
REGULATORY OVERVIEW

REGULATIONS ON ENGINEERING AND CONSTRUCTION

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for administering the planning, review and approvals of fixed assets investment construction projects.

The MOHURD and the local administrative authorities for construction are responsible for the administration of the requirements and qualifications of entities in the construction industry, including the review and approval of market entry requirements for, and the endorsement and confirmation of qualifications of, various types of construction enterprises, the establishment of industry standards, and the supervision and administration of industry quality standards.

The MOFCOM and the local administrative authorities for commerce are responsible for the supervision and administration of the qualifications and project bidding of, and the establishment of any overseas company through outbound investments by, enterprises engaging in overseas contract construction projects, as well as foreign investments in the construction industry.

The Ministry of Transport and the local administrative authorities for transportation are responsible for administering highways and waterways construction markets, and implementing unified leadership and multi-level oversight for the administration of highways and waterways construction projects.

The State Administration of Work Safety and the local administrative authorities for work safety are responsible for the supervision and administration of work safety of construction projects in China.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the administration of environmental protection of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of the qualifications of entities that conduct evaluation of the environmental impact of construction projects, and the inspection of environmental protection facilities of construction projects.

The State Administration of Quality Supervision and the local administrative authorities for quality supervision, inspection and quarantine are responsible for the supervision of product quality and safety, the administration of product quality and safety-related matters, including mandatory inspection, risk monitoring and control, the monitoring and selective examination and exemption from examination by the state, and the administration of production permits for industrial products.

Principal Regulations

Enterprises engaged in engineering and construction activities are subject to a series of laws and regulations promulgated by the PRC Government, including the Construction Law of the PRC (《中華人民共和國建築法》), the Tender and Bidding Law of the PRC (《中華人民共和國招標投標法》), the Regulations on the Administration of Quality Control of Construction Projects (《建設工程質量管理條例》), the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》), the Rules on Administration of Foreign-Invested Construction Enterprises (《外商投資建築業企業管理規定》), the Measures on Administration of Tenders for the Design of Construction Projects (《建築工程設計招標投標管理辦法》), the Regulations on Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》), and the Guidance Opinions on Fostering and Developing EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》). These laws and regulations set forth the qualifications for such businesses as consultancy, survey and design, construction, and supervision in the contract

REGULATORY OVERVIEW

project construction industry, invitation for and tendering bids for construction projects and the quality of construction projects.

Qualifications Requirements

Under the Construction Law of the PRC and other relevant laws and regulations, enterprises engaged in consultancy, survey and design, construction, supervision, EPC contracting and environmental impact assessment businesses related to construction projects shall engage in construction activities limited to the scope set out in their qualifications.

Qualifications for Project Consultancy

Pursuant to the Methods to Determine the Qualifications of Project Consultancy Entities (《工程諮詢單位資格認定辦法》), entities engaged in project consultancy shall obtain the project consultancy qualification certificate issued by the NDRC in accordance with the laws and regulations and conduct the relevant project consultancy businesses in accordance with the certificate. The professional qualifications for project consultancy entities are categorized into 31 specialties, their scope of services includes eight items and the qualifications are classified into Class A, Class B and Class C.

Qualifications for Survey and Design Enterprises

Pursuant to the Regulations on the Administration of Qualifications of the Survey and Design of Construction Projects (《建設工程勘察設計資質管理規定》), enterprises engaged in construction project survey and design in China shall obtain the qualifications certificate for construction project survey and design and shall engage in construction project survey and design activities within the scope permitted by their qualifications.

Project survey qualifications are classified into comprehensive qualifications, specialty project survey qualifications and project survey labor qualifications. There is only Class A category for comprehensive qualifications. Specialty project survey qualifications are classified into Class A and Class B, and based on the nature and technical characteristics of the relevant construction projects, there may be Class C category for certain specialties. There is no classification for project survey labor qualifications. Any enterprise that has obtained the comprehensive qualifications may undertake all types (other than survey related to marine construction projects) and classes of construction project survey business. Any enterprise that has obtained the specialty project survey qualifications may undertake project survey business commensurate with the class and specialty of such qualifications. Any enterprise that has obtained the project survey labor qualifications may undertake project survey-related labor services such as ground construction administration, drilling projects and pit sinking projects.

Project design qualifications are classified into comprehensive project design qualifications, industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications. There is only Class A category for comprehensive project design qualifications. Industry-specific project design qualifications, specialty project design qualifications and specialized project design qualifications are each classified into Class A and Class B. Based on the nature and technical characteristics of the relevant construction projects, there may be Class C category for certain industry-specific, specialty and specialized project design qualifications, and Class D category for specialized construction project qualifications. An enterprise which has obtained comprehensive project design qualifications may undertake the design business for construction projects in any industry and of any class. An enterprises which has obtained industry-specific project design qualifications may undertake the project design business in accordance with the Class of the qualifications as well as the related specialty and specialized project design businesses (other than those requiring integrated design and

REGULATORY OVERVIEW

construction qualifications) in the same industry and of the same class. An enterprise which has obtained specialty project design qualifications may undertake the project design business within the relevant specialty commensurate with the Class of the qualifications as well as the related specialized project design business (other than those requiring integrated design and construction qualifications) of the same class. An enterprise which has obtained the specialized project design qualifications may undertake the specialized project design business in accordance with the Class of the qualifications.

