. 165) (《關於落實新建住房結構比例要求的若干意見》) promulgated by the MOHURD on July 6, 2006, provides that, as of June 1, 2006, for newly approved and newly commenced commodity residential projects in different cities including town and counties (from June 1, 2006 and onward), at least 70% of the total construction area must be used for building small apartments (including economically affordable units) with unit floor area of 90 sq.m. or below.

The Implementation of the Several Opinions of the State Council on Solving Housing Difficulties of Low-Income Household in Urban Cities and Further Strengthening Control on Land Supply (《關於認真貫徹〈國務院關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) (Guotuzifa [2007] No.236) issued by the Ministry of Land and Resources on September 30, 2007 and amended on January 1, 2010, provides:

- to tighten the measures on the disposal of idle land, the land resources administrative bureau at the city or county level shall give priority to the construction land of low-renting housing, economically affordable housing and low-to-medium size ordinary commodity housing at low-to-medium prices when drafting the annual land supply plan and the annual supply of such houses shall not be less than 70% of the total amount of annual land supply; and
- the local authorities shall control the land supply and shorten development period, under which development period of a parcel of land shall not be more than three years in principle, in order to ensure the efficiency of land development.

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Circular on Conservation of Intensive-used Land by Financial Policies (《關於金融促進節約集約用地的通知》) (Yinfa [2008] No.214) jointly issued by PBOC and CBRC on July 29, 2008 required financial institutions to tighten the credit financing granted to construction projects, municipal infrastructure and industrial land projects, rural collective construction land projects and commercial property projects. Commercial banks shall not grant loans to property developer for the purpose of paying land premium nor to finance any of the following property projects:

- construction projects which belong to the prohibited category;
- property development project on a rural collective construction land; and
- property development project on land which has been idle for two years or more.

Pursuant to Circular of Adjusting Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Caishui [2009] No.157) jointly issued by the MOF and SAT on December 22, 2009, for any individual who transfers his or her non-ordinary residential property within five years from the date of purchase, a business tax shall be levied based on the total proceeds from the sales. If any individual transfers his or her non-ordinary residential property after five years from the date of purchase or transfers his or her ordinary residential property within five years from the date of purchase, a business tax shall be levied for the difference between the proceeds from the sales and the purchase price of the property. For any individual who transfers his or her ordinary residential after five or more years from the date of purchase, the business tax will be exempted. Such Circular has been repealed by the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Caishui [2011] No.12) issued by the MOF and SAT on January 27, 2011.

Pursuant to Circular on Promoting the Stable and Healthy Development of the Property Market (《關於促進房地產市場平穩健康發展的通知》) (Guobanfa [2010] No.4) issued by the State Council on January 7, 2010, to further strengthen and to improve the regulation on property market. In order to manage market expectation and to promote the steady and healthy development of property market, the supply of affordable housing and general commodity apartments will be increased to meet the demand of users and to deter speculating buyers. The increase in housing supply can also facilitate risk management and market regulation. In addition, the minimum down payment of mortgage loan for additional residential property shall be 40% of the value of the property to be purchased by any member of a family (including the borrower, his or her spouse and dependent children) which has already purchased a residential property by mortgage loan. The interest rate of the mortgage loan for additional residential property shall reflect the associated risk level.

Pursuant to the Circular of Adjusting the Policy of Business Tax on Transfer of Residential Property by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) (Caishui [2011] No.12) issued by the MOF and SAT on January 27, 2010, for any individual who sells his or her residential property within five years from the date of purchase, a business tax shall be levied based on the total proceedings from the sales. If any individual sells his or her non-ordinary residential property after five or more years from the date of purchase, business tax shall be levied at the difference between the proceeds from the sales and the purchase price of the residential property. For any individual who sells his or her ordinary residential properties after five or more years from the date of purchase, the business tax will be exempted.

The Notice on Resolutely Curbing the Soaring of Property Price in Certain Cities (《關於堅決遏制部分城市房價過快上漲的通知》) (Guofa [2010] No.10) issued by the State Council issued on

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April 17, 2010 provides a series of new measures to suppress the surge of property price in certain cities of China, which included (among others) the following:

- Increasing the minimum requirement of down payment:
 - (i) for the purchase of a first residential property with a GFA of 90 sq.m. or above, the down payment shall not be less than 30% of the purchase price of the relevant property;
 - (ii) for the purchase of a second residential property, the down payment shall not be less than 50% of the relevant purchase price, and the interest rate of mortgage loan shall not be lower than 1.1 times of the benchmark interest rate for loan of one-year period of PBOC; and
 - (iii) for those who purchase a third or subsequent property by mortgage loan, commercial banks shall significantly increase the ratio of down payment to the total payment and the minimum mortgage interest rate.
- Control of bank loan:

