

---

## REGULATORY OVERVIEW

---

### **Legal Supervision Regarding Foreign-invested Enterprises**

In accordance with the Law on Sino-foreign Joint Equity Enterprises of the People's Republic of China passed in the 2nd meeting of the 5th National People's Congress on 1 July, 1979, and amended on 15 March, 2001, the Implementing Regulations for the Law on Sino-foreign Joint Equity Enterprises of the People's Republic of China issued by the State Council in 1983 and amended on 22 July, 2001, foreign companies, enterprises and other economic organizations and individuals shall be permitted to establish joint venture enterprises within the territory of the People's Republic of China with the companies, enterprises or other economic organizations of China, based on the principles of equality and mutual benefit upon the approval of the Government of the People's Republic of China.

Agreements, contracts and Articles of Association signed by parties to joint ventures shall be submitted to the State competent departments of economy, trade and foreign affairs for examination and approval. The examination and approval authorities shall decide within 3 months whether or not to approve. Upon approval, joint ventures shall register with the state competent industrial and commercial administration department, obtain business licence, and commence business. According to the Law on Sino-foreign Joint Equity Enterprises, a Sino-foreign joint equity enterprises permitted to be established within the territory of China (hereinafter called "joint venture") is a legal person in China and shall be governed and protected by the law of China. The mode of the joint venture shall be a company with limited liability. The parties to the joint venture may invest by way of cash, physical objects, industrial property rights etc. The ratio of investment of foreign parties shall generally be not less than 25 % of the registered capital of the joint venture.

### **Legal Supervision of Foreign-invested Construction Enterprises**

In accordance with the Provisions on the Administration of Foreign-invested Construction Enterprises promulgated by the Ministry of Construction and Ministry of Foreign Trade and Economic Co-operation on 27 September, 2002 and implemented on 1 December, 2002, a foreign investor establishing a foreign-invested construction enterprise and engaging in construction business shall obtain an approval certificate for a joint venture enterprise issued by the competent administrative department of the foreign trade and economy, register and file its record with the State Administration for Industries and Commerce or its authorized local industrial and commercial administrative bureau, and obtain a certificate for a construction enterprise issued by the competent construction authority. On 19 December, 2003, the Ministry of Construction and the Ministry of Commerce promulgated supplementary provisions for service providers from Hong Kong and Macao to establish construction enterprises in the Mainland.

### **The Provisions Regarding the Business of our Company**

#### ***I. The Supervision of the Qualifications of construction enterprises***

In accordance with the Construction Law of the People's Republic of China passed by the Standing Committee of the National People's Congress on 1 November 1997 and implemented on 1 March 1998 and the Regulations on Qualification Management of Construction Enterprises promulgated by the Ministry of Construction on 26 June 2007 and implemented on 1 September 2007, construction enterprises are divided into different classes according to their registered capital, professional technical personnel, technological equipment, past performance record of completed construction projects etc., and may only engage in construction activities within the permitted scope after obtaining the corresponding qualifications.

---

## REGULATORY OVERVIEW

---

According to the Regulations on Qualification Management of Construction Enterprises, the qualification of construction enterprises shall be classified into three sequence of general works contracting, professional contracting and labour sub-contracting, each sequence shall be classified into certain categories according to the nature of their projects and technical characteristics and the categories are again classified into certain classes according to prescribed conditions.

The enterprises with professional contracting qualifications could undertake the professional project subcontracting by general contract enterprise or issued by the construction unit. The professional contracting enterprises could construct by itself or subcontracting the labor service to the labor subcontracting enterprises according to related laws and regulations.

The period of validity of Certificates of Qualifications of Construction Enterprises is five years. Enterprise should apply for renewing the certificates of qualifications 60 days before its expiration. For those enterprises that observe related laws, regulations, technical standards without fault record in its credit record and meet the requirements for qualifications in registered capital, technical personnel, the period of validity would be renewed for five years upon the approval of the same authority that permit the qualifications.

According to the Standards for Classification of Construction Enterprises implemented on 1 July 2001, the standards for general works contracting enterprises consist of 12 standards; the standards for professional contracting enterprises consist of 60 standards; the standards labour sub-contracting enterprises consist of 13 standards. Among these, the concrete provisions of the fourth series of the standards for professional contracting enterprises and the standards for the curtain wall construction work professional contracting enterprises are as follows:

The curtain wall construction work professional contracting enterprises is divided into three levels.

Standards for Level 1:

1. The enterprise has undertaken the project implementation of one or more of the two projects listed below in the last five years and passed the quality requirements.
  - (1) two curtain wall construction works of over 100 meters in height and unit work volume of more than 10,000 square meters;
  - (2) six curtain wall construction works of over 60 meters in height and unit work volume of more than 6,000 square meters.
2. The manager of the enterprise shall have over eight years' work experience in works management or possess a senior title; the chief engineer shall have over eight years' work experience in technical management of curtain wall construction works implementation and possess a senior related professional title; the chief accountant shall possess a title at intermediate level or above.

