
APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

I. LEGAL FRAMEWORK REGULATING THE PRC PROPERTY MARKET

A. Establishment of a property development enterprise

Pursuant to the “Law of the People’s Republic of China on Administration of Urban Property” (the “Urban Property Law”) (中華人民共和國城市房地產管理法) enacted by the Standing Committee of the National People’s Congress on July 5, 1994 and enforced on January 1, 1995 and revised on August 30, 2007, a property developer is defined as “an enterprise which engages in the development and operation of property for the purposes of making profits”. Under the “Regulations on Administration of Development and Operation of Urban Property” (the “Development Regulations”) (城市房地產開發經營管理條例) enacted by the State Council and enforced on July 20, 1998, a property development enterprise must satisfy the following requirements: (1) have a registered capital of not less than RMB1 million and (2) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualifications. The Development Regulations also stipulated that people’s governments of the provinces, autonomous regions and/or municipalities directly under the central government may impose more stringent requirements regarding the registered capital and qualifications of professional personnel of a property development enterprise according to the local circumstances. Pursuant to the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), revised by the Standing Committee of Chongqing Municipal People’s Congress and enforced on August 1, 2005, the registered capital of a real estate development enterprise in the Chongqing shall not be less than RMB2 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians. Pursuant to the “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) which applies to those real estate enterprises established in Chengdu, issued by Sichuan Provincial Construction Department and enforced on June 13, 2000, the registered capital of a property development enterprise in the Sichuan Province shall not be less than RMB5 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians. Pursuant to the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), issued by Beijing Municipal Construction Committee and enforced on Sep 4 2000, the registered capital of a real estate development enterprise in the Beijing shall not be less than RMB10 million, and the Minimum Standards are different on real estate development enterprises with different qualification classifications. Real estate development enterprises with different qualification classifications should accord to their respective requirements of full-time professional technicians.

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

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Under the “Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries” (國務院關於調整部分行業固定資產投資專案資本金比例的通知) issued by the State Council on April 26, 2004, the proportion of capital fund of real estate development projects (excluding economically affordable housing projects) has been increased from 20% or above to 35% or above.

On May 25, 2009, a Notice on Adjusting the Proportion of Capital Fund for Fixed Assets Investment Project (國務院關於調整固定資產投資項目資本金比例的通知) was issued by the State Council. The Notice stipulates that the minimum proportion of capital fund for ordinary residential property development projects and social security housing development projects is decreased to 20% while that for the other real estate development projects is decreased to 30%.

B. Foreign-invested property development enterprises

Pursuant to the “Foreign Investment Industrial Guidance Catalogue (2004 Revision)” (the “2004 Industrial Guidance Catalogue”) (外商投資產業指導目錄(2004年修訂)) jointly enacted by the Ministry of Commerce (“MOFCOM”) and the National Development and Reform Commission (“NDRC”) on November 30, 2004 and enforced on January 1, 2005, the development and construction of ordinary residential units falls within the category of “encouraged industry”; the development of large scale of land lots which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operative joint venture, and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers and large theme parks fall within the category of “restricted industry”; other types of property development fall within the category of “permitted industry”. Foreign-invested property development enterprises can be established in the form of sino-foreign equity joint venture, sino-foreign co-operative joint venture or wholly owned foreign enterprise according to the 2004 Industrial Guidance Catalogue and other laws and administrative regulations relating to foreign investment enterprises. Prior to the application for registration to the department of administration of industry and commerce, the enterprise must be approved by the authorities of commerce and obtain an Approval Certificate for a Foreign Investment Enterprise.

Pursuant to the new “Foreign Investment Industrial Guidance Catalogue (2007 Revision)” (the “2007 Catalogue”) (外商投資產業指導目錄(2007年修訂)) jointly enacted by MOFCOM and NDRC on October 31, 2007 and enforced on December 1, 2007, which repealed the 2004 Industrial Guidance Catalogue upon its enactment, the development and construction of ordinary residential houses has been removed from the encouraged category to the permitted category; the restricted category has been adjusted as the following: (i) the development of large scale of land lots which shall be operated only by sino-foreign equity joint venture or sino-foreign co-operate joint venture; (ii) the construction and operation of high-end hotels, villas, premium office buildings, international conference centers; (iii) housing agents, brokerages and the second-tier real estate market; the construction and operation of large scale theme park has been removed from the Real Estate industry to the Culture, Sports and Entertainment Industries which is still in the restricted category. It means that the enterprise investing in such projects will not be regarded as a real estate development company; the construction and operation of golf courts has been removed from the restricted category to the prohibited category. Our directors consider that the 2007 catalog has no material impact on the Group’s business and operations.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On July 11, 2006, the PRC Ministry of Construction (“MOC”), MOFCOM, NDRC, the People’s Bank of China (“PBOC”), the State Administration of Industry and Commerce (“SAIC”) and the State Administration for Foreign Exchange (“SAFE”) jointly enacted the “Circular on Standardising the Admittance and Administration of Foreign Capital in the Property Market” (關於規範房地產市場外資准入和管理的意見) (Jianzhufang [2006] 171). According to this Circular, the admittance and administration of the foreign capital in property market must comply with the following requirements:

- (a) Foreign institutions or individuals purchasing property in China not for their own use shall follow the principle of commercial existence and apply for establishment of foreign investment enterprises under the regulations of foreign investment in property. The foreign institutions and individuals can only carry on their business within the approved business scope after obtaining the approvals from the relevant authorities and upon completion of the relevant registrations.
- (b) If the total investment of a foreign-invested real estate enterprise exceeds or equals to USD10 million, the registered capital must not be less than 50% of the total investment. If the total investment is less than USD10 million, the amount of the registered capital shall follow the existing regulations.
- (c) For the establishment of a foreign-invested real estate enterprise, the commerce authorities and the department of administration of industry and commerce are in charge of granting approval for establishment and effecting registration of the foreign invested property development enterprise and issuing the Approval Certificate for a Foreign Investment Enterprise and the Business License which are only effective for one year. After settlement of the land premiums, the enterprises should apply for the Grant of State-owned Land Use Rights certificate by presenting the above-mentioned certificate and license. With the land use rights certificate, the enterprises will receive an official Approval Certificate for a Foreign Investment Enterprise from the commerce authorities, and shall replace the Business License with one that has the same operation term as the formal Approval Certificate for Foreign Investment Enterprise in the department of administration of industry and commerce, and then it shall apply for tax registration with the tax authorities.
- (d) Transfers of projects of or shares in foreign-invested real estate enterprises, and the acquisitions of domestic real estate enterprises by foreign investors should follow strictly the relevant laws, regulations and policies to obtain the approvals. The investor should submit: (a) the guarantee letters for the performance of the Grant of State-owned Land Use Right, The Planning Permit for Construction Land and Construction Work Planning Permit; (b) Certificate of Land Use Right; (c) the certification on alteration of archival files issued by construction authorities; and (d) the certification on the payment of tax issued by the relevant tax authorities.
- (e) While merging and acquiring domestic real estate enterprises by way of share transfer or other means, or the purchase of shares from the Chinese party in a sino-foreign equity joint venture, the foreign investors shall properly resettle the employees, settle the bank loans and pay all the consideration at a time with its internal fund. The foreign investors with unfavourable record shall not be allowed to conduct any of the aforesaid activities.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On May 23, 2007, MOFCOM and SAFE jointly issued the “Notice Concerning Further Strengthening and Regulating the Examination, Approval and Supervision of Direct Foreign Investment in Real Estate” (the “Notice 50”) (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han [2007] No. 50). The Notice 50 provides stricter controlling measures including, among others:

- (a) Foreign investment in the real estate sector in the PRC relating to high-end properties should be strictly controlled.
- (b) When the application is filed for establishment of foreign invested real estate enterprise, the Grant of State-owned Land Use Right, the ownership of the property should be obtained first, or the pre-granting/purchase agreement has already been concluded with the land administration authority, land developer/owner of the property. If the above requirements have not been satisfied, the approval authority shall not approve the application.
- (c) Acquisition of or investment in domestic real estate enterprises by way of return investment (including the same actual controlling person) shall be strictly controlled. Overseas investors may not avoid approval for foreign investment in property by way of changing the actual controlling person of the domestic real estate enterprise. Once the foreign exchange authority has found the foreign-invested property enterprise established by way of deliberately avoiding and false representation, it shall take action against the enterprise’s conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for cheated purchase and evasion of foreign exchange.
- (d) Both Chinese and non-Chinese parties in a foreign-invested real estate enterprises are prohibited from guaranteeing a fixed return or the same effect to the other party in any way.
- (e) If foreign-invested enterprises engage in real estate development or operation business or if foreign-invested real estate enterprises engage in new real estate project development and/or operations, they must apply to the relevant examination and approval authorities for their expansion of scope of business or scale of operation in accordance with the laws and regulations related to foreign investments.
- (f) Local examination and approval authorities must report to MOFCOM for record their approvals of establishment of foreign-invested real estate enterprises.
- (g) Local SAFE administrative authorities and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real estate enterprises who fail to satisfy MOFCOM for filing requirement or annual review procedure. With regard to the foreign invested real estate enterprises examined and approved by local authority hereof against the law, MOFCOM shall investigate and rectify it, the authority of foreign exchange administration shall not handle such procedures as foreign exchange registration hereto.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On July 10, 2007, SAFE promulgated "Notice of the list of first batch of foreign-invested real estate projects that have been filed with MOFCOM" (國家外匯管理局綜合司關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) (Hui Zong Fa [2007] No. 130), which imposes some restrictions on foreign exchange and foreign debts registration of the foreign-invested real estate enterprises which are incorporated after June 1, 2007, the details are as following:

- (a) For a foreign-invested real estate enterprise (both newly established and through capital increase, same below) which has obtained the approval certificate from the competent commercial department and filed with MOFCOM after and including June 1, 2007 (same below), the local Administration of Foreign Exchange will not conduct the foreign debt registration and foreign debts settlement approval process.
- (b) For a foreign-invested real estate enterprise which has obtained the approval certificate from the local competent commercial department but failed to file with MOFCOM after and including June 1, 2007, the local Administration of Foreign Exchange will not conduct foreign exchange (or change the registration) and the settlement and sales process for capital projects.

On June 18, 2008, MOFCOM issued the Notice on Proper Handling of Archiving Documents for Foreign Investment in the Real Estate Industry (商務部關於做好外商投資房地產業備案工作的通知). According to the Notice, the competent departments of commerce at the provincial level are authorized to verify the materials for archiving submitted by the foreign invested real estate enterprise, and MOFCOM together with other departments of the State Council shall conduct spot-checks over the above enterprises.

On December 20, 2008, the State Council General Affairs Office issued Several Opinions on Promoting the Sound Development of the Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見) in order to speed up the development of social security housing, encourage purchases of properties for self-use and upgrade purposes, and direct real estate developers to cope with the changing market.

According to the Opinions, the following measures will be adopted to facilitate the development of real estate developers:

- (i) increasing credit financing support to ordinary residential housing developments of low to medium level prices or of small to medium sizes, particularly those under construction;
- (ii) providing financial support and other related services to real estate developers with good credit standing for their merger and acquisition activities;
- (iii) conducting housing accumulation fund's trial test and providing various funding channels;
- (iv) supporting bond issuance by real estate developers with good credit and financial positions; and
- (v) eliminating urban real estate tax, and unifying the real estate taxes applicable to domestic and foreign-funded enterprises and individuals, who will all be subject to the PRC Tentative Regulations on Real Estate Tax.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

C. Qualifications of a property developer

(a) *Classifications and assessment of a property development enterprises’ qualification*

Under the Development Regulations, a property developer must file for record its establishment to the property development authority in the location of the registration authority within 30 days after receiving its business license. The property development authority shall assess the qualification classification of the property developer which is filing for record by considering its assets, professional personnel and development and operation records. A property development enterprise shall only engage in property development projects in compliance with its approved qualification.

Under the “Provisions on Administration of Qualifications of Property Developers” (the “Provisions on Administration of Qualifications”) (房地產開發企業資質管理規定) enacted by the Ministry of Construction and entered into force on March 29, 2000, a property developer shall apply for registration of its qualifications according to the Provisions on Administration of Qualifications. An enterprise may not engage in the development and operation of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification should be examined and approved by the corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government and final approval by the construction authority under the State Council. Procedures for assessing class 2 or lower qualifications developers shall be formulated by the construction authority under the people’s government of the relevant province, autonomous region or municipality directly under the central government. A developer which passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification assessment authority. After a newly established property developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to make the developer eligible within 30 days of receipt of the report. The provisional qualification certificate shall be effective for one year from the date of its issuance. The property development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before the expiry of the provisional qualification certificate.

According to the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), the qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. The class 1 qualification shall be subject to preliminary assessment by the real estate development authority under the municipal people’s government and final approval by the MOC; Classes 2 and 3 qualifications shall be approved by the real estate development authority under the municipal people’s government; Class 4 qualification shall be approved by the real estate development authority under the local people’s government where the property development enterprise is located and reported to the real estate development authority under the municipal people’s government for record.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Under the “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) issued by Sichuan Provincial Construction Department which applies to those real estate enterprises established in Chengdu, a real estate development enterprise should obtain an approval from the construction authority under the provincial or city people’s government (class 1 qualification shall be final approval by MOC), and shall apply for issue of qualification certificate in accordance with the rules. The qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4.

According to the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), the qualifications of real estate development enterprises are classified into four classes: class 1, class 2, class 3 and class 4. The class 1 qualification shall be subject to preliminary assessment by Beijing Municipal Construction Committee and final approval by the MOC; classes 2, 3 and 4 qualifications shall be approved by Beijing Municipal Construction Committee.

(b) *The business scope of a real estate developer*

Under the “Provisions on Administration of Qualifications”, a developer of any qualification classification may engage in the development and operation of property within its approved scope of business and is not allowed to engage in ultra vires business. A class 1 real estate developer may undertake a real estate development project anywhere in the country without any limit of the scale of property project. A property developer of class 2 or lower may undertake a project with a gross floor area of less than 250,000 sq.m. and the specific scope of business shall be determined by the construction authority the relevant province, autonomous region or municipality.

Under the “Regulations on Real Estate Developments and Operations of Chongqing Municipality” (重慶市城市房地產開發經營管理條例), the gross floor area of a project to be developed by a class 1 real estate developer is not restricted. The gross floor area of a project to be developed by a class 2 real estate developer should be less than 250,000 sq.m. A class 3 real estate developer may undertake a project with a gross floor area of less than 100,000 sq.m. The gross floor area of a project to be developed by a class 4 real estate developer should be less than 20,000 sq.m.

The “Notice on Clearing and Renewal of Qualification Certificate of a Real Estate Development Enterprise” (關於開展房地產開發企業清理和換發資質證書工作的通知) which applies to those real estate enterprises established in Chengdu have not set out any express provision concerning the scope of a property developer.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Under the “Notice of Beijing Municipal Construction Committee on Forwarding the Provisions of Ministry of Construction on Administration of Qualification Certificates of Real Estate Developers” (北京市建設委員會關於轉發建設部《房地產開發企業資質管理規定》的通知), the gross floor area of a project to be developed by a class 1 real estate developer is not restricted. The gross floor area of a project to be developed by a class 2 real estate developer should be less than 250,000 sq.m. A class 3 real estate developer may undertake a project with a gross floor area of less than 200,000 sq.m. The gross floor area of a project to be developed by a class 4 real estate developer should be less than 100,000 sq.m.

(c) *The annual review of a property developer’s qualification*

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

The regulations relating to qualifications of a real estate developer in Chongqing, Sichuan and Beijing have not set out any express provision concerning annual review.