Qualifications for General Construction Contractors and General Specialty Contractors

Pursuant to the Regulations on Administration of Qualifications of Construction Enterprises, qualifications for construction enterprises are divided into three groups, namely general construction contracting, specialty contracting and labor subcontracting. Each group is divided into various categories of qualifications according to the nature and technical characteristics of the relevant construction projects, and each category of qualifications is further divided into various classes in accordance with the stipulated conditions.

An enterprise which has obtained the general construction contracting qualifications may undertake general construction contracting projects. A general construction contracting enterprise may undertake the construction of each specialty project in its general construction contracting project, or subcontract any specialty projects or labor works to specialty contracting enterprises or labor subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the specialty contracting qualifications can undertake specialty construction projects subcontracted by the general construction contractor and those contracted out by a construction entity in accordance with the relevant regulations. A specialty contracting enterprise may undertake the construction of all of its specialty projects or subcontract any labor works to labor service subcontractors with relevant qualifications in accordance with the laws and regulations.

An enterprise which has obtained the labor subcontracting qualifications can provide labor services subcontracted by the general construction contractor or specialty contractor.

Qualifications for Project Supervision Enterprises

Pursuant to such regulations as the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定》) and the Opinions for the Implementation of the Regulations on the Administration of Qualifications of Project Supervision Enterprises (《工程監理企業資質管理規定實施意見》), qualifications for project supervision enterprises are classified into general qualifications, specialty qualifications and firm qualifications. There is no classification for general qualifications. Specialty qualifications are divided into Class A and Class B, and there may be a Class C category for the specialty qualifications for building construction, irrigation and hydro-electricity works, highway and municipal public utilities projects. Furthermore, based on the nature and technical characteristics of the related projects, specialty qualifications are classified into different project types, and among them, the supervisions for smelting projects include five types, including iron and steel smelting and continuous casting projects, steel rolling projects, auxiliary smelting projects, non-ferrous smelting projects and building materials projects.

Qualifications for EPC Contracting

Pursuant to such regulations as the Guidance Opinions on Fostering and Developing EPC Contracting and Project Management Enterprises (《關於培育發展工程總承包和工程項目管理企業的指導意見》(建市[2003]30號文)) issued by the Ministry of Construction, engineering companies with comprehensive

REGULATORY OVERVIEW

functions of design, procurement and construction (construction management) may undertake EPC contracting businesses within the scope of the projects permitted by the classes of its survey and design, and general construction contracting qualifications. Project survey, design and construction enterprises may also form a consortium to undertake a joint EPC contracting for a project.

Qualifications for Environmental Impact Assessment

Pursuant to the Regulations on the Administration of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質管理辦法》), an organization entrusted to provide technical services for assessment of the environmental impact of construction projects must obtain the Certificate of Qualifications for Assessment of Environmental Impact of Construction Projects (《建設項目環境影響評價資質證書》) and may then provide technical services for environmental impact assessment within the qualifications class and evaluation scope stipulated in such certificate. The environmental impact assessment qualifications are divided into Class A and Class B.

Project Tenders and Bidding

A variety of regulations such as the Construction Law of the PRC, the Tender Law of the PRC and the Measures on Administration of Tenders for the Design of Construction Projects set forth the procedures of the invitation for and tendering bids for survey, design, construction and supervision of construction projects and certain related matters.

Pursuant to the Construction Law of the PRC, the invitations for bids and tenders for the outsourcing and contracting of a construction project shall comply with principles of transparency, impartiality and equal competition, and the contracting party shall be selected based on merits.

Pursuant to the Tender Law of the PRC, an invitation for tender is required for the following construction projects (including the survey, design, construction and supervision of and the procurement of important equipment and materials related to such projects): large-scale infrastructure, public utilities and other projects that relate to general public interests and public security; projects that utilize in whole or in part the investment of the state-owned fund or financed by the PRC Government; and projects financed with loan or financial aids from such entities as international organizations and foreign governments. The tender and bidding process includes five phases: invitation for tender, bid submission, bid opening, bid evaluation, and bid granting.

Invitations for tender are categorized as public tender and tender by invitation. Any of the key state projects confirmed by the development and planning department of the State Council, and the key local projects confirmed by the government of a province, autonomous region or municipality, that is not suitable for public tender may be tendered by invitation, subject to the approval of the development and planning department of the State Council or the government of the relevant province, autonomous region or municipality.