---

## REGULATORY OVERVIEW

---

The number of engineering and economic management personnel of the enterprise with a title shall not be less than 40 persons as to whom the engineering personnel shall not be less than 30 persons;

Among the engineering personnel, no less than 10 persons shall possess an intermediate title or above and the related professional personnel in terms of construction, structure, mechanical, material etc. shall have been recruited.

The enterprise shall have not less than five project managers with Level 1 qualification.

3. The registered capital of the enterprise shall be more than RMB10 million and its net assets shall be more than RMB12 million.
4. The highest income of the enterprise from completed work in the last three years shall be more than RMB40 million.
5. The enterprise shall have testing equipment for production, manufacture and installation support; a factory area of not less than 3,000 square meters to be used for processing work of the construction of curtain walls; rubber hitting purification workplaces and maintenance and protection workplaces for solidification as well as supporting equipment for mechanical processing and rubber hitting.

Standards for Level 2:

1. The enterprise has undertaken the project implementation of one or more of the two projects listed below in the last five years and passed the quality requirements.
  - (1) two curtain wall construction works of over 60 meters in height and unit work volume of more than 6,000 square meters;
  - (2) four curtain wall construction works of over 20 meters in height and unit work volume of more than 2,000 square meters.
2. The manager of the enterprise shall have over six years' work experience in works management or possess an intermediate title; the person responsible for technical matters shall have over six years' work experience in technical management of curtain wall engineering project implementation and possess a related professional title at intermediate level or above; the person responsible for financial matters shall possess an accounting title at intermediate level or above.

The number of engineering and economic management personnel of the enterprise with a title shall not be less than 30 persons as to whom the works technique personnel shall not be less than 25 persons;

Among the works technique personnel, no less than five persons shall possess a title at intermediate level or above and the related professional personnel in terms of construction, structure, mechanical, material etc. shall have been recruited.

The enterprise shall have not less than five project managers with Level 2 qualification or above.

---

## REGULATORY OVERVIEW

---

3. The registered capital of the enterprise shall be more than RMB5 million and its net assets shall be more than RMB6 million.
4. The largest income of the enterprise from completed work in the last three years shall be more than RMB15 million.
5. The enterprise shall have testing equipment for production, manufacture and installation support; a factory area of not less than 2,000 square meters to be used for processing work of the construction of curtain walls; rubber hitting purification workplaces and maintenance and protection workplaces for solidification as well as supporting equipment for mechanical processing and rubber hitting.

Standards for Level 3:

1. The enterprise has undertaken the project implementation of more than two curtain wall engineering projects with unit work volume of more than 1,000 square meters in the last five years and passed the quality requirements.
2. The manager of the enterprise shall have over three years' work experience in works management or possess an intermediate title; the person responsible for technical matters shall have over five years' work experience in technical management of curtain wall construction works implementation and possess a related professional title at intermediate level or above; the person responsible for financial matters shall possess an accounting title above the elementary level.

The number of engineering and economic management personnel of the enterprise with a title shall not be less than 15 persons of the engineering personnel shall not be less than 10 persons;

Among the engineering personnel, no less than three persons shall possess a title at intermediate level or above.

The enterprise shall have not less than three project managers with Level 3 qualification or above.

3. The registered capital of the enterprise shall be more than RMB2 million and its net assets shall be more than RMB2.5 million.
4. The highest income of the enterprise from completed work in the last three years shall be more than RMB5 million.
5. The enterprise shall have testing equipment for production, manufacture and installation support; a factory area of not less than 1,000 square meters to be used for processing work of the construction of curtain walls; rubber hitting/purification workplaces and maintenance and protection workplaces for solidification as well as supporting equipment for mechanical processing and rubber hitting.

The scope of contracting projects:

First class enterprises: may undertake all kinds of curtain wall engineering projects.

---

## REGULATORY OVERVIEW

---

Second class enterprises: may undertake curtain wall engineering projects, and the contract sum of a single project shall not exceed the amount five times of their registered capital and the area of the single project shall be 8,000 sq.m. or below and its height shall be 80 metres or below.

Level 3 enterprises may undertake curtain wall engineering projects, and the contract sum of a single project shall not exceed the amount five times of their registered capital and the area of the single project shall be 3,000 sq.m. or below and its height shall be 30 metres or below.

Curtain wall construction shall include (1) glass curtain walls with fully concealed frames, glass curtain walls with semi-concealed frame, glass curtain walls with seen frames and glass curtain wall without frames; (2) various kinds of curtain walls made of metal sheets, artificial sheets and stones; and (3) other kinds of curtain walls.