D. Development of a property project

(a) *Land for property development*

Under the “Interim Regulations of the People’s Republic of China on Granting and Transfer of the Right to Use State-owned Land in Urban Areas” (the “Interim Regulations on Granting and Transfer”) (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) promulgated and enforced by the State Council on May 19, 1990, a system of granting and transfer of the right to use State-owned land is adopted. A land user shall pay a premium to the State as consideration for the Grant of State-owned Land Use Rights within certain terms, and a land user may transfer, lease, mortgage or otherwise commercially exploit the Grant of State-owned Land Use Right within his terms of use. Under the Interim Regulations on Granting and Transfer and the Urban Property law, the land administration authority under the local government of the relevant city or county shall enter into an granting contract with the land user for the Grant of State-owned Land Use Right. The land user shall pay the granting price as stipulated in the granting contract. After paying the granting price in full, the land user shall register with the land administration authority and obtain a The State-owned Land Use Rights Certificate. The Certificate is an evidence of the acquisition of Grant of State-owned Land Use Rights. The Development Regulations provide that the Grant of State-owned Land Use Rights for a site intended for real estate development shall be obtained by way of a grant except for those Grant of State-owned Land Use Rights which may be obtained by way of allocation pursuant to the PRC laws or the stipulations of the State Council.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Under the “Regulations on the Granting of State-Owned Land Use Right through Public Tender, Auction and Listing-for-Sale” (招標拍賣掛牌出讓國有土地使用權規定) enacted by the Ministry of Land and Resources on May 9, 2002 and enforced on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by way of public tender, auction and listing-for-bidding. In cases where there are two or more applicants for one parcel of land, the Grant of State-owned Land Use Right shall also be granted by way of public tender, auction and listing-for-bidding. The procedures are as follows:

- i. The land authority under the people’s government of the city and county (the “grantor”) shall make an announcement at least 20 days prior to the date of the proposed public tender, auction and listing-for-bidding. The announcement should include basic particulars such as land parcel, qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit of the bid.
- ii. The grantor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive public tender, auction or listing-for-bidding.
- iii. After determining the winning tender or the winning bidder by the competitive public tender, auction or listing-for-bidding, the grantor and the winning tender or winning bidder shall then enter into a confirmation. The grantor should return the remaining bidding or tender deposits to their original applicants.
- iv. The grantor and the winning tender or winning bidder shall enter into a contract for Grant of State-owned Land Use Right granted according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the granting price of the Grant of State-owned Land Use Rights.
- v. The winning tender or winning bidder should apply for the land registration after paying off the granting price in accordance with the Grant of State-owned Land Use Right. The people’s government above the city and county level should issue the “Land Use Right Certificate for State-Owned Land”.

According to the “Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of Examination and Approval of Land Use in Urban Construction” (the “Land Use Approval Notice”) (關於加強城市建設用地審查報批工作有關問題的通知) enacted by the Ministry of Land and Resources on September 4, 2003, commencing from the day of distribution of the Land Use Approval Notice, land use for luxurious commodity houses shall be stringently controlled, and applications for land use for building villas shall be stopped. On May 30, 2006, the Ministry of Land and Resources issued the “Urgent Notice of Further Strengthening the Administration of the Land” (關於當前進一步從嚴土地管理的緊急通知) (the “Urgent Notice”). It is expressly prescribed in this Urgent Notice that land for real estate development must be granted by way of public tender, auction and listing-for-bidding; the rules of stopping the development project for villas should be strictly enforced; and all supply of land for such purpose and handling of related land use procedures will be ceased from the day of the Urgent Notice’s issuance.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Under the Urgent Notice, the land authority should rigidly execute the “Model Text of the State-owned Land Use Right Granting Contract” and “Model Text of the State-owned Land Use Right Granting Supplementary Agreement (for Trial Implementation)” jointly enacted by the Ministry of Land Resources and SAIC. The documents of the land granting should ascertain the requirement of planning, construction and land use such as the restriction of the dwelling size, plot ratio and the time limit of starting and completion. All these should be agreed in the Land Use Right Granting Contract.

On September 8, 2007, the Ministry of Land and Resources promulgated a “Notice on Strengthening the Disposing of Idle Land” 《關於加大閒置土地處置力度的通知》 providing that the Grant of State-owned Land Use Right shall be granted by ways of “Cultivated Land”. It means that the Grant of State-owned Land Use Right can only be transferred after the payment of compensation fees for landing and settlement and completion of the land development at the earlier stage. The notice also prescribes that the State-owned Land Use Rights Certificate shall not be issued before the land grant premium for acquisition of land has been paid in full, nor be issued separately according to the ratio of payment of land grant premium.

On September 28, 2007, the Ministry of Land Resources promulgated the Regulation on Bidding, Auction and Listing Required for Granting of State-Owned Construction Land (《招標拍賣掛牌出讓國有建設用地使用權規定》) (“this Regulation”) which enforced on November 1, 2007. This Regulation specifies that the grantee of State-owned construction land use rights shall fully pay up the premium for the Grant of State-owned Land Use Right in accordance with the State-owned land granting contract before it could proceed with the relevant procedures for Grant of State-owned Land Use Right registration and apply for a State-owned Construction Land Use Rights Certificate. No grantee could be granted a State-owned Construction Land Use Rights Certificate for the land in proportion to the partial payment of the premium that the grantee has paid.

On February 27, 2007, the Ministry of Land and Resources and the Ministry of Finance jointly promulgated the Provisional Measures on Financial Administration of Reserve Land Funds 《土地儲備資金財務管理暫行辦法》 for the purpose of perfecting the land reserve system, strengthening land regulation and control, regulating the operation of the land market, strengthening land administration and regulating land reserve administrative behaviors.

On November 19, 2007, the Ministry of Land and Resources, the Ministry of Finance and the PBOC jointly promulgated the Measures for the Administration of Reserved Land 《土地儲備管理辦法》 (“Reserved Land Measures”). As defined in the Reserved Land Measures, reserved land refers to the pro-phased development of land, and the reserving of land for such projects by departments responsible for land under county or city governments. The purpose of reserving such land is to control the property market and promote the appropriate use of land resources.

Under the Reserved Land Measures, the above-mentioned departments should draft plans for the implementation of such projects, and strictly accord with the plans. Before departments implement such plans, they must obtain appropriate governmental approval.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On December 30, 2007, the Notice of the General Office of the State Council on Strictly Enforcement of Regulations and Policies Regarding to Rural Collective Construction Land 《國務院辦公廳關於嚴格執行有關農村集體建設用地法律和政策的通知》 was issued to introduce a series of measures for strictly strengthening administration and management of rural collective construction land.

The State Council issued the Circular on Saving Intensive-use Land 《國務院關於促進節約集約用地的通知》 on land conservation and improving the efficiency of land use on January 3, 2008, in order to better protect arable land. The circular called on relevant government agencies to map out large-scale "scientific infrastructure" programs, tighten land use approval in both rural and urban areas and step up land market monitoring. The circular prescribed that, if land approved for development remains unused for more than two years, it should be recovered by the government according to laws and regulations. If the land remains idle for more than one year and less than two years, land developers should pay a 20 percent non-usage fee. More than 70 percent of the land used for construction of urban housing should be designated for residential purposes for low-rent units, affordable housing, price-limited housing and smaller units of less than 90 square meters. The circular also stipulates that lending and financing services will not be provided for illegally used land. Moreover, financial institutions should be very prudent when they provide loans and/or when they examine financing for real estate projects that exceed one year from the start date listed in the land use right granting contract, for which less than 1/3 of the development area has been completed, or for which less than 1/4 of the investment has been made.

(b) **Resettlement**

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas 《城市房屋拆遷管理條例》 promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the "Resettling Party") should apply for a resettlement permit and provide monetary compensation or alternative residence for the residents to be resettled. The real estate administration authority will issue a resettlement notice after granting the resettlement permit, detailing the parties concerned, the properties affected and the period of the resettlement. The Resettling Party will then enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property's location, permitted use and gross floor area. If the Resettling Party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in the People's court within three months of the ruling if they contest the ruling.