A bidder shall have the capability to undertake the project subject to the tender; if any PRC regulations or the documents of the invitation for tender set forth any qualification conditions for the bidder, the bidder shall meet the required qualification.

Bid opening shall be made at the same time as the deadline for the submission of bid documents that is fixed in the documentation of the invitation for bids; the venue for the bid opening shall be fixed in advance in the documents of the invitation for tender.

The bid evaluation committee established by the bid inviter in accordance with the laws and regulations will be responsible for evaluating the bids. The winning bidder will be determined by the bid inviter based on the written

REGULATORY OVERVIEW

bid evaluation report and recommendation of the bid evaluation committee. The bid inviter may also authorize the bid evaluation committee to determine the winning bidder.

When the winning bidder is selected, the bid inviter shall issue a bid winning notice to the winning bidder and notify all other bidders failing to win the bid of the tender results. The bid winning notice is legally binding for both the bid inviter and the winning bidder.

Construction Project Quality Controls

The Regulations on the Administration of Quality Control of Construction Project provide that the entities that develop the project or undertake surveying, design, construction or project supervision are responsible for the quality of a project according to the laws. All construction activities must be conducted in strict compliance with basic construction procedures and by adhering to the principle of surveying first, then designing and later constructing. When the entity to develop the project receives the completion report for the construction project, it shall organize all the entities that have undertaken design, construction, project supervision and other works for the project to conduct a completion inspection. In addition, the Regulations on Administration of Survey and Design of Construction Projects (《建設工程勘察質量管理辦法》) further provide that a project survey enterprise shall conduct the survey in accordance with the laws and regulations regarding the quality of construction projects, the mandatory standards for project construction and the relevant survey contract and shall be responsible for the quality of its survey.

Under the Provisional Measures for the Administration of Retention Funds for the Warranty of Construction Projects (《建設工程質量保證金管理暫行辦法》), the project owner shall specify the portion to be withheld from the amounts payable as retention funds to cover the costs required for the maintenance and repairs of any defects by the contractor during the warranty period. Upon the completion of the construction project, the project owner shall make timely payment of the balance of the contract price to the contractor and withhold the retention funds according to the relevant contract. With respect to any construction project which is wholly or partially funded by investments of the PRC Government, an amount of approximately 5% of the contract price shall be withheld as retention funds.

Work Safety and Environmental Protection related to Construction Projects

Work Safety

With respect to the administration of work safety in the process of project contracting, in addition to the Construction Law of the PRC, China has promulgated various laws and regulations, including, among others, the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Regulations on Work Safety Permits (《安全生產許可證條例》), the Regulations on the Administration of Construction Safety (《建設工程安全生產管理條例》), and the Regulations on Administration of Construction Enterprises’ Work Safety Permit (《建築施工企業安全生產許可證管理規定》) to regulate the administration of the work safety of construction projects. Under the foregoing laws and regulations, construction enterprises shall establish a work safety management organization or provide personnel dedicated for work safety management. The PRC Government implements the work safety permit system for construction enterprises. Without obtaining the work safety permit, a construction enterprise may not engage in construction activities. The entities to develop the project or undertake surveying, design, construction, project supervision or other work safety-related activities must comply with the provisions of the work safety laws and regulations, ensure the work safety of the construction project and assume responsibilities for the work safety in accordance with the laws and regulations.

REGULATORY OVERVIEW

In addition, the Provisional Measures for the Supervision and Administration of Work Safety of Central State-owned Enterprises (《中央企業安全生產監督管理暫行辦法》) provide that an enterprise owned by the central government shall adopt rules to establish a work safety leader responsibility system that focuses mainly on the responsibilities of the primary senior managers in charge of such an enterprise and shall also be subject to the supervision and administration of the work safety supervision and administration bodies at the national level, of the province, autonomous region or municipality, and city or prefecture where the enterprise is located as well as within the industry of the enterprise.

Environmental Protection

With respect to the environmental protection in the process of project contracting, according to such laws and regulations as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention of the Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) and the Regulations on the Administration of the Completion Check for Acceptance of the Environmental Protection Facilities of Construction Projects (《建設項目環境保護設施竣工驗收管理規定》), the construction of any project that causes pollution to the environment must comply with the PRC Government’s regulations on the environment protection relating to construction projects. The PRC Government has implemented a mechanism for the evaluation of the environmental impact of construction projects. A construction entity shall adopt measures to control environmental pollutions and damages caused by dust, waste gas, sewages, solid waste, noises and vibrations at the construction site in accordance with the environmental protection and work safety laws and regulations.

Penalties for an entity that has violated the environmental protection laws are determined based on the extent of the pollution caused and the seriousness of the particular violations. Such penalties include warning, fines, remedial actions to be taken within the fixed time period, suspension of business, and closure. An incompliant entity shall also pay damages to other entities for the losses they incurred due to the pollution. For any significant environmental pollution accident resulting from violations of the Environmental Protection Law of the PRC and causing such serious consequences as major losses of public and private assets or casualties, the perpetrator shall bear criminal liability in accordance with the laws and regulations.