### *II. Supervision regarding curtain wall engineering projects*

On 8 July 1997, the Ministry of Construction promulgated and implemented the Provisional Regulations on Strengthening the Management of Curtain Wall Engineering Projects, providing, inter alia, for design management, invitation to tender and tendering management, raw material and product management, implementation of project, and installation management as well as completion examination and acceptance management, requiring that curtain wall engineering project implementing enterprises must undergo the examination and audit by the competent construction department having the power of examination and audit according to the provisions of the Standards for Classification of Curtain Wall Engineering Project Enterprises, holding a qualification certificate for construction enterprises and curtain wall engineering project, according to the scope of contracting as approved and determined in the certificate (including foreign-invested and Sino-foreign joint equity enterprises). Contracting without qualification or contracting of curtain wall engineering projects not permitted by the relevant qualification is strictly prohibited.

The structural design, production and manufacture, inspection and testing of products, implementation of project and installation, supervision and management of project, control and monitor, inspection and acceptance of quality of glass curtain wall project must strictly conform with the State's current standards, the Curtain wall (GB/T21086-2007) and the Standards for Glass Curtain Wall Engineering (JGJ102) in force. The project quality supervisory institution of the place where the curtain wall engineering projects are located shall carry out quality audits of the unit undertaking the project and installation of the curtain wall, and shall carry out random checks on the quality of the implementation of projects and installation of curtain and accept it after examination. Where any glass curtain wall production enterprise without production licence or the glass curtain wall products without Certificate for Use, or the quality of the projects or products fails to meet the standards, the products shall not be installed or pass the examination for acceptance.

According to the Provisional Regulations on Qualifications for Design of Architectural Curtain Wall promulgated and implemented on 30 June 2000 by the Ministry of Construction, the qualifications for specific design work in curtain wall engineering projects

---

## REGULATORY OVERVIEW

---

shall be divided into Class A and Class B and without Class C in principal. An entity with Class A qualification in specific design for curtain wall engineering projects may undertake various kinds of specific design works for curtain wall engineering projects involving various heights across the PRC. An entity with Class B qualification in specific design work for curtain wall engineering projects may undertake various kinds of specific design work for curtain wall engineering project involving heights below 80 meters across the PRC. The Ministry of Construction shall be responsible for the centralized management and approval work of the qualification of Class A and Class B of specific design work in curtain wall engineering projects. If it is necessary for remote and economically under-developed areas to set up a Class C qualification in specific design work for curtain wall engineering projects, it shall only be set up upon reporting by the competent construction administrative departments of provinces and autonomous regions and after the Ministry of Construction has approved the same. The competent construction administrative departments of the places where the entity with Class C qualification of specific design work for curtain wall engineering projects are located shall be responsible for their supervision and management. The scope of business undertaken by a Class C enterprise shall be limited to the locality of the enterprise. The standards of classification are as follows:

### *I. Class A*

#### 1. Qualification of Legal Person and Assets:

- shall possess the qualification of enterprise legal person;
- capable of bearing civil liability independently; and
- with sizeable assets and corresponding compensation ability. The registered capital of a curtain wall design and production enterprise shall not be less than RMB10 million.

#### 2. Requirements of Personnel:

- Among the professional design personnel of the entity, the technical backbone personnel engaging in the design of curtain walls shall not be less than 20 persons (with the number of persons re-engaged resigned, dismissed or retired not exceeding 20%); and there shall not be less than eight construction professionals (in construction study, and industrial and civil construction), not less than 10 mechanical professionals as well as two technicians of other related engineering professional disciplines.
- The person responsible for technical matters shall possess more than five years' management experience in curtain wall construction design and project implementation.

---

## REGULATORY OVERVIEW

---

- Must implement the system of accountability by the chief engineer who shall possess senior position or title or be a class 1 registered architect or a class 1 registered structural engineer and with more than five years' experience in curtain wall construction design and project management.
- Must have at least five senior engineers or senior architects who have more than five years' experience in this professional discipline (with number of persons re-engaged not exceeding two).
- Must have at least 10 backbone technicians who hold a middle level title and have more than five years' experience in this professional discipline.

3. Performance Requirements:

The entity shall have more than five years work experience in design activities in curtain wall engineering projects. It has a specialized design organization. It has undertaken 10 curtain wall engineering projects with over 100 meters in height (which have been completed, examined and accepted) independently and no incident relating to design quality has occurred.

4. Technical Equipment and Level of Application:

- The rate of CAD print of curtain wall construction design and project implementation drawings shall be 100%;
- The rate of CAD print of design plan and feasibility study shall be 100%;
- There shall be computers supporting the design computing system; and
- There shall be perfect projects computers supporting the design and managing the network system.

5. Management Requirements:

The design unit must set up a sound and perfect management system for quality assurance.

6. Award Requirements:

It shall have obtained not less than four awards of quality projects award or excellent project design award at above the provincial and ministry levels.

---

## REGULATORY OVERVIEW

---

### 7. Other Requirements:

It shall have participated in a fixed number of editorial and assessment work in respect of standards, rules, standard design drawing and model of this professional discipline in the country, industry, and its locality.

It shall possess the ability to design and develop new products independently and has researched into, developed and manufactured not less than five new products and new technologies in the last two years on its own accord.