In order to prevent illegal demolition and removal, and overheating investment in some areas, the General Office of the State Council issued the Notice on Controlling the Scale of Demolition and Removal and Strengthening Administration of Demolition and Removal 《關於控制城鎮房屋拆遷規模嚴格拆遷管理的通知》 on June 6, 2004. The notice addresses issues including, but not limited to, the following: (i) strictly controlling the area of demolition and removal to ensure that the total area of demolition and removal is less than that of the previous year; (ii) strictly administering the procedures

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

of demolition and removal so that the process is carried out in an open, fair and just manner; (iii) strengthening the supervision and administration of the compensation costs incurred for the demolition and removal, and ensuring the completion of the relocation; and (iv) strictly punishing certain illegal actions in relation to demolition and removal.

(c) *Development of a real estate project*

i. *Commencement of a real estate project and the idle land*

Under the Urban Property Law, those who have obtained the Grant of State-owned Land Use Right through a granting must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the Grant of State-owned Land Use Rights granting. According to the “Measures on Disposing Idle Land” (閒置土地處置辦法) enacted and enforced by the Ministry of Land and Resources on April 28, 1999, the land can be defined as idle land under any of the following circumstances:

- development and construction of the land is not commenced within the prescribed time limit after obtaining the Grant of State-owned Land Use Right without consent from the people’s government who approved the use of the land;
- where the “Contract on Paid Use of the Right to Use State-Owned Land” or the “Approval Letter on Land Used for Construction” has not prescribed the date of commencing the development and construction, the development and construction of the land is not commenced at the expiry of one year from the date when the “Contract on Paid Use of the Right to Use State-Owned Land” became effective or when the administrative department of land issued the “Approval Letter on Land Used for Construction”;
- the development and construction of the land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval; and
- other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level municipality administrative department shall, after a piece of land being ascertained as idle land, notify the concerned land user and draft a proposal on methods of disposal of the idle land including but not limited to the extension of the time period for development and construction (provided that the extension shall be no longer than one year), changing the use of the land, arranging for temporary use, the government may grant the idle land with the same value or other construction land to the land user, ascertaining a new land user by such ways as public tender, auction; and the land user may sign a reclaiming agreement with the government to return such Grant of State-owned Land Use Right to the government. The administrative department of land under the people’s government of city or county level shall, after the proposal on disposal has been approved by the original people’s government who

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

approved the use of the land, arrange for implementation of the proposal. To the idle land which is obtained by granting the real estate development and is within the scope of city planning, if the work has not been commenced after one year from the prescribed date of commencement, a surcharge on idle land equivalent to less than 20% of the granting price may be levied; if the work has not been commenced after two years from the prescribed date of commencement, the land can be confiscated without any compensation. However, the preceding stipulations shall not apply if the delay is caused by force majeure; acts of government or acts of other relevant departments under the government; or by the indispensable preliminary work.

The “Notice on Strengthening the Disposing of Idle Land” 《關於加大閒置土地處置力度的通知》 issued by the Ministry of Land Resources on September 8, 2007 emphasizing that the disposal of idle land shall be speeded up. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium; the land regulatory authority shall reclaim the idle land without compensation as required by the relevant regulations. For land that becomes idle as a result of illegal approval, such land shall be reclaimed before the end of 2007.

On September 30, 2007, the Ministry of Land Resources issued the “Notice On Implementation of the <Several Opinions of the State Council of the PRC on Solving Housings Shortage with respect to Urban Low-Income Household> and Further Strengthening Control on Land Supply” (關於認真貫徹 <國務院關於解決城市低收入家庭住房困難的若干意見> 進一步加強土地供應調控的通知) for strictly strengthening disposal of idle land. In cases where such land remains undeveloped one year after the construction commencement date as stated in the relevant Grant of State-owned Land Use Right, an idle land penalty on the real estate developer may be levied by the land regulatory authority, and the real estate developer would be required by the land regulatory authority to rectify the situation with prescribed time. The land regulatory authority may impose an idle land penalty of up to 20% of the land premium. In cases where such land remains undeveloped for two years, the land regulatory authority may reclaim the land. If the development of such land has commenced, development has been suspended without approval for one year, and the portion of the land that has been developed is less than 1/3 of the total area to be developed, or the amount of capital directly invested in the construction of the building is less than 1/4 of the total investment, such land shall be handled as a idle land. Since all of our projects which obtained the certificates of the land use right have commenced construction or are at the maintaining stage, our directors consider that this notice has no material impact on the Group’s business and operation.

Since currently the domestic affiliated companies are free from the above situation, the Notice will not have any impact on portions of land which the domestic affiliated companies have legal rights to use

ii. *Planning of a property project*

According to the “Urban and Rural Planning Law of the People’s Republic of China” (中華人民共和國城鄉規劃法) enacted by the Standing Committee of the National People’s Congress on October 28, 2007 and as shall come into force as of January 1, 2008, which repealed the “City Planning Law of the People’s Republic of China” (中華人民共和國城市規劃法) enacted by the Standing Committee of the National People’s Congress on December 26, 1989 and

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

enforced on April 1, 1990, and the “Measures for Planning Administration of Granting and Transfer of Right to Use Urban State-owned Land” (國有土地使用權出讓轉讓規劃管理辦法) enacted by the Ministry of Construction on December 4, 1992 and enforced on January 1, 1993 and the “Notice of the Ministry of Construction on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land” (建設部關於加強國有土地使用權出讓規劃管理工作的通知) enacted and enforced by the Ministry of Construction on December 26, 2002, after signing a Grant of State-owned Land Use Right, a property developer shall apply for a The Planning Permit for Construction Land (建設用地規劃許可證) from the city and county planning authority under the people’s government with the granting contract and the relevant documents of approval, assessment, record for the proposed real estate project. The granting contract without any provisions relating to land planning will be invalidated. In cases where the construction site of buildings, roads, pipelines or other types is located in a planning zone of a city or county, the construction enterprises or individuals shall apply for a Planning Permit for Construction Works (建設工程規劃許可證) from the city/county planning authority or a people’s government at village level designated by the provincial people’s governments.

Under the “Urban and Rural Planning Law of the People’s Republic of China”, governments above the county level are entitled to withdraw the relevant approval documents when any permit for access to or use of the land is granted to the developer before obtaining the land planning permit; land occupied shall be returned immediately and the compensation shall be paid when damages to parties concerned have resulted. This law also emphasizes the preservation of natural resources and historical and cultural estates, and the maintenance of local and national characteristics and tradition.

iii. *Construction of a property project*

After obtaining the Permit for Construction Work Planning, a property developer shall apply for a Permit for Commencement of Construction Works (施工許可證) from the construction authority under the local people’s government above the county level according to the “Measures for the Administration of Construction Permits for Construction Projects” (建築工程施工許可管理辦法) enacted by the Ministry of Construction on October 15, 1999 and revised and enforced on July 4, 2001. However, in cases where the investment amount is less than RMB300,000 or the construction area is less than 300 sq.m., such property projects are not required to obtain a Construction Permit. For a property project which shall be applied for a Construction Permit as required by the aforesaid regulations, the real estate developer shall not start to construct without a Construction Permit.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Construction Safety

On November 1, 1997, the Construction Law of the People's Republic of China 《中華人民共和國建築法》 was promulgated by the 28th Meeting of the Standing Committee of the Eighth National People's Congress, which became effective as of March 1, 1998. A summary of the important provisions in respect of construction production safety management in the Construction Law is set forth below:

- Construction project production safety management must adhere to the policy of safety first and prevention first, and must establish and perfect a system of production safety. Construction project design shall conform to the construction safety procedures and technical standards formulated in accordance with state provisions to ensure the safe execution of the project.
- A building construction enterprise shall work out corresponding safety technical measures according to the characteristics of each construction project when developing its construction plans; for specialty-intensive items of the project, special-purpose designs for safe construction shall be compiled and safety technical measures taken. A building construction enterprise shall take such measures as the maintenance of safety and precautions against danger and fire prevention at the construction site. A building construction enterprise shall take safety protection measures in the case of the construction site causing possible damage to its adjoining buildings, structures or special operational environment.
- A construction unit shall, pursuant to the relevant state provisions, go through the formalities of application for approval in case of any of the following circumstances:
 - (1) need to temporarily occupy sites beyond the approved planned scope;
 - (2) possibility of damaging such public facilities as roads, pipes and cables, electricity, postal service and telecommunications;
 - (3) need to temporarily suspend the water supply, electricity supply or road traffic;
 - (4) need to conduct explosion operations; and
 - (5) other circumstances requiring going through the formalities of application for approval as prescribed by laws and regulations.
- The competent department of construction administration shall be responsible for the administration of construction safety in production and subject to the guidance and supervision of the competent department of labour in construction safety in production in accordance with law.
- The building construction enterprise shall be responsible for the construction site safety. The general contracting unit shall be responsible for the construction site safety

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

of the project under general contract for construction. Subcontracting units shall be responsible to the general contracting unit and subordinate themselves to the management of the general contracting unit for construction site safety in production.