Operating Permits for Overseas Project Contracting and Foreign Labor Services

Under the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), the Regulations on the Administration of Overseas Project Contracting (《對外承包工程管理條例》) and related laws and regulations, entities that undertake overseas project contracting or foreign labor services shall have appropriate credentials or qualifications. An operational qualification permit system has been implemented for overseas project contracting business. All the entities engaged in overseas project contracting business shall apply for the foreign economic cooperative qualifications from the MOFCOM. For large-size business enterprises, design institutes, enterprises engaged in foreign trade, production enterprises with self-conducted import and export businesses, and large-scale pilot state enterprise groups that have certain specific qualifications or meet certain specified standards, the MOFCOM will issue them a PRC Certificate of Qualification for Overseas Project Contracting (《中華人民共和國對外承包工程經營資格證書》).

Pursuant to such laws and regulations as the Foreign Trade Law of the PRC and the Administrative Measures for Foreign Cooperative Labor Services Qualifications (《對外勞務合作經營資格管理辦法》), enterprises that engage in foreign labor services shall obtain the relevant permit from the MOFCOM and acquire foreign labor

REGULATORY OVERVIEW

services qualifications as required under the laws. They may not undertake any foreign labor service activities until they obtain the foreign labor services qualification certificate of the PRC.

REGULATIONS ON RESOURCES DEVELOPMENT

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for formulation and organization of the implementation of China’s major economic and social development strategies, annual plans and other medium and long term plans and review examination and approval of such matters as major construction projects, major foreign investment projects, major investments in overseas resources development projects, and investment projects funded by a large amount of foreign currencies. The National Energy Bureau under the NDRC is responsible for the approval and examination of the energy investment projects as provided in the plans of the PRC Government and with a scale permitted under its annual plan.

The MOFCOM and the local administrative authorities for commerce are responsible for the formulation of administrative measures and specific policies regarding overseas investments and the review and approval of the establishment of enterprises (other than financial enterprises) through overseas investments by domestic enterprises.

The Ministry of Land and Resources and the local administrative authorities for land and resources are responsible for the protection and appropriate use of such natural resources as land, mineral and marine resources, the administration of mineral resources development, the administration of the approval and registration and certificate issuance regarding mining rights, and the approval and registration of transfer of such rights, formulation and organization of the implementation of the policies on overseas cooperative exploration and development of mineral resources, and the review and approval of the regions of mineral resources for overseas cooperation.

The State Administration of Work Safety and the local supervision and administrative authorities for work safety are responsible for the supervision and administration of work safety in the industrial, mining, commercial and trade industries, the administration of entry permits for non-coal mining and dangerous chemical products production enterprises, the administration of issuance of the occupational health and safety permits, the supervision and examination of the simultaneous design, construction, and operation and use of both the safety facilities for newly constructed, re-constructed or expanded projects and the principal part of such projects.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the establishment of a fundamental system on comprehensive environmental protection, the coordination, supervision and administration regarding major environmental issues, the supervision and administration of environmental pollution prevention, the guidance, coordination and supervision of ecological protection, the prevention and control of environmental pollution and destruction from its original sources, the implementation of the filings and registration system for waste discharge and the system for the simultaneous design, construction, and operation and use of the environmental protection facilities of construction projects, and the review and approval of the evaluation documents for major development and construction areas and project environmental impact in accordance with the governmental regulations.

Principal Regulations

The principal regulations in the resources development industry include: the PRC Law of Mineral Resources (《中華人民共和國礦產資源法》), the Interim Measures for the Supervision and Administration of Mineral Resources (《礦產資源監督管理暫行辦法》), the Implementation Rules of the PRC Law of Mineral Resources

REGULATORY OVERVIEW

(《中華人民共和國礦產資源法實施細則》), the Administrative Regulation on the Collection of Compensatory Fees for Mineral Resources (《礦產資源補償費徵收管理規定》), the Administrative Measures for Mineral Resources Exploration Area and Segment Registration (《礦產資源勘查區塊登記管理辦法》), the Administrative Measures for Mineral Resources Exploitation Registration (《礦產資源開採登記管理辦法》), the Administrative Measures for the Transfer of Exploration and Mining Rights (《探礦權採礦權轉讓管理辦法》), and the Interim Administrative Measures of Approving Outbound Investment Projects (《境外投資項目核准暫行管理辦法》), among others. These laws and regulations regulate the exploration, mining and management of mineral resources as well as investments in overseas mining rights.

Qualifications Requirements

Under the PRC Law of Mineral Resources, all mineral resources are state-owned. The state ownership of the mineral resources on the surface of the earth or underground remains unchanged regardless of the variations in the ownership or land use rights to the land to which such mineral resources are attached. Any enterprise planning to engage in the exploration and mining of mineral resources must apply separately for exploration and mining rights, obtain such exploration and mining rights with relevant governmental approvals and complete the required registrations in accordance with applicable laws. Any entity that engages in the exploration and mining of mineral resources must comply with the relevant qualification requirements.