In areas where property prices grow too fast, commercial banks may suspend granting mortgage loans to purchaser who is buying the third or subsequent property; Commercial banks shall suspend granting loans to those non-local buyers who fail to provide the proofing documents of local tax payment or social insurance premium payment for more than one year; Local government may take provisional measures to limit the maximum numbers of properties a household may own; Developers which engage in speculation shall be punished; Commercial banks shall not grant loans to developers which possess idle lands or manipulate the land reserve or price; and CSRC may suspend the review of application for the listing of shares, re-organization and re-financing of developers which engage in speculations;
- Disclosure of property title ownership:

Property developers who have submitted information of the completed property for sales to the local government or have obtained the permit for pre-sales shall make an announcement regarding the property project available for sales to the public in a timely manner, and shall sell the property at the same price as that filed with the local government.

Pursuant to the Notice on Adjusting the Taxation Preferential Treatment on Deed Tax and Personal Income Tax Applicable to Property Transaction (《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》) (Caishui [2010] No.94) jointly issued by the MOF, SAT and MOHURD on September 29, 2010 and became effective on October 1, 2010. According to the Notice, households (including the purchaser, his or her spouse and children under the age of 18) are entitled to a 50% reduction of deed tax for the purchase of the first residential property. If the GFA of the residential property is less than 90 sq.m., the applicable deed tax will be decreased to 1%. No exemption will be granted to any purchaser who purchases another residential property within one year after the disposal of the original property.

Pursuant to the Notice on Issues Relating to Further Regulating the Control of Property Market (《關於進一步做好房地產市場調控工作有關問題的通知》) (Guo banfa [2011] No.1) issued by the General Office of the State Council on January 26, 2011 provides:

- greater effort is required for the construction of affordable housing. It is required that 10 million units of affordable housing units and redeveloped units in squatter areas shall

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be developed in 2011. Local governments shall ensure that not less than 70% of its land supply shall be restricted for the development of affordable housing units, redevelopment of squatter areas and small and medium-sized commodity housing units. The quality of new property developers and their sources of funds shall be stringently scrutinized;

- entities and individuals participating in bidding for lands are required to disclose and prove the sources of their funding. Change of use of land for affordable housing is prohibited and violation of this restriction will be severely punished. The land use right of land allocated for property development but remain undeveloped for more than two years shall be forfeited. If a land remains undeveloped for more than one year, penalty for idling will be imposed. Local governments are required to identify any illegal transfer of land use right and take necessary actions accordingly. No allocation of land shall be made and no property development project shall be approved if the investment of a property development project (exclusive of land premium) is less than 25% of the value of the project; and
- if any individual transfers his or her residential property within five years from the date of purchase, a unified business tax will be levied on the proceeds from such sales. For those who purchase a second residential property by credit loans, the down payment shall not be less than 60% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times of the benchmark interest rate. In any city, local families who already own a residential property, or non-local families who can provide the proofing documents of the payment of local tax or social insurance for certain years may only purchase one residential property (including new commodity apartments and second-hand properties). Local families who already own two or more properties or non-local families who fail to provide the proofing documents of the payment of local tax or social insurance for specified periods may not purchase any property in that city.

The Regulation on Clear Pricing of Commercial Property (《商品房銷售明碼標價規定》) (Fagaijiage [2011] No.548) promulgated by NDRC on March 16, 2011, which took effect on May 1, 2011, provides:

- property developers and intermediary service agencies within the territory of the PRC (“business operators of commodity housing”) shall sell newly built commodity housing at expressly marked prices in accordance with these Provisions. Intermediary service agencies shall sell second-hand housing at expressly marked prices with reference to these provisions;
- competent price departments of governments at all levels shall be the organs for administration of sales of commodity housing at expressly marked prices, and shall conduct supervision and inspection, in accordance with the law, over the compliance by business operators of commodity housing with the requirements for clear indication of prices and public notice of the charges;
- property business operators with the pre-sale license and those selling completed housing shall expressly indicate the prices of the housing when disclosing the housing resources;
- a business operator of commodity housing shall place price tags, price lists or price brochures in eye-catching places of property transaction venues, and may, where conditions permit, adopt other means such as electronic information screens, multimedia

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terminals or computer inquiry at the same time. Prices expressly marked through multiple means mentioned above shall be consistent with one another;

- when marking the price of a commodity housing, the seller shall make sure that all chargeable items are disclosed, that the price is true, definite and marked in a legible and eye-catching manner, and that the number of the complaint hotline of the competent pricing department is given; and
- in the sales of commodity housing, one unit shall be given one expressly marked price, and business operators of commodity housing shall clearly mark the price of each housing unit. Where a unit is priced according to its floor area or built-in floor area, the price per floor area or the price per built-in floor area shall also be given.