- In the event of an accident in the process of construction, the building construction enterprise shall take emergency measures to reduce casualties of personnel and losses caused by the accident, and submit a report in time to the departments concerned pursuant to relevant state provisions.

On February 1, 2004, the State Council promulgated the Administrative Regulations on Safety in Construction Projects 《建設工程安全生產管理條例》, which set up sound regulations and rules to curb illegal operations, and make clear the obligations of each participant for construction safety. In addition, the regulations reinforce legal punishment for illegal operation.

iv. *Completion of a property project*

According to the Development Regulation, the “Regulation on the Quality Management of Construction Projects” (建設工程質量管理條例) enacted and enforced by the State Council on January 30, 2000, the “Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建設工程和市政基礎設施工程竣工驗收備案管理暫行辦法) enacted and enforced by the Ministry of Construction in April 2000 and the “Interim Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure” (房屋建設工程和市政基礎設施工程竣工驗收暫行規定) enacted and enforced by the Ministry of Construction on June 30, 2000, after completion of work for a project, with 15 days after passing the acceptance examination, a real estate developer shall apply for the archival filling upon completion to the real estate development authority under the people’s government on or above the county level and, upon which the “Record of acceptance examination upon project completion” will be issued. For a housing project or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and where such a project is developed in phases, separate acceptance examinations may be carried out for each completed phase.

v. *Environmental Protection*

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

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

E. Property Transactions

(a) *Transfer of property*

According to the “Urban Property Law” and the “Provisions on Administration of Transfer of Urban Property” (城市房地產轉讓管理規定) enacted by the Ministry of Construction on August 7, 1995 and revised on August 15, 2001, a property owner may sell, give or otherwise legally transfer a property to another person or legal entity. When transferring a building, the ownership of the building and the Grant of State-owned Land Use Rights attached to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the Grant of State-owned Land Use Rights were originally obtained by granting, the real property may only be transferred on the condition that: (a) the granting price has been paid in full for the granting of the Grant of State-owned Land Use Rights as provided by the granting contract and a the State-owned Land Use Rights Certificate has been obtained; (b) if development is to be carried out according to the granting contract and is a project in which buildings are being developed, development representing more than 25% of the total investment has been completed; where the development involves a large scale of land lots, conditions for use of the land for industrial or other construction purposes have been satisfied; where the construction of buildings has been completed, the Building Ownership Certificate must has been obtained.

If the Grant of State-owned Land Use Rights were originally obtained by granting, the term of the Grant of State-owned Land Use Rights after transfer of the property shall be the remaining portion of the original term provided by the Grant of State-owned Land Use Rights granting contract after deducting the time that has been used by the former land users. In the event that the transferee intends to change the use of the land provided in the original granting contract, consent shall first be obtained from the original grantee and the planning administration authority under the local government of the relevant city or county and an agreement to amend the Grant of State-owned Land Use Right granting contract or a new Grant of State-owned Land Use Right granting contract shall be signed in order to, inter alia, adjust the Grant of State-owned Land Use Right granting price accordingly.

If the land rights were originally obtained by allocation, transfer of the real property shall be subject to the approval of the government vested with the necessary approval power as required under the regulations of the State Council. If the people’s government vested with the necessary approval power approves such a transfer, the transferee shall complete the formalities for transfer of the Grant of State-owned Land Use Rights, unless the relevant statutes require no transfer formalities, and pay the transfer price according to the relevant statutes.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

(b) *Sale of commodity properties*

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法) enacted by the Ministry of Construction on April 4, 2001 and enforced on June 1, 2001, sale of commodity properties can include both pre-completion and post-completion sales.

i. *Permit of pre-completion sale of commodity properties*

According to the Development Regulations and the “Administrative Measures Governing the Pre-sale of Urban” (the “Pre-completion Sale Measures”) (城市商品房預售管理辦法) enacted by the Ministry of Construction on November 15, 1994 and revised on August 15, 2001 and July 20, 2004 respectively, the pre-completion sale of commodity properties shall be subject to a permit system, under which a property developer intending to sell a commodity building before its completion shall make the necessary pre-completion sale registration with the property development authority of the relevant city or county to obtain a permit of pre-completion sale of commodity properties. A commodity building may only be sold before completion provided that: (a) the land premium has been paid in full for the granting of the concerned Grant of State-owned Land Use Rights and a land use rights certificate has been issued; (b) a Planning Permit for Construction Works and a Permit for Commencement of Construction Works have been obtained; (c) the funds invested in the development of the commodity properties put to pre-completion sale represent 25% or more of the total investment in the project and the development schedule and the completion and delivery dates have been ascertained; and (d) the pre-completion sale has been registered and a Permit for Pre-completion Sale of Commodity Properties has been obtained. The administrative departments of construction or the administrative departments of land and building at the provincial level may further set up their implementation rules in accordance with the Pre-completion Sale Measures.

In addition, according to the “Regulations on Urban and Rural Real Estate Trade of Chongqing Municipality” (重慶市城鎮房地產交易管理條例) issued by Chongqing Municipal People’s Congress on June 7, 2002 and enforced on August 1, 2002, the following conditions shall be fulfilled for registration of pre-completion sale of commodity properties in Chongqing: (a) the relevant certificates such as business license and qualification certificate of real estate enterprise has been obtained; (b) the approval documents of Grant of State-owned Land Use Right has been obtained, for the Grant of State-owned Land Use Right obtained by granting, the land premium shall be paid in full in accordance with the relevant land administrative laws and regulations, and the State-owned Land Use Rights Certificate has been obtained; (c) the Planning Permit for Construction Works and the Permit for Commencement of Construction Works have been obtained; (d) the capital funds, at least 25% of total investment of the project, has been injected into the development of the project, for low rise buildings, the structural construction and the topping-out must have been completed, for high rise buildings, at least a-third of the structural construction must have been completed; (e) the proposal of pre-sale of commodity properties has been finished; (f) an escrow account of pre-sale proceeds in a commercial bank of the same locality as the commodity properties shall be opened, and an escrow agreement shall be signed; (g) in cases involving resettlement, a resettlement permit has been obtained from the housing resettlement administrative authority; (h) the pre-sale properties and the relevant Grant of State-owned Land Use Right are not mortgaged; (i) other conditions prescribed by laws and regulations. Besides, pursuant to the Notice by Chongqing Municipal Land and Resources Bureau

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

on Further Strengthening the Registration of Mortgage on Real Estate and Examination for Permission of Pre-Sale of Commodity Properties (重慶市國土房管局關於進一步做好房地產抵押登記和商品房預售許可審核工作的通知) issued on January 25, 2005, a real estate development enterprise shall obtain a written consent from the planning authority and pay the land premium or land revenue as required by the relevant laws and regulations before obtaining the Pre-sale Permit for Commodity Housing for the part of commodity properties which is beyond the scope of original permit.