Pursuant to the Administrative Measures for Mineral Resources Exploration Area and Segment Registration, the State shall implement a system of uniform area and segment registration for mineral resources exploration. Entities engaged in mineral resource exploration shall apply to the relevant administrative department for exploration permits, pay the requisite usage fees for the relevant exploration rights and the appraised prices for the exploration rights and thus become the holder of exploration rights.

According to the Administrative Measures for Mineral Resources Exploitation Registration, entities engaged in mineral resource mining shall, before becoming the holder of mining rights, complete the registration and approval formalities with the State Council’s administrative department for geological minerals, apply for mining permits, and pay the usage fees and prices for the relevant mining rights. Prior to applying for mining rights, the mining rights applicant shall, based on the officially approved geological exploration reserve report, apply to the relevant registration and administrative authority for mining rights registration for the designation of the scope of the mining area.

In addition, under various PRC regulations regarding the resources development industry, the qualifications related to the prospecting of the quantity of resources and reserves in resources development include qualifications for geological prospecting, qualifications for mining rights appraisal entities, professional qualifications for mining rights appraisers, qualifications for mineral reserves appraisal entities and professional qualifications for mineral reserves appraisers.

Mineral Resources-Related Overhaul, Mining, Work Safety and Environmental Protection

According to the Notice of the State Council to Overhaul the Mining Industry Order and Safeguard the State Ownership over Mineral Resources (《國務院關於整頓礦業秩序維護國家對礦產資源所有權的通知》), the Notice of the State Council on the Forwarding of the Notice on Further Overhauling the Administrative Order of Mineral Resources (《國務院辦公廳轉發國土資源部〈關於進一步治理整頓礦產資源管理秩序的意見〉的通知》) issued by the Ministry of Land and Resources and certain other PRC governmental agencies, the Notice of the State Council Regarding the Overhaul and Standardization of Mineral Resources Development Order (《國務院關於全面整頓和規範礦產資源開發秩序的通知》), and the Notice of the State Council on the

REGULATORY OVERVIEW

Forwarding of the Opinions on Further Consolidating Mineral Resources Development (《國務院辦公廳轉發國土資源部等部門〈對礦產資源開發進行整合的意見〉的通知》) issued by the Ministry of Land and Resources and certain other PRC governmental agencies, the PRC Government requires a stringent administration of mineral exploration rights, mining rights, mineral resources prospecting and entry permit for mineral resources exploration.

According to the PRC Law of Mineral Resources, the Implementation Rules for the PRC Law of Mineral Resources and the Administrative Measures for Mineral Resources Mining Registration, among others, for mineral resources mining, one must adopt appropriate mining sequences and methods and ore processing techniques. The resource recovery ratio, ore dilution ratio and ore selection recovery ratio shall meet the designed requirements. In the meantime, to undertake mineral resource mining, one must comply with national labor safety and health regulations and possess the conditions necessary to ensure work safety, and it must also abide by the relevant environmental protection laws to prevent pollution to the environment.

With respect to the administration for the work safety of mine construction and mining of mineral resources, the Law of Safety of Mines of the PRC (《中華人民共和國礦山安全法》), the Work Safety Law of the PRC, the Implementation Rules for the Law of Safety of Mines of the PRC (《中華人民共和國礦山安全法實施條例》) and the Regulations on Work Safety Permits provide that a mine construction project shall demonstrate its safety conditions and be evaluated for its safety in accordance with the relevant regulations. In addition, an inspection test of the safety facilities shall be carried out after the completion of the project but before the commencement of production. Only after such inspection test is passed will the production commence. In the meantime, China has implemented a work safety permit system. Without obtaining the work safety permit, an enterprise may not engage in production activity.

As for environmental protection, under the Water Pollution Prevention Law of the PRC (《中華人民共和國水污染防治法》), the Forestry Law of the PRC (《中華人民共和國森林法》), the PRC Law of Mineral Resources, the Environmental Protection Law of the PRC, the Atmospheric Pollution Prevention Law of the PRC (《中華人民共和國大氣污染防治法》), the Grasslands Law of the PRC (《中華人民共和國草原法》), the Regulations on Land Re-cultivation (《土地復墾規定》), the Implementation Rules for the PRC Law of Mineral Resources and the Regulations on the Administration of the Collection and Use of Waste Discharge Fees (《排污費徵收使用管理條例》), entities engaged in mineral resources mining shall implement measures to protect the ecological environment. For example, if mining activities result in damages to farmland, grassland or forest, entities engaged in such mineral resources mining shall undertake measures such as re-cultivation, planting trees and grasses, to restore the mining site to its original condition within a prescribed time. Meanwhile, under the PRC Law on the Promotion of Clean Production (《中華人民共和國清潔生產促進法》), the Environmental Impact Evaluation Law of the PRC, the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and the PRC Law on the Promotion of Circulatory Economy (《中華人民共和國循環經濟促進法》) for the exploration and mining of mineral resources, one shall adopt such surveying and exploration methods and technologies that are beneficial for reasonable use of resources, environmental protection and pollution prevention exploration and mining, thus improving efficiency in resources exploitation.