The Notice on Continuing Adjustment and Control of Property Markets (《關於繼續做好房地產市場調控工作的通知》) (Guo Ban Fa [2013] No.17, hereinafter referred to as the “No.17 Notice”) promulgated and implemented by the General Office of the State Council on February 26, 2013 provides:

- Continuing to enforce purchase restrictions imposed on commodity housing

All administrative regions of a city subject to purchase restrictions shall be covered under such restrictions. Types of houses subject to purchase restrictions shall include all newly-constructed commodity housing and second-hand housing. The house purchase eligibility shall be examined before the conclusion of a house purchase contract (or a letter of purchase intent). For the time being, houses within the administrative regions of a city shall not be sold to a family without local household register that already owns one or more houses, and a family without local household register that is unable to provide proofs for a certain number of consecutive years of local tax payment or social insurance contribution. For cities with soaring housing prices, the local branches of the PBOC may further raise the percentage of the minimum down payment and loan interest rates for second-home purchases according to policy requirements and the price control targets determined by local people’s governments for newly-constructed commodity housing. Tax authorities shall closely cooperate with departments of housing and urban-rural development to levy individual income tax payable on the sales of owner-occupied houses at 20% of the transfer income in strict accordance with the law if the original value of the houses sold can be verified through historical information such as tax collection and house registration.

- Increasing supply of ordinary commodity housing and land for property construction

In principle, total supply of land for housing construction in 2013 shall not be less than the average actual supply over the past five years. Where more than 70% of the total units developed and built under an ordinary commodity housing construction project are small- and medium-sized units, banking financial institutions shall give priority to supporting its credit needs for project development as long as credit extension conditions are satisfied.

- Strengthening expectation management of property market

Starting from 2013, all regions shall raise the pre-sale threshold for commodity housing. All regions shall earnestly strengthen the management of the funds obtained from pre-sales, and improve regulatory systems in this regard. Regions that have not yet implemented regulation of the funds obtained from pre-sales shall accelerate the pace for

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formulating their respective regulatory measures for funds obtained from commodity housing pre-sales. The issuance of pre-sale permits may be temporarily suspended for commodity housing projects that command excessively high prices in their pre-sales programs and that refuse to be directed by the departments of housing and urban-rural development of the relevant cities, or commodity housing projects for which the funds obtained from pre-sales are not regulated.

- Strengthening the credit management of property developers

Relevant departments shall establish a joint action mechanism to mete out heavier punishments against property developers that possess idle land, engage in land speculation, hoard properties, drive up prices or commit other illegalities or irregularities. Departments of land and resources shall prohibit such property developers from bidding for new land plots, banking financial institutions shall not grant loans for their new development projects, securities regulatory authorities shall suspend the approval of their applications for listing, refinancing or major asset restructuring, and banking regulatory authorities shall prohibit them from raising funds through trust schemes. Tax authorities shall reinforce the collection and administration of the land appreciation tax, and conduct collection audit and inspection in strict accordance with relevant provisions.

The Notice about Forwarding Notice of the General Office of the State Council on Continuing Adjustment and Control of Property Markets issued and implemented by the General Office of the People's Government of Guangdong Province (《廣東省人民政府辦公廳轉發國務院辦公廳關於繼續做好房地產市場調控工作的通知》) (Yue Fu Ban [2013] No.11) on March 25, 2013 sets forth specific measures for carrying out and implementing the No.17 Notice, including the following:

- Effectively implementing the accountability system for stabilizing housing prices

Guangzhou and Shenzhen municipalities shall, in accordance with the principle of maintaining basic stability of housing prices, determine the annual price control targets for newly-constructed commodity housing in 2013, register such targets with the relevant government departments and announce such targets to the public before the end of March 2013.

- Firmly enforcing purchase restrictions imposed on commodity housing

Individual income tax payable on the sales of owner-occupied houses at 20% of the transfer income shall be strictly levied.