### II. *Class B Entity*

#### 1. Qualification of Legal Person and Scale of Assets:

- shall possess the qualification of enterprise legal person;
- capable of bearing civil liability independently; and
- have certain sizeable assets and corresponding compensation ability. The registered capital of a curtain wall design and production enterprise shall not be less than RMB5 million.

#### 2. Requirements of Personnel:

- Among the professional design personnel of a unit itself, the technical backbone personnel engaging in the design of curtain wall construction shall not be less than 10 persons (with the number of persons re-engaged resigned, dismissed or retired not exceeding 20%); and there shall not be less than four construction professionals (in construction study, and industrial and civil construction), not less than five mechanical professionals as well as one technician of other related engineering professional disciplines.
- The person responsible for technical matters shall possess more than 5 years' management experience in curtain wall construction design and project implementation.
- Must implement the system of accountability by the chief engineer who shall possess a senior title or be a class 1 registered architect or a class 1 registered structural engineer and more than five years' experience in curtain wall construction design and project management.
- Must have at least two senior engineers or senior architects who have more than five years' experience in curtain wall construction work (re-engaged persons not allowed).



---

## REGULATORY OVERVIEW

---

- Must have at least five backbone technicians who hold a middle level title and have more than five years' experience in this professional discipline.

### 3. Performance Requirements:

The entity shall have more than five years' work experience in the design assignments in curtain wall engineering projects. It has a specialized design organization, has undertaken five curtain wall engineering projects with over 60 metres in height (which have been completed, examined and accepted) independently and no incident relating to design quality has occurred.

### 4. Technical Equipment and Level of Application:

- The rate of CAD print of curtain wall construction design and projects implementation drawings shall be 80%;
- The rate of CAD print of design plan and feasibility study shall be 80%;
- There shall be computers supporting the design computing system; and
- There shall be relatively perfect projects computers supporting the design capability and setting up its preliminary network managing system.

### 5. Management Requirements:

The design unit must set up a sound and complete management system for quality assurance.

### 6. Award Requirements:

It shall have obtained not less than two awards of quality project award or excellent project design award at above the provincial and ministry levels.

### 7. Other Requirements:

It shall possess the ability to design and develop new products independently and has researched into, developed and manufactured not less than three new products and new technologies in the last two years on its own accord.

On 18 September 2000, the Ministry of Construction handed down the Supplementary Notice Relating to the Administrative Measures (Trial Implementation) on the Qualification of the Design of Light and Small Housing Steel Structure and Curtain Wall Engineering Projects, (No. 45 Jianshe xizi 2000) which provide that units that have obtained Class A or Class B design

---

## REGULATORY OVERVIEW

---

qualification need not have the qualification for specific design work for curtain wall engineering projects solely and may at once undertake design business of curtain wall engineering projects to which the qualification permits.

As provided by Article 6 of the Notice Regarding the Printing and Issue of the Administrative Provisions on Construction Safety Glass promulgated by the National Development and Reform Commission, Ministry of Construction, General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the State Administration of Industries and Commerce on 4 December 2003 and implemented on 1 January 2004, where the following parts of buildings and structures requiring glass as building or construction material, safety glass must be used: (III) curtain walls (with the exception of all glass curtain walls)

### ***III. The Supervision Regarding Invitation to Tender and Tendering***

#### *(I) Invitation to Tender*

According to the Law of Building and Construction of the People's Republic of China, the contracting of construction projects must be carried out by way of invitation to tender and tendering and where the invitation to tender and tendering are not applicable to those projects, direct contracting is permissible. The invitation to tender and tendering of construction projects must conform to the principles of transparency, equity and fair competition so as to select the most qualified and most competitive contracting enterprise.

As regards the invitation to tender and tendering of construction projects, the entity granting the contract shall observe the statutory procedure and measures, announce the invitation letter to tender and provide the tender invitation documents which will contain the major technical requirements of the target construction projects, the important terms and conditions of the contract, criteria for tender assessment as well as the procedure relating to tender opening, tender assessment, and grant of tender.

#### *(II) Tendering*

According to the Law of Tendering of the People's Republic of China and the special provisions of railway construction projects, the candidates tendering for railway construction projects which must be tendered should meet the following requirements: a) holder of a business licence having been registered and reviewed by the industrial and commercial administrative department; b) having a qualification for the railway industry appropriate for the tender project and appropriate ability to undertake tender projects; c) having the production permit or special permit for important equipment and major materials; d) having credit proof of valid bank account; and e) having the annual audited report prepared and issued by an intermediary institution based on the tenderer's annual financial statements.

---

## REGULATORY OVERVIEW

---

The project implementation unit, prospect and design and consulting units may tender individually or two or more legal persons or other organizations may tender jointly as one single tenderer. The parties shall possess the proper ability to undertake tender projects; fulfilling the requirements of the relevant State provisions or of the provisions of the tender documents on the qualification of a tenderer (if any). Where the parties are composed of units from the same profession, its qualification shall be determined by the unit having the lowest level of qualification. If the parties are awarded the tender, the parties shall sign the contract with the person inviting tenders jointly and shall be accountable to the person inviting tenders jointly in respect of the tender project.