Foreign Mineral Resource Development

According to the Interim Administrative Measures for Approving Outbound Investment Projects (《境外投資項目核准暫行管理辦法》), the State administers the review and approvals of outbound investments in mining exploitation and other resources development projects. Of all such projects, those with the Chinese party's investment of less than US\$30 million shall be reviewed and approved by the relevant provincial development and

REGULATORY OVERVIEW

reform department; those with the Chinese party’s investment of between US\$30 million and US\$200 million shall be reviewed and approved by the NDRC; and for those with the Chinese party’s investment of US\$200 million or more, the NDRC shall submit such projects to the State Council for approval after conducting its preliminary review.

In addition to the general PRC regulations on overseas investment, an entity shall also need to comply with the Notice of the Ministry of Commerce and the Ministry of Land and Resources Regarding the On-line Registration for Overseas Mineral Resources Development (《商務部、國土資源部關於實行境外礦產資源開發網上備案的通知》) and certain other special regulations related to overseas mineral resources development.

Entry Permit of the Mineral Resources Industry

With respect to mineral resources development, China has enacted such regulations as the Entry Conditions for the Copper Smelting Industry (《銅冶煉行業准入條件》), and the Entry Conditions for the Lead and Zinc Industry (《鉛鋅行業准入條件》), the Entry Conditions for the Aluminum Industry (《鋁行業准入條件》) and the Notice of the NDRC on Strengthening the Administration of the Entry to the Lead and Zinc Smelting Industry (《國家發展改革委關於加強鉛鋅冶煉行業准入管理工作的通知》), which separately set forth the entry conditions for copper, lead and zinc, aluminum and other resources development industries that relate to such fields as techniques and equipment, energy consumption, overall resource exploitation, environmental protection, work safety and occupational hazards. For any new construction, re-construction or expansion project that fails to meet the entry conditions, the relevant administrative departments for investment shall not accept the filings of such project, no financial institutions shall provide credit lines, the relevant land administration departments shall not process the related land supply formalities, and environmental protection departments shall not approve the related environment impact assessment report, and the relevant power departments shall cease the power supply.

REGULATIONS ON EQUIPMENT MANUFACTURING

Principal Regulatory Authorities

The NDRC and the local development and reform commissions are responsible for, among other things, coordinating the resolution of major issues related to the popularization and application of significant technological equipments.

In addition to the review and approval of the establishment of enterprises overseas with outbound investments by domestic companies, the MOFCOM and the local administrative authorities for commerce are also responsible for formulating and organizing the implementation of the trade policies regarding the import and export of complete sets of equipment.

The Ministry of Industry and Information Technology assumes the organizational and coordination responsibility for the invigoration of the PRC equipment manufacturing industry. It formulates the plans and policies regarding the development and independent innovation of major technologic equipment, coordinates the implementation of major specialty projects by relying on key national engineering and construction projects, promotes the domestic production of significant technological equipment, and provides guidance for the digestion and innovation of imported major technological equipment. It also assumes the organizational and coordination functions for the popularization and application of major model projects, new products, new technologies, new equipment and new materials.

The State Administration of Quality Supervision is responsible for the supervision of product quality and safety, the administration of the product quality and safety related matters, including mandatory inspection, risk

REGULATORY OVERVIEW

monitoring and control, the monitoring and selective examination, and the administration of production permits for industrial products.

Under the State Administration of Quality Supervision, there is the Specialty Equipment Supervision Bureau which is responsible for the monitoring and supervision of safety of relevant specialty equipment, the supervision and examination of design, manufacturing, integration, renovation, maintenance, use, testing and checkup, and import and export of specialty equipment, the investigation and settlement of specialty equipment related accidents and the related data collection and analysis, the supervision and administration of the qualifications of the institutes and personnel responsible for test, inspection and operation of specialty equipment, and the supervision and inspection of the implementation of the energy saving standards for specialty equipment with high level energy consumption.

The State Administration of Work Safety and the local supervision and administrative authorities for work safety are responsible for the supervision and administration of work safety in industrial, mining, commercial and trade industries.

The Ministry of Environmental Protection and the local administrative authorities for environmental protection are responsible for the establishment of a basic system of comprehensive environmental protection, the coordination, supervision and administration regarding major environmental issues, and the supervision and administration of environmental pollution prevention.