Guangdong, Shenzhen, Zhuhai and Foshan municipalities shall continue to strictly enforce purchase restrictions policies for residential housing, and the existing restrictions policies which are not inconsistent with the No.17 Notice shall be adjusted immediately.

- Increasing supply of small and medium-sized ordinary commodity housing and land for property construction

Relevant departments of cities above prefectural level shall announce to the public their annual housing supply plans for 2013, and register the plans with the provincial department of land resources.

A fast-track administrative examination and approval channel for construction projects of small and medium-sized ordinary commodity housing with units which are below 90

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sq.m. shall be established. Land supply, construction and delivery for sales of the projects of small and medium-sized ordinary commodity housing shall be accelerated.

- **Strengthening the supervision and management of the property market**

Provisions regarding management of pre-sales of commodity housing indicated in Administrative Regulations of Guangdong Province on Pre-sales of Commodity Housing (《廣東省商品房預售管理條例》) shall be strictly implemented. Regions where necessary conditions are satisfied shall raise the pre-sale threshold for commodity housing.

Local Restrictive Measures

The following discussion relates to measures adopted by various cities in which we operate to restrict local property purchases. As of the Latest Practicable Date, Shantou, Dongguan, Lingshui and Zhongshan had not issued laws or regulations restricting property purchases.

Shenzhen

Pursuant to the Circular of the Office of Shenzhen People's Government on Further Improvement of Control over Our Real Estate Market to Guarantee the Annual Target of Controlling New Housing Price (《深圳市人民政府辦公廳關於進一步做好我市房地產市場調控工作確保年度新建住房價格控制目標的通知》) (Shen Fu Ban [2011] No.30) promulgated and implemented by the Shenzhen People's Government on March 29, 2011, the tax payment proof provided by any household without a local registered residence of Shenzhen at the time of home purchase must fulfill the condition of continuous payment in the recent 12 months or more (excluding delayed payment). For the social insurance payment proof provided by any household without a local registered residence at the time of home purchase, it must satisfy one of the following conditions: (i) the continuous payment of pension and medical insurance in the recent 12 months or more; (ii) the continuous payment of pension and work injury insurance in the recent 12 months or more; and (iii) the continuous payment of medical insurance and work injury insurance in the recent 12 months or more.

The Notice of the General Office of People's Government of Shenzhen City on Continuing Adjustment and Control of Property Markets (《深圳市人民政府辦公廳關於繼續做好房地產市場調控工作的通知》) (Shen Fu Ban [2013] No.12) issued and implemented on March 28, 2013 sets forth specific measures for carrying out the No.17 Notice and No.11 Notice, including the following:

- **Strengthening the levy of tax on property**

Individual income tax payable on the sales of owner-occupied houses shall be strictly enforced pursuant to the No.17 Notice. Property appraisal methods shall be improved to exert active effects on levying tax on property. Collection and administration of taxes on transactions involving existing housing inventory shall be continued to strengthen, and timely and appropriate adjustments to property appraisal prices shall be conducted in accordance with the housing price changes.

- **Strictly implementing differentiated credit extension policies based on housing types**

The Central Sub-branch of the PBOC may adjust the percentage of the minimum down payment and loan interest rates for second-home purchases according to policy requirements and the price control targets determined by Shenzhen City for newly-constructed commodity housing when necessary.

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- **Strictly enforcing the purchase restrictions imposed on commodity housing**

Department of urban planning and land resources shall strengthen cooperation with departments for tax, civil administration, public security, social security and others to realize information sharing and to stop circumvention of purchase restrictions through remedial payments of social security, multiple household registers or other methods. Relevant departments shall strengthen investigations and punishments on irregularities and violations, such as providing false information, using deceptive means to obtain the filing for pre-sale contracts or and property transfer registrations, in order to firmly curb property speculation.

- **Further strengthening the market regulation and expectation management of the property market**

The credit management system of property industry shall be further improved. Unlawful sales shall be recorded into the relevant property enterprise's credit files, and shall be resolved according to relevant regulations.