The person inviting tenders shall determine the successful tenderer among the recommended candidates, according to the tender assessment report issued by the tender assessment committee or authorize the tender assessment committee to determine the successful tenderer directly.

### *(III) Award of Tender*

The tender of the successful tenderer shall, to the greatest extent, satisfy the various composite assessment criteria as provided in the tender document or satisfy the substantive requirements therein has made the lowest bid in normal circumstances (excluding the bidding price which is lower than the cost of production).

After determining the successful tendering person, the person inviting tender shall issue notice of successful tender to the tendering person and shall notify the other tendering people of the result of awarding the tender. The notice of successful tender shall be legally binding upon both the person inviting tenders and the tendering person.

### ***With regard to supervision of project subcontracting***

In accordance with the “Management Measures on Construction Subcontracting of Housing and Urban Infrastructure Projects” implemented on 1 April 2004, the owner and the subcontractor of the subcontracting project shall enter into a written subcontracting contract, such subcontractor shall be held responsible to such owner with regard to such contracted project pursuant to requirements of such subcontracting contract. Such owner and such subcontractor shall be joint liable to the construction unit with regard to such subcontracted project.

Competent construction administration department of the State Council shall be responsible for the supervision and management of construction subcontracting of national housing and urban infrastructure projects. Competent construction administration department of local people’s government of county level or above shall be responsible for the supervision and management of construction subcontracting of local housing and urban infrastructure projects.

Construction subcontracting of housing and urban infrastructure projects shall be divided into professional project subcontracting and labor operation subcontracting. A construction unit shall not appoint directly such project subcontractor. No unit or

---

## REGULATORY OVERVIEW

---

individual shall interfere with subcontracting activities carried out in accordance with law. Project subcontractors shall have relevant qualifications, and shall subcontract business within the licensed scope of such qualifications and grades. An individual is strictly prohibited from subcontracting projects.

#### ***IV. Supervision Regarding Overseas Construction and Overseas Cooperative Labour Arrangements***

According to the provisions of the Law of Foreign Trade of the People's Republic of China, units engaging in overseas construction projects or overseas labour co-operation arrangements shall possess the corresponding qualifications.

Moreover, according to the Administrative Measures on Qualification Certificates for Operating Foreign Economic Co-operation Business, enterprises and units involving in overseas construction projects shall apply to the Ministry of Commerce for a qualification certificate which is a qualification proof for the enterprise operating foreign economic co-operation business. When the enterprise launches the aforesaid business, it may have to produce the certificate to the relevant administrative department, unit, overseas labour personnel, foreign businessmen, etc. according to the relevant provisions. The Ministry of Commerce is the competent authority for dealing with qualification certificates in the whole nation, responsible for the centralized printing of the qualification certificates, formulate the administrative measures on the qualification certificates as well as supervising the local competent commercial departments in the concrete execution of the aforesaid.

#### **Overseas cooperative labor arrangements**

According to the Measures for the Administration of Operational Qualifications for Overseas Cooperative Labor Arrangements, enterprises may not enter into overseas cooperative labor arrangements until relevant permissions are granted by the MOFCOM. Enterprises are required to obtain the appropriate operational qualification for overseas cooperative labor arrangements pursuant to the measures hereof, as well as obtain the Operational Qualification Certificate of the People's Republic of China for Overseas Cooperative Labor Arrangements. In addition, overseas enterprises, natural persons or foreign institutions with operations in China may not directly recruit labor employees within the territory of China.

Enterprises with the operational qualification for overseas construction projects as approved by the MOFCOM may dispatch labor workers for overseas projects on an as needed basis.

#### ***V. Supervision Regarding the Use of Solar Energy Source***

In order to promote clean energy technology, the Law of Renewable Energy Source was promulgated on 28 February 2005 and implemented on 1 January 2006. According to the new Law of Renewable Energy Source:

- The Government will set up a renewable energy source development fund to support research, development and resource assessment.

---

## REGULATORY OVERVIEW

---

- The local administrative authority of the State Price Control Bureau will consider and define the joint net electricity prices of the renewable energy source projects according to the factors listed below and will make timely adjustments:
  - the principles of facilitating the promotion of the development and use of renewable energy source;
  - the principle of economic rationality;
  - the characteristics of adopting different kinds of renewable energy source for generating electricity;
  - technology of adopting renewable energy source; and
  - circumstances in different regions in China.
- The Government of China will adopt tax preferential policy to those projects on the Industry Development Guideline list of renewable energy source

The News Office of the State Council of China issued the white paper on the Condition and Policy of Energy Resources of China in December 2007, which detailed, among other things, the strategy and objective of China's energy source development. Besides, the white paper reported that the country has all along been pushing ahead the mid and long term planning of renewable energy source in order to meet the target of increasing the consumption of renewable energy source to take up 10% and 15% of the total energy source consumption in the years 2010 and 2020 respectively. China plans to adopt the most advanced technology for utilizing solar energy and other renewable energy source, increase their market share and encourage research on and development of the fundamental technology for large scale utilization of renewable energy source.