Principal Regulations

The principal laws and regulations relating to equipment manufacturing include, among others, the Work Safety Law of the PRC, the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Measures for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》), the Interim Measures for the Administration of Qualifications for the Specialized Designs of Light Steel Structure for Buildings (《輕型房屋鋼結構工程設計專項資質管理暫行辦法》), the Regulations on Supervision of the Safety of Specialty Equipment (《特種設備安全監察條例》), the Regulations on Supervision of the Quality and Safety of Specialty Equipment (《特種設備質量監督與安全監察規定》), the Measures for the Supervision and Administration of Operating Personnel for Specialty Equipment (《特種設備作業人員監督管理辦法》), and the Guidelines and Manuals on Industrialized Technologies for Steel Structure Residential Buildings (《鋼結構住宅建築產業化技術導則》). These rules and regulations govern the qualifications, quality and safety management for equipment manufacturing operations, as well as the credentials for specialized designs of light steel building structure and the development of steel structure architectures.

Qualifications Requirements

Pursuant to the Measures for the Administration of Production License for Industrial Products and the Implementation Rules for the Measures for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), China has implemented a production permit system for key industrial products. Under the Regulations on Supervision of the Safety of Specialty Equipment and the Regulations on Supervision of the Quality and Safety of Specialty Equipment, boilers, pressure vessels, elevators, cranes and other specialty equipment may be manufactured only after the relevant manufacturer has obtained the permission from the State Council’s supervisory and administrative department of specialty equipment safety. With respect to the specialty equipment not subject to the production permit administrative system, a safety approval system shall be implemented.

REGULATORY OVERVIEW

Quality Supervision and Work Safety Administration

Under the Work Safety Law of the PRC, a production entity shall satisfy the work safety conditions set forth in the relevant laws and regulations as well as national or industrial standards. No entity that fails to satisfy such work safety conditions may engage in any production activity.

Pursuant to the Product Quality Law of the PRC, the State has implemented enterprises’ quality system and product quality certification mechanisms. The certificating agency will issue a quality system certificate and a product quality certificate once the certification procedure is satisfactorily completed by an enterprise.

The Regulations on Supervision of the Quality and Safety of Specialty Equipment and the Regulations on Supervision of the Safety of Specialty Equipment provide that any entity using a specialty equipment shall be responsible for the safety during its use and operation of the specialty equipment and it shall only use the specialty equipment with the production permit or the safety approval certificate.

REGULATIONS ON PROPERTY DEVELOPMENT

Principal Regulatory Authorities

The principal regulatory authorities of the PRC Government for the supervision and administration of property development include the development and reform commissions, the administrative authority for land and resources, the administrative authority for construction, the administrative authority for planning and the administrative authority for housing at each level.

The NDRC and the local development and reform commissions are responsible for the review and approval of the fixed assets investment projects, including property development.

The Ministry of Land and Resources and the local administrative authorities for land and resources are responsible for the formulation and implementation of the land development and use standards, the supervision and administration of the supply of urban and rural construction land, government land reserve, and the development of efficient and intensive use of the land, and the regulation of the sale, leasing, contribution as capital and transfer of land.

The MOHURD and the local administrative authorities of construction, planning and housing are responsible for safeguarding the supply of housing for low income households, promoting the reform of housing system, regulating the order of housing construction and urban and rural development. They also assume the responsibility for regulating the order of and supervising and administering the property market, formulating the regulatory policies for the property market, promulgating and supervising the implementation of rules and regulations on property development, and administering urban and rural planning.

The MOHURD and the Ministry of Land and Resources divide the responsibility for the administration of the property industry in accordance with the relevant rules of the State Council.

Principal Regulations

The principal laws and regulations on property development include the PRC City Property Administration Law (《中華人民共和國城市房地產管理法》), the Construction Law of the PRC, the Law on Land Administration of the PRC (《中華人民共和國土地管理法》), the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), the Interim Regulations on the Sale and Transfer of the State-owned Land Use Rights in Cities and Townships 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》), the Regulations on the Administration of Urban Property Development and Operations

REGULATORY OVERVIEW

(《城市房地產開發經營管理條例》), the Regulations on the Administration of Quality Control of Construction Project, the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》), the Regulations on the Administration of Property Development Qualifications (《房地產開發企業資質管理規定》), the Administrative Measures for the Sale of Commercial Residential Properties (《商品房銷售管理辦法》), the Interim Measures for the Approval of Enterprises’ Investment Projects (《企業投資項目核准暫行辦法》), the Regulations on the Assignment of State-owned Construction Land Use Rights through Bidding, Auction and Listing (《招標拍賣掛牌出讓國有建設用地使用權規定》), the Administrative Measures for the Pre-approval of Construction Land (《建設項目用地預審管理辦法》) and the Administrative Measure for the Pre-Sale of Urban Commercial Residential Properties (《城市商品房預售管理辦法》). These laws and regulations set forth rules on property development enterprises’ qualifications, land acquisitions, planning and design, development and construction, and marketing and sales.