Guangzhou

Pursuant to the Implementation Opinion of the Office of Guangzhou People's Government on Relevant Matters about the Implementation of the Circular of the Office of State Council on the Further Improvement of Control over the Real Estate Market (《廣州市人民政府辦公廳關於貫徹國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知的實施意見》) (Sui Fu Ban [2011] No.3) promulgated by Guangzhou People's Government on February 23, 2011, it temporarily was stipulated for Guangzhou from the date of issuing this opinion that any household with a local registered residence which has already owned one residence and any household without a local registered residence which is able to produce a local tax payment certificate or a proof of social insurance contribution for more than one year in total within two years shall be restricted to purchasing one residence (including newly constructed commodity housing and second-hand housing) within a specified period. In respect of any household with a local registered residence which has already owned two or more residences, any household without local registered residence which has already owned one or more residence(s), and any household without a local registered residence which is unable to provide a local tax payment certificate or a proof of social insurance contribution for more than one year in total within two years, no houses shall be sold to them within its own city for the time being. For any foreign institution's and individual's purchase of commodity housing, it must be strictly subject to relevant policies of the country. No registration for real estate will be made for any home purchase in breach of relevant provisions. Any person without a local registered residence who fulfills the conditions of high-level talent specified in the Opinions of the Guangzhou People's Government of the Party Committee of Guangzhou, PRC on Faster Attracting and Cultivating High-level Talents (《中共廣州市委廣州市人民政府關於加快吸引培養高層次人才的意見》) (Sui Zi [2010] No.11) has no residence in Guangzhou may purchase one residence.

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Opinions on Implementation of the Notice about Forwarding Notice of the General Office of the State Council on Continuing Adjustment and Control of Property Markets issued and implemented by General Office of the People's Government of Guangdong Province issued and implemented by General Office of the People's Government of Guangzhou Municipality (廣州市人民政府辦公廳關於貫徹廣東省人民政府辦公廳轉發國務院辦公廳關於繼續做好房地產市場調控工作通知的實施意見) (Sui Fu Ban [2013] No.14) on March 31, 2013 set forth more specific measures for adjustment and control of property market under the No.17 Notice and No.11 Notice, including the following:

- **Effectively implementing the accountability system for stabilizing housing prices**

Rises in prices of newly-constructed commodity housing (excluding affordable housing) should be lower than actual rises in capita disposable income of urban residents in Guangzhou.

- **Firmly enforcing purchase restrictions imposed on commodity housing**

A family without local household register that is able to provide proofs for one consecutive year of local tax payments or social insurance contributions within two years before the date of purchase is limited to purchasing one house (including newly-constructed commodity housing and second-hand housing). A family without local household register shall not purchase houses through certifications of remedial payments of local tax or social insurance.

The Guangzhou branch of the PBOC may further raise the percentage of the minimum down payment and loan interest rates for second-home purchases according to policy requirements and the price control targets for newly-constructed commodity housing in Guangzhou in 2013.

Individual income tax payable on the sales of owner-occupied houses shall be strictly enforced pursuant to the No.17 Notice. The collection and administration of the land appreciation tax shall be reinforced, and collection of the land appreciation tax of property projects shall be conducted with increased efforts.

- **Increasing supply of small and medium-sized ordinary commodity housing and land for property construction**

The land supply for affordable housing and middle to low-priced, small and medium-sized units housing should be not lower than 70% of the total land supply for housing. Land supply for low-density housing with volume ratios equal to or lower than one shall be prohibited.

A fast-track administrative examination and approval channel for construction projects of small and medium-sized ordinary commodity housing which are below 90 sq.m. shall be established. Where more than 70% of the total units developed and built under an ordinary commodity housing construction project are small and medium-sized units, banking financial institutions shall give priority to supporting the project's credit needs as long as credit extension conditions are satisfied.

- **Strengthening the market regulation and expectation management of the property market**

The issuance of pre-sale permits may be temporarily suspended for commodity housing projects that command excessively high prices in their pre-sale programs and that refuse to be directed by the land resources and housing administrative departments.

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Guangzhou's Land Resources and Housing Administrative Bureau shall take the lead and cooperate with departments for industry and commerce, price control, construction and other departments to increase rectifications and regulations of the order of property market, to focus on investigating illegalities and irregularities such as violations of housing purchase restriction policies, unlawful sales, unlawful property brokerage, driving up prices and publishing false advertisements.

Nanning

Pursuant to the Circular of the Office of Nanning People's Government on Further Improvement of the Control over the Real Estate Market (《南寧市人民政府辦公廳關於進一步做好房地產市場調控工作的通知》) (Nan Fu Ban [2011] No.61) promulgated by the Nanning People's Government on March 24, 2011, Nanning will implement the home purchase restrictions. The authorities will continue to properly carry out the policy of limiting the number of houses for purchase by household livings in the urban area of the city, and discourage investment and speculation in the housing market as well as prevent the surge of property price through directing consumers to making reasonable purchases of residential properties.