In accordance with Rule 40 of the "PRC Energy Conservation Law" amended and adopted on 10 October 2007 (effective on 1 April 2008), the State encourages the use of new wall material and other energy conservation material and facilities, and the installation and utilization of solar energy and other recyclable energy system in new buildings and energy conservation renovations of existing buildings.

### **LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION SAFETY IN THE PRC**

According to the Work Safety Law of the PRC 《中華人民共和國安全生產法》 that took effect on 1 November 2002 ("Work Safety Law"), the State Administration of Work Safety of the PRC is in charge of the overall administration of work safety nationwide. The Ministry of Construction and the Ministry of Communications are also responsible for the administration of the work safety of the relevant industries. The Work Safety Law provides that a production entity must meet the state's legal standard or industrial standard on work safety and provide work conditions set out in relevant laws, administrative rules and state or industry standards. An entity that cannot provide required work conditions may not engage

---

## REGULATORY OVERVIEW

---

in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production entity must install prominent warning signs at relevant dangerous operation sites, facilities and equipment.

Regarding the construction system, the PRC Government reinforces production safety by building up a sound production safety regime and improving a range of production safety regulations together with strengthening supervision and administration on production safety so as to boost the production safety work. Pursuant to the Administration Regulation on Construction Production Safety for Construction Projects 《建設工程安全生產管理條例》 promulgated by the State Council on 24 November 2003 and effective on 1 February 2004, construction/survey/design/project supervision entities, as engaged in civil engineering, building work, installation of pipe lines and equipment, and renovation work, as well as other entities related to production safety, shall comply with production safety laws and regulations, guarantee production safety of construction projects and undertake production safety responsibility of construction projects as statutorily required.

### **Supervision Regarding Labour**

According to the Labour Law of the People's Republic of China passed in the 8th Meeting of the 8th Standing Committee of the National People's Congress on 5 July 1994 and promulgated on 1 January 1995, labourers are entitled to equality in employment and right to choose occupations, rights to obtain paid remuneration, right to rest and enjoy holidays, rights to be provided with safety workplace and health protection, right to receive vocational skill training, right to enjoy social insurance and social benefits, right to submit labour disputes for handling as well as other entitlements prescribed by law. Employing units shall set up and perfect regulations and systems according to law and ensure that labourers shall have the right to labour and perform their obligation to labour.

Work hours shall not be more than 8 hours per day and on average, not more than 48 hours per week. Employing units shall ensure that labourers will have at least one rest day in a week. Should production necessity arise and after consulting labourers' unions and the labourers, employing units may extend the work time generally for not more than an hour a day; where it is necessary to extend the work time for special reasons, on condition that the health of labourers be protected, the work time may be extended not more than three hours a day, but shall not exceed 36 hours in a month.

There is a system of minimum wage protection in the PRC. The specific standards for minimum wages shall be prescribed by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government and reported to the State Council for record. Minimum wages paid to labourers by employing units shall not be below the standards of those paid in the localities. Wages shall be paid to labourers personally by way of currency monthly. Where any of the following situation exists, employing units shall pay labourers according to the standards listed below wages higher than those earned in their work time: (1) where labourers' work time has been extended, wages of not less than 150 % of their wages shall be paid; (2) where labourers have been arranged to work on rest days and a supplementary holiday cannot be given, wages of not less than 200% of their wages shall be paid; and (3) where labourers have been arranged to work on statutory holidays, wages of not less than 300% of their wages shall be paid.

---

## REGULATORY OVERVIEW

---

Employing units and labourers must participate in social insurance, according to law and pay premiums for social insurance. In the situations below, labourers shall enjoy social insurance benefits according to law: (1) retirement; (2) sickness; injury; (3) injury or incapability due to work or occupational diseases; (4) unemployment; and (5) maternity.

The Law of Labour Contract of the People's Republic of China (passed in the 28th Meeting of the 10th Standing Committee of the National People's Congress on 29 June 2007) implemented on 1 January 2008 has amended parts of the Labour Law, strengthened the supervision and regulation of the signing of labour contracts, classified labour contracts for fixed term labour contracts, flexible-term labour contracts and labour contracts whose terms are based on the completion of certain work assignments, and provided that employing units shall pay to labourers two times of their wages every month if they do not make labour contracts in writing with labourers within one month from the date of employment. The Law of Labour Contracts has, by way of a special chapter, provided for labour dispatch and non-whole day employment, and expressly provided that labourers shall only pay default fines to enterprises under the following circumstances: employing units have provided labourers with specific training programmes and have agreed on a service term but labourers have breached the agreement on the service term; labourers under an obligation of confidentiality have breached the agreement on restricting trade competition.

### **Supervision Regarding Environment**

According to the Law of Environmental Protection of the People's Republic of China passed in the 11th Meeting of the 7th Standing Committee of the National People's Congress on 26 December 1989, the competent administrative department of environment of the State Council has formulated the national environment quality standards. For projects didn't specified in the national environment quality standards, the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may formulate local environment quality standards and report them to the competent administrative department of environment of the State Council for record.