In accordance with the "Sichuan Construction Committee's Opinions Forwarded by the People's Government of Sichuan Province on Strengthening Administration of Pre-completion Sale of Commodity Properties" (四川省人民政府批轉省建委關於加強城市商品房預售管理實施意見的通知) effective from March 10, 2000 issued by the people's government of Sichuan Province, the following conditions shall be fulfilled for pre-completion sale of commodity properties in Sichuan province: (a) the land premium has been paid in full (except allocated Grant of State-owned Land Use Right), and the State-owned Land Use Rights Certificate has been obtained; (b) the Planning Permit for Construction Works has been obtained; (c) project progress and the date of completion of project for use must have been ascertained; (d) the infrastructure and the main construction must have been completed in respect of commodity residence properties of not more than six stories (including six stories); (e) in respect of non-residential properties of not more than six stories (including six stories) and commodity properties of more than six stories, the infrastructure and the first story construction must have been completed for properties which have underground construction, on the other hand, for properties which has not underground construction, the infrastructure and the sixth story construction must have been completed.

Pursuant to the "Regulations on Administration of Urban Real Estate Trade of Beijing Municipality" (北京市城市房地產轉讓管理辦法) issued by Beijing Municipal People's Congress on September 2, 2003 and enacted on December 1, 2003, the following conditions shall be fulfilled for registration of pre-completion sale of commodity properties in Beijing: (a) the land premium has been paid in full and the State-owned Land Use Rights Certificate has been obtained, for economic affordable housing, a Approval of the Urban and Rural Construction Land (城鎮建設用地批准書) must have been obtained; (b) the Planning Permit for Construction Works and the Permit for Commencement of Construction Works have been obtained; (c) at least 25% of the total investment of the project has been injected into the development of the project; (d) the date of completion of construction has been ascertained, and is in compliance with the maximum period of pre-sale announced by the land and housing bureau of Beijing municipality. In addition, according to the Notice on Strengthening Administration of Pre-sale Permit of Commodity Properties (關於加強商品房預售許可證管理有關問題的通知) issued by the land and housing bureau of Beijing municipality on June 18, 2004, If there is a construction area discrepancy between Beijing Land Grant Contract and Construction Planning Permit, a real estate developer who intends to apply the Pre-sale Permit for Commodity Housing based on Construction Planning Permit, shall modify the land grant contract and pay land premium of the discrepant part accordingly. For the Beijing Land Grant Contract signed before July 1, 2004, after deducting the deposit of land grant contract, in cases where the amount of land premium can not cover a whole building, the Pre-sale Permit for Commodity Housing may not be obtained unless the land premium of the discrepant part has been paid up.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

ii. *Management of pre-completion sale proceeds of commodity properties*

According to the Pre-completion Sale Measures, the proceeds obtained by a property developer from the advance sale of commercial houses must be used for the construction of the relevant projects. The specific measures for the supervision on proceeds from the advance sale of commodity properties shall be formulated by the property administrative departments.

Under the “Regulations on Urban and Rural Real Estate Trade of Chongqing Municipality” (重慶市城鎮房地產交易管理條例) issued by Chongqing Municipal People’s Congress on June 7, 2002 and enforced on August 1, 2002, pre-sale proceeds shall be deposited to an escrow account opened by a real estate developer in a commercial bank, and the purchaser may obtain an invoice from the real estate developer by presenting a bank payment voucher. The relevant bank shall be responsible for monitoring the use of pre-sale proceeds of commodity properties. The pre-sale proceeds should be used to develop the relevant properties that have been pre-sold. The relevant bank can transfer the pre-sale proceeds to the pre-seller with a written consent from a certified project supervision origination. The relevant bank shall not transfer the pre-sale proceeds without such written consent.

Under the “Sichuan Construction Committee’s Opinions Forwarded by the People’s Government of Sichuan Province on Strengthening Administration of Pre-completion Sale of Commodity Properties” (四川省人民政府批轉省建委關於加強城市商品房預售管理實施意見的通知), the proceeds from pre-sale of commodity properties must be deposited in an escrow account opened by a real estate developer which shall be submitted to the local construction authority for record, and should be used to develop the relevant properties that have been pre-sold. The relevant bank shall be responsible for monitoring the use of pre-sale proceeds of commodity properties to ensure that all pre-sale proceeds are used to the related construction expenses.

As of the Latest Practicable Date, there were no detailed rules on the administration of pre-sale proceeds in Beijing.

iii. *Conditions of the sale of post-completion commodity properties*

Under the “Regulatory Measures on the Sale of Commodity Properties” (商品房銷售管理辦法), commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise offering to sell the post-completion properties shall have a enterprise legal person business license and a qualification certificate of a property developer; (b) the enterprise has obtained a the State-owned Land Use Rights Certificate or other approval documents of land use; (c) the enterprise has the Planning Permit for Construction Works and the Permit for Commencement of Construction Works; (d) the commodity properties have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the ancillary infrastructure facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other ancillary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; (g) the property management plan has been completed.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Before the post-completion sale of a commodity building, a property developer shall submit the Property Development Project Manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the property development authority for making a record.

iv. *Regulations on sale of commodity properties*

According to the Development Regulations and the Pre-completion Sale Measures, for the pre-completion sale of a commodity building, the developer shall sign a contract on the pre-sale of the commodity building with the purchaser. The developer shall, within 30 days upon signing the contract, apply for registration and record of contract for the pre-completion sale commodity building to the relevant administrative departments governing the property and land administration department of the city or country governments. Property administrative department shall take the initiative to apply network information technology to gradually implement web-based registration of pre-sale contracts.

Pursuant to the “Circular of the General Office of the State Council on Forwarding the Opinion of the Ministry of Construction and Other Department on Doing a Good Job of Stabilizing House Prices” (關於做好穩定住房價格工作的意見) promulgated on April 30, 2005, there are several regulations concerning commodity properties sale:

- The buyer of a commodity building is prohibited from conducting any transfer of the pre-sale of the commodity building that he has bought but is still under construction. Before completion and delivery of an pre-sale commodity building to the advance buyer, and before the advance buyer obtains the individual Building Ownership Certificate, the administrative department of property shall not handle any transfer of the commodity building. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property ownership registration administration shall not accept the application of property ownership;
- Apply a real name system for house purchase; carry out an immediate archival filing network system for pre-sale contracts of commodity properties.

On July 6, 2006, the Ministry of Construction, NDRC, and the SAIC jointly enacted a “Notice on Reorganizing and Regulating Order in the Property Transactions” (進一步整頓規範房地產市場交易秩序的通知), the details of which are as follows:

- The developer should start to sell the commodity properties within 10 days after receiving the “Permit for Pre-completion Sale of commodity properties”. Without this permit, the pre-completion sale of commodity properties, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments, is forbidden;
- The property administration authority should immediately establish an immediate network system for pre-sale contracts of commodity properties and a system for the

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

publication of property transaction information. The basic situation of the commodity building, the schedule of the sale and the title status should be duly, truly and fully published in the network system and on the locale of sale. The advance buyer of a pre-sale commodity building is prohibited from conducting any transfer of the sale of the commodity building that he has bought but is still under construction;

- Without the “Permit for Pre-completion Sale of commodity properties”, no advertisement of the pre-completion sale of commodity properties can be published;
- Property development enterprises with a record of serious irregularity or enterprises which do not satisfy the requirements of pre-completion sale of commodity properties is not allowed to take part in sale activities;
- The property administration authority should strictly carry out the regulations of the pre-completion sale contract registration and records and apply the real name system for property purchase.

Nevertheless our directors consider that this notice has no material impact on the Group’s business and operations.

According to the “Notice on Furthering the Administrative Measures on the Pre-sale of Commodity Residential Property” (關於進一步規範我市商品房預銷售管理的通知) issued by the Construction Commission of Beijing, commodity property programme should open the quotation and start to sell publicly as a whole within three days of obtaining the Pre-sale Permit. Real estate developer should not sell any pre-sale real property reserved by itself until such developer obtains certificate of real property.