The Notice of General Office of the People's Government of Nanning City on Continuing Adjustment and Control of Property Markets (《南寧市人民政府辦公廳關於繼續做好房地產市場調控工作的通知》) (Nan Fu Ban [2013] No.58) issued and implemented on April 10, 2013 sets forth specific measures for carrying out and implementing the No.17 Notice, including the following:

- **Continuing to strictly enforce the purchase restrictions imposed on common commodity housing**

Departments for tax, civil administration, public security, social security and other departments shall further improve their working mechanism for information sharing, examinations and verifications. Examinations and verifications regarding property purchaser's eligibility shall be strengthened. Ineligible property purchasers shall not be allowed to register their houses with the competent housing registration authority. Property developers, property brokers and their employees shall be suspended from online signing and transaction applications if they violate relevant policies, abet or aid the forgery of property purchasers' evidentiary materials, or gain property purchasers' eligibility by fraud. In addition, the irregularities of the foregoing property developers, property brokers and their employees shall be recorded into their credit files, and the violators shall bear relevant legal liabilities.

- **Improving the policies of differentiated credit extension based on housing types**

The credit extension policies applicable to second-home purchases (and all subsequent purchases) shall be strictly complied with and speculative housing purchases shall be firmly curbed. Borrower qualification examinations shall be strengthened and household housing registration records and borrowers' credit records shall be investigated strictly as required. Loans to borrowers who fail to meet the requirements of credit extension policies are prohibited.

- **Utilizing the adjustment effect of tax policies**

Departments for administration of tax and housing shall cooperate closely to carry out China's various tax policies regarding sales of houses by individuals. Individual income

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tax payable on the sales of owner-occupied houses at 20% of the transfer income shall be levied in strict accordance with applicable laws if the original value of houses sold can be verified through historical information such as tax collection and administration, housing registration or other means. If the original value of houses sold cannot be verified, the individual income tax payable on the sales of owner-occupied houses shall be levied through the verification collection method according to applicable laws. Sales of owner-occupied houses which have been used by the relevant individuals for more than five years as the only residences of their families shall be exempted from individual income tax.

- **Strictly enforcing the eligibility examination to land bidders**

Land bidders and their controlling shareholders shall be prohibited from land bidding activities if they are involved in criminal activities such as obtaining land use rights through forging official documents and illegal resale of land, illegal activities such as unlawful transfer of land use rights, breaching conditions provided in land use right transfer contracts when developing the relevant land, hoarding properties and driving up land prices, defaulting in payment of land premium and possessing idle land.

- **Strengthening supervision over supplied residential land**

Changing the use of residential land obtained through “bidding, auction and listing” shall be strictly prohibited. In the case that the invested amount in a property development project is not over 25% of the aggregate investment (excluding the land premium), transfer of land and the land development project provided in relevant land use right contract by any means is prohibited.

- **Strengthening pre-sales of commodity housing**

With respect to commodity housing projects that have been issued with pre-sale permits, the relevant property developers shall publicize all the commodity houses that are allowed for sales within 10 days. The pre-sale funds of the foregoing projects shall be supervised by relevant regulatory authorities and usage of such funds in commodity housing construction shall receive priority in order to ensure that such pre-sale commodity housing projects will be completed and delivered on schedule.

Chengdu

Pursuant to the Implementation Opinion of the Department of Housing Management of Chengdu, NDRC of Chengdu, Financial Bureau of Chengdu, Land Bureau of Chengdu, and Finance Office of Chengdu on the Implementation of the State Council’s requirements for Further Speeding Up the Housing-Security Program and Improving Control over the Real Estate Sector (《成都市房管局、成都市發改委、成都市財政局、成都市國土局、成都市金融辦關於貫徹落實國務院進一步加快推進住房保障做好房地產調控工作要求的實施意見》) (Chengfangfa [2011] No.7) promulgated and implemented on February 15, 2011, the policy of home purchase restriction will be carried out temporarily in the major urban area of Chengdu. Any household of Chengdu with a local registered residence in the major urban area which has already owned one residence may purchase the second residence (including newly constructed commodity housing and second-hand housing, the same below) but shall not purchase the third residence for the time being. Any household without a local registered residence in its local major urban area of Chengdu may purchase one residence upon providing local tax payment certificate or a proof of social insurance contribution, but shall not purchase the second residence. Any household without a local registered residence which are unable to produce a local tax payment certificate or a proof of social insurance contribution shall not purchase any residence in its local major urban area for the time being.