The competent administrative department of environmental protection of the State Council shall formulate the national pollutant emission standards according to the national environment quality standards as well as the national economy and technological conditions. For projects not provided for in the national pollutant emission standards, the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may formulate local pollutant emission standards; where projects which have been provided for in the national pollutant emission standards, they may formulate local pollutant emission standards that are stricter than the national pollutant emission standards.

In the construction of projects that involves environmental pollution, relevant State provisions on environmental protection and management in construction projects must be observed. The report on environmental impact of the construction projects must assess the pollution generated in the construction projects and their impact on environment, stipulate preventive measures, be pre-assessed by the competent project department and be submitted according to the prescribed procedure to the competent administrative department of

---

## REGULATORY OVERVIEW

---

environmental protection for approval. Only after the approval of the report on environmental impact can the planning department approve the design assignment letter of the construction projects.

The facilities for preventing and remedying pollution must be designed at the same time, constructed at the same time and put into production and use as the main works, Enterprise or business units causing serious environmental pollution shall be revamped subject to time limit. The time limit for revamping by enterprise or business units of provinces, autonomous regions and municipalities directly under the Central Government shall be decided by their people's governments. The time limit for revamping by enterprise or business units under the people's governments at city or county level or below shall be decided by the people's governments of the city or county. Enterprise or business units that are subjected to time limit for revamping must complete the revamping task on time.

### **PRC regulation of foreign exchange in certain onshore and offshore transactions**

On 21 October 2005, the SAFE issued 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》) (“Notice 75”). The Notice 75 became effective as of 1 November 2005.

In order to further clarify relevant problems concerning the implementation and application of the Notice 75, the General Affairs Department under the SAFE issued the Notice on Printing and Distributing the Operating Rules for 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 (關於印發《國家外匯管理局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》操作規程的通知) (“Notice 106”) on 29 May 2007. The Notice 106 became effective as of 29 May 2007.

Our PRC legal advisors confirm that as at the date of this prospectus, the individual shareholders of the direct and indirect shareholders of our Company who are PRC residents have completed the registrations and fully complied with the SAFE requirements including Notice 75, Notice 106 and other relevant requirements, in connection with their Shares in our Company. Furthermore, our PRC legal advisors, have advised that following the Global Offering, the individual shareholders who have effected the transfers of Shares of our Company will be required under Notice 75 and Notice 106 to file supplemental registrations with the SAFE to record changes in their respective shareholdings and changes in the share capital of our Company as a result of the Global Offering within 30 days after such changes.

### **Regulation on the mergers and acquisition of domestic enterprises by foreign investors**

On 8 August 2006, six PRC regulatory agencies, including the Ministry of Commerce and the China Securities Regulatory Commission (“CSRC”), promulgated the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“M&A Regulation”) that became effective on 8 September 2006. Article 40 of the M&A Regulation (“Article 40”) requires that an offshore



---

## REGULATORY OVERVIEW

---

special purpose vehicle (“SPV”) formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange, if the acquisition activities leading to the said control involve share swaps between the SPV and the PRC companies.

Based on its understanding of the current PRC laws, regulations and rules, our PRC legal advisors have advised that since we have obtained all necessary approvals from the relevant RPC foreign trade and economic cooperative regulatory authorities for the Reorganization before 8 September 2006, the effective date of the M&A Regulation, therefore, the M&A Regulation does not apply to the Reorganization of the Global Offering, and CSRC approval is not required for the Global Offering or the Listing.

### **LAWS AND REGULATIONS IN RELATION TO LABOUR RELATED MATTERS IN MACAU**

The legal regime of safety and insurance law of Macau in relation to labour matters is established mainly based on the following legislations:

- 18th of October – Decree Law No. 58/93/M (approval of social security regime);
- 14th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) as amended by 13th of August – Law No. 12/2001 and 17th of December – Law No. 6/2007, as well by 20th of November – Executive Order No. 48/2006 and 24th of November – Executive Order No. 41/2008.
- 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment);
- 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments);
- 19th of July – Decree Law No. 44/91/M (approval of general regulation of working safety and hygiene on construction industry)
- 14th of September – Decree Law No. 67/92/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene on construction industry)
- 12th of July – Decree Law No. 34/93/M (approval of legal regime of noise at work)
- 5th of September – Decree Law No. 48/94/M (determination of sanctions for the incompliance of the legal regime of noise at work)

---

## REGULATORY OVERVIEW

---

- 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights);
- 18th of August – Law No. 7/2008 (Labour Relations, Juridical System)
- 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work).

The legal regime of labour matters in Macau is developed based on 27th of July – Law No. 4/98/M (Framework Law on Employment Policy and Worker’s Rights) which prescribed general principles and directions of labour legislations in different aspects.

Besides of the mentioned legislation, 18th of August – Law No. 7/2008 (Labour Relations, Juridical System) plays an important role in labour legal regime. It stipulates the basic requirements and conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated cannot be prevailed by mutual agreement.