(c) *Mortgages of Property*

Under the “Urban Property Law” and the “The Security Law of the People’s Republic of China” (中華人民共和國擔保法) enacted by the Standing Committee of the National People’s Congress on June 30, 1995 and enforced on October 1, 1995, and the “Measures on the Administration of Mortgage of Buildings in Urban Areas” (城市房地產抵押管理辦法) enacted by the Ministry of Construction in May 1997 and revised on August 15, 2001, mortgage refers to the act of a debtor, or a third party, who, without transferring the occupancy of the properties, charge those properties as security for the creditor’s rights. When the debtor fails to pay his debt, the creditor has a right to obtain compensation, in accordance with the stipulations of this law, by converting the properties into money or seek preferential payments from the proceeds from the auction or sale of the concerned properties. The secured debt shall not exceed the value of the properties mortgaged. After being mortgaged, the balance of value of the properties that exceeded the secured debt can be mortgaged for a second time, but the total sum of secured debt shall not exceed the value of the balance. When a mortgage is created on the ownership of a building on state-owned land legally obtained, a mortgage shall be simultaneously created on the Grant of State-owned Land Use Right of the land on which the building is erected. When the Grant of State-owned Land Use Rights acquired through means of granting is mortgaged, the buildings on the land shall also be mortgaged at the same time. The Grant of State-owned Land Use Rights of town and village enterprises cannot be mortgaged individually. When the buildings of the

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

town and village enterprises are mortgaged, the Grant of State-owned Land Use Rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the property in respect of which a Building Ownership Certificate has been obtained legally, the registration authority shall make a record under the “third party rights” item on the original Building Ownership Certificate and then issue a Certificate of Third Party Rights to Property to the mortgagee. If a mortgage is created on the commodity building put to pre-completion sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the property.

The “Property Rights Law of the People’s Republic of China” (中華人民共和國物權法) has been adopted at the fifth session of the Tenth National People’s Congress on March 16, 2007 and came into effective as of October 1, 2007, provides that the mortgage registration of buildings and other objects fixed to land, the right to use construction land, and a building under construction shall be gone through, such mortgage right shall be established as of the date of registration. The buildings newly constructed on the land after the mortgage of the right to use construction land may not belong to the mortgaged properties. Such newly constructed buildings can be disposed of together with the disposal of the aforesaid right to use construction land so as to realize the mortgage right, however, the mortgagee has no right to seek preferred payments from the money generated from the disposal of these newly constructed buildings.

The Ministry of Land and Resources (MLR), on December 30, 2007, issued the Administrative Measures on Land Registration 《土地登記辦法》. The measures are scheduled to take effect on February 1, 2008.

According to the measures, land registration refers to the recording of land-use rights on land registered for public review. The measures stipulate that the administrative department of land and resources must conclude land registrations within 20 days after receiving an application. If the case is complex, a 10-day extension can be approved by the principal of land and resources’ administrative department.

On April 9, 2008, the MLR released the Circular on Implementing the Land Registration Measures and Further Strengthening Land Registration Work 《關於貫徹實施〈土地登記辦法〉進一步加強土地登記工作的通知》 (the “**Circular**”), which calls for stringent land registration according to laws, cessation of illegal registration, and prohibition of legalizing illegal land through land registration.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

The Circular points out that the registrations will not be granted to cases involving unresolved land disputes, as well as cases where the full contract price has not been paid or where the use of land has been changed illegally. In addition, the Circular stipulates that personnel without a Land Registration Qualification Certificate must not be engaged in land ownership investigation and examination. Any person responsible for incorrect registration or incomplete registrations must bear the consequences.

On February 15, 2008, the Ministry of Construction (MOC) released Procedures for Property Registration (《房屋登記辦法》) (the “**Procedures**”). The Procedures are scheduled to take effect on July 1, 2008. Measures on Administration of Urban Houses Registration and Decisions by the MOC to Revise Measures on Administration of Urban Houses Registration will be revoked on that day. The Procedures stipulate that in property registrations, the owners of the housing property rights should correspond with the owners of the land use rights. Based on Property Rights Law, the Procedures specifically regulate the pre-registration, registration of mortgage rights for construction work in process, registration for maximum mortgage amount, registration of rectification, registration for objection and registration for easement, which make property registrations more operable.

(d) *Lease of Properties*

Under the “Urban Property Law” and the “Measures for Administration of Leases of Buildings in Urban Areas” (城市房屋租賃管理辦法) enacted by the Ministry of Construction on May 9, 1995 and enforced on June 1, 1995, the parties to a lease of a building shall enter into a lease contract in writing. A system is adopted for leases of buildings registration. When a lease contract is signed, amended or terminated, the parties shall register the details with the property administration authority under the local government of the city or county in which the building is situated.

(e) *New Property Law*

On March 16, 2007, the 5th Session of the 10th National People’s Congress of China adopted the Law of the People’s Republic of China on Property Rights 《物權法》 (the “New Property Law”), which took effect as of October 1, 2007.

The New Property Law applies to both realties and chattels and regulates the civil relationships generated from the attribution and utilization of the realties and chattels. There are five parts and 247 clauses in the New Property Law, which makes a series of detailed rules regarding the following kinds of important property rights:

- the right of ownership, which refers to the right to possess, use, seek profits from, and dispose of the realty or chattel owned by the owner according to the laws;
- the right of usufruct, which refers to the right to possess, use, and seek proceeds from the realty or chattel owned by someone else to the extent prescribed by the laws; and
- security rights, which refers to the right of priority to be repaid with respect to the secured property in accordance with laws when the debtor fails to perform its outstanding debt or under the circumstances of realization of security rights as agreed by parties concerned.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

A summary of the important legislation innovations in the New Property Law is set forth below:

- The New Property Law makes the principle that the rights of the state, companies, social organizations, individual, or any other property right holders shall be equal under the protection of law. In particular, the New Property Law emphasizes that the legal properties of private individuals shall be protected by laws and any entity or individual shall be prohibited from encroachment, cheating, dividing privately, intercepting or destroying such properties.
- Article 149 of the New Property Law clearly states that “the term of the residential construction land use rights shall be renewed automatically upon its expiration.” The “automatic renewal” requirement in the New Property Law embodies the principle that the state will protect the citizen’s legal private property. However, it shall be noted that it is still not very clear from the New Property Law regarding the renewal of the non-residential construction land use rights. The New Property Law only regulates that “the renewal upon the expiration of the term for non-residential construction land use rights shall be handled in accordance with laws.”
- There are various clauses in the New Property Law to strengthen the protection on the rights of the house owners: i) Article 89 of the New Property Law requests that “the construction of a building shall not violate the relevant provisions of the State on project construction, nor obstruct the air circulation, sunlight or daylight of any neighboring building.” This clause protects house owners’ right to enjoy sunlight and prevents house developers from illegal constructions; ii) Article 81 of the New Property Law grants house owners the right to manage by themselves the building and its ancillary facilities(and) replace the property management company or any other manager engaged by the house developer. This clause reinforces the independent rights of house owners to manage their own community.
- The New Property Law enlarges the scope of the allowable mortgaged properties and pledged rights. All properties which are not forbidden to be mortgaged as prescribed by the laws and administrative regulations are allowed to be mortgaged. In particular, the properties which are permitted to be mortgaged include but are not limited to the following:
 - Any building and other land appurtenances.
 - Any construction land use right.
 - The right to contracted management of barren land and other lands as obtained by means of bid invitation, auction, public consultation, etc.
 - Any manufacturing equipment, raw materials, semi-finished products and products.
 - Any building, vessel or aircraft under construction.
 - Any tools of transportations.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

F. Property financing

According to the “Notice of the People’s Bank of China on Regulating Home Financing Business” (中國人民銀行關於規範住房金融業務的通知) enacted by the People’s Bank of China (the “PBOC”) on June 19, 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans and individual commercial flat loans:

- (a) Residential development loans from banks shall only be granted to real estate development enterprises with approved development qualifications and high credit ratings. Such loans shall be offered to residential projects with good market potential. While the borrowing enterprise must have an amount of internal fund no less than 30% of the total investment required of the project, the project itself must have been issued with a Land Use Rights Certificate, The Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works.
- (b) In respect of the grant of individual home mortgage loans, the ratio between the loan amount and actual value of the security (the “Mortgage Ratio”) shall never exceed 80%. Where an individual applies for a home purchase loan to buy a pre-completion property, the said property must have achieved the stage of “topping-out of the main structure completed” for multi-story buildings or “two-thirds of the total investment completed” for high-rise buildings.
- (c) In respect of the grant of individual commercial flat loans, the Mortgage Ratio under the application for commercial flat loans shall not exceed 60% with a maximum loan period of 10 years and the subject commercial properties have already been completed.