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Foshan

Pursuant to the Circular of the Office of the Foshan People's Government on the Implementation of the State Council's Real Estate Control Policy for Further Facilitating the Stable and Healthy Development of the Real Estate Market (《關於貫徹國務院房地產調控政策進一步促進佛山市房地產市場平穩健康發展的通知》) promulgated by the Foshan People's Government on March 18, 2011 (Fo Fu Ban [2011] No.28), the measure of home purchase restrictions is carried out in the administrative area of Foshan. It, in principle, stipulated that any household of Foshan with a local registered residence which has already owned one residence and any household without a local registered residence in Foshan which is able to produce a local tax payment certificate or a proof of social insurance contribution for more than one year may purchase one residence. In respect of any household with a local registered residence in Foshan which has already owned two or more residences, any household without local registered residence which has already owned one or more residence(s), and any household without a local registered residence which is unable to produce a local tax payment certificate or a proof of social insurance contribution for more than one year, no houses shall be sold to them within its own administrative area for the time being (from the issuance date of the document).

Zhuhai

Pursuant to the Circular of the Office of the Zhuhai People's Government on Deep Implementation of Control over the Real Estate Market (《珠海市人民政府辦公室關於深入開展房地產市場調控工作的通知》) promulgated on October 31, 2011, effective from November 1, 2011, any household (including current soldiers and armed police households stationed in Zhuhai) with a local residence and any household without a local registered residence which is able to produce a local tax payment certificate or a proof of social insurance contribution for more than one year in total accumulated from two years before the date of home purchase may only purchase one additional commodity housing in the major urban area of Xiangzhou. In respect of any household without a local registered residence which is unable to produce a local tax payment certificate or a proof of social insurance contribution for more than one year in total accumulated from two years before the date of home purchase, no houses shall be sold to them within Xiangzhou for the time being.

Huizhou

The Notice on Continuing Adjustment and Control of Property Markets issued by the Office of the Huizhou People's Government (《惠州市人民政府辦公室關於繼續做好房地產市場調控工作的意見》) (Hui Fu Ban [2013] No.53) on July 19, 2013 provides:

- **Strictly enforcing the policies of differentiated housing credit extension**

Banking financial institutions and housing fund management centers shall strictly carry out the housing credit extension policies according to the No.17 Notice. Banking financial institutions shall further implement the percentage of the minimum down payment and loan interest rates for first-time home purchases, and shall strictly carry out housing credit extension policies for second (or further) home purchases. The examination of qualifications of the borrowers shall be reinforced. The housing registration records of property purchasers and the credit records of the borrowers shall be strictly verified according to relevant rules. Loans shall not be extended to borrowers who do not meet the requirements of laws, regulations or policies.

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- **Strengthening the levy of tax on property**

Departments of tax administration shall strictly carry out various national tax policies regarding sales of houses by individuals, and shall further consummate the system for evaluation of housing stocks, firmly plug tax loopholes caused by two different contracts for one subject matter, strengthen the levy and settlement of the land appreciation tax.

- **Increasing supply of small and medium-sized ordinary commodity housing**

The land supply for small and medium-sized ordinary commodity housing should be not lower than 70% of the total land supply for housing. A fast-track administrative examination and approval channel for construction projects of small and medium-sized ordinary commodity housing which are below 90 sq.m. shall be established. The land supply, construction and listing of small and medium-sized ordinary commodity housing shall be accelerated.

- **Further strengthening the market regulation of the property market and consummating the information release mechanism**

The pre-sales of commodity housing shall be strengthened, and a joint linkage mechanism between departments for land resources, housing and urban-rural planning, housing administration, industry and commerce, tax, price control, public security, and urban management shall be established, in order to fully strengthen the investigation and penalization of illegal behaviors on commodity housing constructions and sales, and the protection of rights and interests of consumers. The pre-sales of commodity housing management shall be strengthened, and the pre-sales of commodity housing without pre-sale permits shall be prohibited. The property developers shall be guided to set reasonable housing prices. The property agents shall be regulated, and the management of commodity housing sales contracts shall be strengthened. The system on filing of advertisements for pre-sales of commodity housing shall be established and consummated. The management of funds for pre-sales of commodity housing shall be strengthened, and the relevant regulatory system shall be consummated, to ensure that the funds for pre-sales of commodity housing are used for subsequent constructions.