As an employer, our Group shall have to comply with the conditions required under 22nd of May – Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) for its working places in order to provide a safe and clean working condition for its employees. Otherwise, fine and cautious measures may be imposed on our Group according to 18th of February – Decree Law No. 13/91/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Furthermore, our Group will also have to comply with the conditions required under 19th of July – Decree Law No. 44/91/M (approval of general regulation of working safety and hygiene on construction industry) and 12th of July – Decree Law No. 34/93/M (approval of legal regime of noise at work) for its working places and construction sites in order to provide a safe, clean and environment friendly working condition for its employees. Otherwise, fine and cautious measures may be imposed on our Group according to 14th of September – Decree Law No. 67/92/M (determination of sanctions for the incompliance of general regulation of working safety and hygiene on construction industry) and 5th of September – Decree Law No. 48/94/M (determination of sanctions for the incompliance of the legal regime of noise at work).

As statutory requirements stipulated under 18th of October – Decree Law No. 58/93/M (approval of social security regime) and 4th of August – Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases) our Group has to participate and contribute to the mandatory social security funds and has purchased compulsory industrial accident insurance for its Macau employees in accordance with the relevant applicable legislation, otherwise, fine will be charged as legal sanction.

---

## **REGULATORY OVERVIEW**

---

All employees of our Group have to be Macau residents, non-permanent or permanent, holders of working permits in case of foreign workers. Except for situations stated under 14th of June – Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work) with a very limit scope, workers other than those abovementioned will consider as illegal workers in Macau and the employers will be criminally liable.

Importation of foreign manpower, either skilled or non-skilled, is subject to prior approval by the Human Resources Office and subject to the Immigration Bureau's consent, pursuant to 1st of February – Dispatch No. 12/GM/88 and 16th of May – Dispatch No. 49/GM/88.

The regulatory authority in charge of labour law compliance, safety and insurance matters' inspection is the Labour Department in general and the Land, Public Works and Transportation Bureau with respect to construction sites in particular. The Monetary Authority of Macau is also entitled to check compliance and enforce insurance matters.

### **LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION IN MACAU**

The fundamentals of the legal Regime of safety and environmental law of Macau, which is applicable to every individual and corporate entity, are the Basic Law of Macau, the Law No. 2/91/M of 11th of March which is known as the organic environmental law of Macau (the “Macau Environment Law”) and series of international conventions in related fields applicable in Macau.

In addition, 14th of November – Decree Law No. 54/94/M and Executive Order No. 241/94/M, establish the rules on prevention and control of environmental noise pollution and set noise limits.

Article 119 of the Basic Law of Macau states that “The Macau Special Administrative Region shall carry out the protection of environment in accordance with law”. To implement this article together with the Macau Environmental law and other applicable international conventions, numbers of environmental legislations in form of law, decree law and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment, chemical goods, etc.

As a general rule prescribed in the Macau Environmental Law, any violation of the environmental legislations will subject to civil liability, administrative fine or criminal punishment depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

In addition, approval regarding environmental impact issued by regulatory authority is a requisite for the issue of licences of any construction project in Macau.

The rules on prevention and control of environmental noise pollution impose time period restrictions and noise limits on constructions sites.

---

## REGULATORY OVERVIEW

---

The regulatory authority in charge of environmental protection matters is the Commission of Environment.

Police authorities are also entitled to check and impose preventive measures with respect to time period restrictions.

### MACAU LICENSING REGIME

Under the current registration system in Macau, a contractor, individual or corporate, must register with the Land, Public Works and Transport Bureau of Macau in order to carry out works in Macau (the “**Registration of Work**”).

The Registration of Work is compulsory in nature and is divided into two categories: urban construction and gas. For the urban construction, it is a requisite for contractor who intends to elaborate construction plan and to execute construction. For gas, it is a requisite for contractor who intends to elaborate of installation of gas network or/and gas device.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application for renewal of registration for urban construction shall have to submit within January of each year and, for gas, it shall have to submit within its duration of validity, otherwise, the registration will be cancelled.

For the application of the Registration of Work, it is required to include a declaration made by a technician registered with the Land, Public Works and Transport Bureau of Macau who declares to be the responsible technician of the contractor.

The registration of technician is also divided into two categories: technician of urban construction and technician of gas. For the technician of urban construction, it is a requisite for technician who intends to elaborate construction plan and to direct construction. For technician of gas, it is a requisite for technician who intends to elaborate plan of installation of gas network or direct the respective works.

To be a registered technician of urban construction, he shall be a holder of bachelor degree or higher diploma of relevant fields. As for technician of gas, he shall be a holder of bachelor degree of mechanical engineering, chemical engineering or industrial engineering.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application for renewal of registration for urban construction shall have to submit within January of each year and, for gas, it shall have to submit within its the duration of validity, otherwise, the registration will be cancelled.

In order to participate in public tender of works, the Registration of Work is one of the requisites.