Qualifications Requirements

Pursuant to the Regulations on the Administration of Qualifications of the Property Development Enterprises, a property development enterprise shall apply for the classification of its qualifications, and an enterprise may not engage in property development operations without a qualifications classification certificate for property development. According to such regulation, based on their specific conditions, property development enterprises are subject to four classes of qualifications classification: the first class, the second class, the third class and the fourth class. Enterprises with different classes of qualifications shall conduct their respective property development businesses within the stipulated business scope and may not undertake any assignment that is reserved for higher qualifications classes.

Pursuant to the Regulations on the Administration of Urban Property Development and Operations, the administrative authority for property development will determine the class of qualifications of a property developer and issue qualifications certificates of the corresponding class based on the developer’s assets, technicians and operating performance.

Administration of Property Development

Land Acquisition

Under the Law on Land Administration and the Regulations on the Assignment of State-Owned Construction Land Use Rights through Bidding, Auction and Listing, with an exception of the land use rights of the land for government offices, military facilities, urban infrastructural facilities and public facilities, which may be obtained through allocation, land to be used for industrial (including warehousing and storage, but excluding mining), commercial, tourism, entertainment and commercial residential housing purposes shall be transferred through bidding, auction or listing. The land development entity which has obtained the state-owned land use rights through grant or other compensatory fee-paying methods must pay such compensatory land use fees as the premium for obtaining land use rights as well as other fees before using such land.

Under the Administrative Measures on Economically Affordable Housing (《經濟適用住房管理辦法》), land for the construction of economically affordable housing will be supplied through allocation. Economically affordable housing refers to the residential housing for which the PRC Government provides favorable policy, and which are subject to various restrictions in terms of size and price constructed in accordance with reasonable standards and supplied to urban households with low income or housing difficulties.

REGULATORY OVERVIEW

Planning and Design

According to the PRC City Property Administration Law, property development must be in strict compliance with the requirements of the relevant urban plan and design. A property development project, land use rights of which have been obtained through grant, must be developed in accordance with such terms as the usage and the deadlines for commencement and development of the land that are stipulated in the relevant land use rights grant agreement.

Under the Law of Urban and Rural Planning of the PRC, after its execution of the land use rights grant agreement for state-owned land, the land development entity shall apply for the construction land planning permit and the construction work planning permit in accordance with the relevant laws and regulations. Failing to obtain the construction work planning permit or develop the land in compliance with the requirements set forth in such permit will result in such administrative penalties as suspension of construction, rectification within a stipulated time period, demolition of structures before a stipulated deadline, confiscation of tangible assets or illegal income, or fine that the relevant administrative authority for urban and rural planning shall impose based on the particular nature of non-compliance.

Property Development and Construction

In accordance with such regulations as the Administrative Rules on the Development and Operation of Urban Property and the Administrative Measures for Construction Permits of Building Projects, development and construction of any real estate project by a property development enterprise shall comply with all relevant laws and regulations, the quality requirements for the project construction, safety standards and technical criteria for the survey, design and construction of the construction project as well as relevant contractual terms. Furthermore, before the commencement of the property development project, the construction work commencement permit shall be obtained as required under applicable laws. Once the property development construction project is completed, it can only be utilized after inspection and meeting qualification for delivery, and no project that has not been so inspected or is determined to be unqualified upon such inspection may be utilized.

Marketing and Sales

Under such regulations as the Administrative Rules on the Development and Operation of Urban Property, the Administrative Measures for the Sale of Commercial Residential Properties and the Administrative Measure for the Pre-Sale of Urban Commercial Residential Properties, property developers may sell commercial residential housing through pre-sale, but shall first apply to local administrative authority for property development for the registration of such pre-sale and to obtain a commercial residential housing pre-sale permit. For qualified completed commercial residential housing, the property developer may file relevant proof documents with the local administrative authority for property development and obtain a commercial residential housing sales permit.

Development and Construction of Social Welfare Housing

China has, from time to time, adopted various laws and regulations, including the Notice of the State Council on Forwarding the Opinions of the Ministry of Construction and Certain Other Departments Regarding the Adjustments of Housing Supply Structure and the Stabilization of Housing Prices (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》), the State Council’s Opinions on Resolving the Low-Income Households’ Housing Difficulties (《國務院關於解決城市低收入家庭住房困難的若干意見》), the Measures to Safeguard Low-Rent Housing (《廉租住房保障辦法》), and the Administrative Measures on Economically Affordable Housing, that provide

REGULATORY OVERVIEW

for a variety of measures such as supply of allocated land, tax reduction and exemption, multiple channels for securing funds for low-rent housing to increase the construction of economically affordable housing and low-rent housing, increase housing supply from a variety of sources, increase the ability to secure housing and to promptly address the basic housing needs of low-income households.

REGULATIONS ON OUR OVERSEAS OPERATIONS

During the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the relevant overseas regulations in all material respects and have obtained the relevant permits and certificates that are material to our business operations in those foreign countries and territories where we operated.