CIVIL AIR DEFENSE PROPERTY

There are several laws and regulations in the PRC regarding the civil air defense project construction, including Law of the People's Republic of China on National Defense (《中華人民共和國國防法》), Civil Air Defense Law of the People's Republic of China (《中華人民共和國人民防空法》), Property Law of the People's Republic of China (《中華人民共和國物權法》), Measures of the Development and Utilization of Civil Air Defense Construction during Peacetime (《人民防空工程平時開發利用管理辦法》) and several Opinions regarding Further Advancing the Development of Civil Air Defense by the State Council and the Central Military Commission (《國務院、中央軍委關於進一步推進人民防空事業發展的若干意見》). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil defense use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitled to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered with relevant air defense authority by the users. According to the Civil Air Defense Law of the PRC (《中華人民共和國人民防空法》) which was promulgated on October 29, 1996, the government encourages and supports enterprises, institutions,

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public organizations and individuals to invest in various ways in construction of civil air defense works. In time of peace, such works shall be used and managed by the investors and the income there from shall be owned by them. The government encourages peacetime use of civil air defense works for economic development and the daily lives of the people. However, such use may not impair their functions as air defense works.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for property development in the PRC include the Environmental Protection Law (《中華人民共和國環境保護法》), the Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Administrative Regulations on Environmental Protection for Development Projects (《建設項目環境保護管理條例》). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form must be submitted by the developer before the relevant authorities grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

OVERSEAS LISTING

Pursuant to the Provisions on Mergers and Acquisitions of a Domestic Enterprise by Foreign Investors (關於外國投資者併購境內企業的規定) (Decree No. 6 [2009] of the MOFCOM) jointly issued by MOFCOM, the State Assets Supervision and Administration Commission, SAT, SAIC, CSRC and SAFE on August 8, 2006, and amended on June 22, 2009 by MOFCOM, a special-purpose company shall mean an overseas company directly or indirectly controlled by a domestic company or natural person in China to materialize overseas listing of the interests in a domestic company actually held by the domestic company or natural person. Where a special purpose company to be listed overseas, the listing shall be proved by the securities regulatory authority under the State Council.

FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations of the PRC for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sales of foreign exchange, approvals of foreign exchange control authorities are required, except as otherwise permitted by the state.

Pursuant to the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (Huifa

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[2005] No.75) (the “Notice No.75”) issued by SAFE on October 21, 2005, which became effective on November 1, 2005, prior to establishing or assuming control of a special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

The Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Property Market (《關於規範房地產市場外匯管理有關問題的通知》) (Huifa [2006] No.47) jointly issued by SAFE and the MOHURD on September 1, 2006 provides: (i) where a foreign-invested property enterprise fails to pay the registered capital in full or to acquire a land use rights certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt; (ii) where a foreign organization or individual acquires a domestic property enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested property enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organization or individual in a domestic bank shall not be used for property development or operation. The notice also provides for a foreign exchange working process related to branches of overseas institutions established within China, overseas individuals, Hong Kong, Macau or Taiwan residents and overseas Chinese purchasing or selling commodity houses within China.

Pursuant to the General Bureau of SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》) (Huizongfa [2008] No.142) issued by SAFE on August 29, 2008, a foreign-invested enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the relevant government authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic property for any purpose other than its own use, unless the enterprise is a foreign-invested property enterprise.

The Notice of the SAFE on Issues Concerning Further Clarifying and Regulating the Foreign Exchange Administration under Some Capital Account (國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知) (Huifa [2011] No.45) issued and implemented by SAFE on November 9, 2011 provides that:

- a foreign invested enterprise shall not use RMB funds derived from settlement of foreign exchange capital for domestic equity investment. Where, with the approval of the competent authorities, A foreign invested enterprise of an equity investment type conducts domestic equity investment with its foreign exchange capital or a domestic Chinese-funded enterprise conducts domestic equity investment with foreign exchange funds in its asset liquidation account, the principles for the administration of foreign exchange contributions to A foreign invested enterprise shall apply mutatis mutandis;
- where a foreign invested enterprise pays land use right grant fees with RMB funds derived from settlement of foreign exchange capital, the settlement bank shall require the enterprise to submit a contract on assignment of state-owned construction land, a relevant

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advice of non-tax payment and other materials and strictly examine the consistency among the relevant contract, advice of payment and special fiscal account for foreign exchange settlement and payment. A non-real estate foreign-funded enterprise shall not pay the relevant fees for real estate purchased not for its own use with RMB funds derived from foreign exchange settlement; and

- a foreign invested enterprise shall not grant entrusted loans, repay inter-enterprise loans (including advances from a third party) or repay bank loans on-lent to a third party with RMB funds derived from settlement of foreign exchange capital.