The PBOC issued the Circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to specify the requirements for banks to provide loans for the purposes of real estate development and individual home mortgage as follows:

- (a) The real estate loan by commercial banks to real estate development enterprises shall be granted only under the title of real estate development loan and it is strictly forbidden to extent such loans as current capital loan for real estate development project or other loan item. No lending of any type shall be granted to enterprises which have not obtained the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works and Permit for Commencement of Construction Works;
- (b) Commercial banks shall not grant loans to real estate developers to pay off land premium; and
- (c) Commercial banks may only provide mortgage loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down payment remains to be 20%. In respect of his loan application for his second or more (including the second) residential unit(s), the percentage of the first installment shall be increased.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Pursuant to the Guidance on Risk Management of Property Loans of Commercial Banks (商業銀行房地產貸款風險管理指引) issued by China Banking Regulatory Commission on September 2, 2004, any real estate developer applying for real estate development loans shall have at least 35% of capital funds required for the development.

According to the “Notice of the People’s Bank of China on the Adjustment of Commercial Bank Housing Loan Policies and the Interest Rate of Excess Reserve Deposit” (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) enacted by PBOC on March 16, 2005, starting from March 17, 2005, the down payment of individual home increased loan from 20% to 30% in cities and areas where property prices grow too quickly. The commercial banks can independently determine scope of such property price rise according to specific situations in different cities or areas.

On May 24, 2006, the State Council forwarded the “Opinion of the Ministry of Construction and Other Departments on Adjusting the Housing Supply Structure and Stabilizing the Property Prices” (關於調整住房供應結構穩定住房價格的意見). The regulations provide the following:

- (a) Tightening the control of real estate advancing loan facilities. The commercial banks are not allowed to advance their loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity properties. Banks shall not accept mortgages of commodity properties remaining unsold for three years or longer.
- (b) From June 1, 2006 and onward, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers purchase apartments with a floor area of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged.

According to “Circular on Standardizing the Admittance and Administration of Foreign Capital in Property Market” (關於規範房地產市場外資進入和管理的意見) enforced on July 11, 2006, foreign-invested real estate development enterprises which have not paid up their registered capital fund fully, or failed to obtain the State-owned Land Use Rights Certificate, or with under 35% of the total investment for the project, will not be allowed to obtain a loan in or outside China, and foreign exchange administration departments shall not approve any settlement of foreign loans by such enterprises.

On July 22, 2006, the China Banking Regulatory Commission issued the “Circular on Further Strengthening the Management of Real Estate Credit” (關於進一步加強房地產信貸管理的通知), provided that granting development loans to a real estate developer that do not satisfy the conditions for loans, such as that capital funds paid for real estate project (except economy affordable house) have not reached 35% of the total investment to the project, or the State-owned Land Use Rights Certificate, Planning Permit for Construction Land, Planning Permit for Construction Works, and Permit for Commencement of Construction Works have not been obtained, shall be strictly forbidden. Granting new real estate loans to real estate developers that stock up lands or property resources, or disturb the normal market order shall be strictly restricted. Arbitrating real estate loans of real estate developers by means such as dividing up a project or developing it on a revolving basis shall be specially prevented.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On September 27, 2007, the PBOC and CBRC jointly issued the “Notice on Strengthening the Administration of Commercial Real Estate Credit Loans” (《關於加強商業性房地產信貸管理的通知》), which further stipulates stringent requirements to the grant of loans in respect to the second and subsequent purchases of housing by individuals. For those who have used credit loans to purchase housing and have applied for purchasing a second (inclusive) or more housing, the down payment shall not be less than 40% of the total purchase price, while the interest rate of such loan shall not be lower than 1.1 times the benchmark interest rate of the same grade for the same period as announced by the PBOC. Moreover, the ratio of the down payment and the level of the interest rate of the loan shall be substantially adjusted upwards according to the number of purchases. The specific increase range will be determined by commercial banks at their own discretion based on the relevant principles of credit risk management, however, the monthly expense for paying housing loan by the individual purchaser shall not be more than 50% of its monthly income.

On October 22, 2008, the PBOC issued the Notice on Extending the Downward Movement of Interest Rates for Loans for Residential Premises of a Commercial Nature for Individuals in Support of First-time Purchase of Ordinary Residential Premises by Residents (中國人民銀行關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) to reduce the down payment requirements from 30% to 20%, and to adjust the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate.

G. Insurance of a property project

There are no mandatory provisions in the PRC laws, regulations and government rules which require a real estate developer to take out insurance policies for its property projects.

In light of the “Construction Law of the People’s Republic of China” (中華人民共和國建築法) enacted by the Standing Committee of the National People’s Congress on November 1, 1997 and enforced on March 1, 1998, construction enterprises must take out accident and casualty insurance for workers engaged in dangerous operations and pay insurance premium. In the “Opinions of the Ministry of Construction on Strengthening the Insurance of Accidental Injury in Construction Work” (建設部關於加強建築意外傷患保險工作的指導意見) by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasizes the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance. The Notice regarding insurance of accidental injury in construction work (Yu Lao She Ban Fa [2006] No.102) (渝勞社辦發[2006] 102號) issued by the labor and social security bureau of Chongqing Municipality on June 21, 2006 prescribes the scope, object, term, coverage, amount and premium of insurance for accidental injury. According to the common practice of the property industry in Chongqing, Chengdu and Beijing, except for the accidental injury insurance, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies shall pay for the insurance premium at their own costs and take out various types of insurance to cover their liabilities, such as property risks, third party’s liability risk, performance guarantee in the course of construction and all-risks associated with the construction and installation work throughout the construction period. The insurance cover for all the aforementioned risks shall cease immediately after the completion and acceptance upon inspection of construction.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

H. Major taxes applicable to property developers

(a) *Enterprise Income tax*

According to the “Income Tax Law of The People’s Republic of China for Enterprises with Foreign Investment and Foreign Enterprises” (中華人民共和國外商投資企業和外國企業所得稅法) enacted by National People’s Congress on April 9, 1991 and enforced on July 1, 1991 and its detailed rules enacted by the State Council on June 30, 1991, the rate of enterprise income tax for foreign investment enterprises and enterprise income tax for entities and premises engaged in production and operation by foreign enterprises in China shall be 30%, and the rate of local income tax shall be 3%. The above-mentioned law and rules were repealed by the New Income Tax Law as of January 1, 2008.

Pursuant to the “Provisional Regulations of the People’s Republic of China on Enterprise Income Tax” (中華人民共和國企業所得稅暫行條例) issued by the State Council on December 13, 1993 and enforced on January 1, 1994 and its Implementation Rules enacted by the Ministry of Finance on February 4, 1994, the income tax rate applicable to Chinese enterprises other than foreign investment enterprises and foreign enterprises is 33%. The above-mentioned rules were repealed by the New Income Tax Law as of January 1, 2008.

According to the “Income Tax Law of The People’s Republic of China” (中華人民共和國企業所得稅法) (the New Income Tax Law) enacted by the National People’s Congress on March 16, 2007 and the Rules on the Implementation of Enterprise Income Tax Law of PRC (中華人民共和國企業所得稅法實施條例) (the Rules on the Implementation) enacted by the State Council on December 6, 2007 and the foresaid law and regulation enforced from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards foreign investment enterprise and foreign enterprises which have set up production and operation facilities in the PRC as well as PRC enterprises. Under the New Tax Law and the Rules on the Implementation, enterprises established under the laws of or within the territory of the PRC, or established under the laws of a foreign country (region), but whose “de facto management body” is located in the PRC are treated as resident enterprises for PRC tax purposes. If an entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax on its worldwide income at the 25% uniform tax rate, which will include any dividend income the entity receives from its subsidiaries, unless otherwise provided therein. Although the New Income Tax Law provides that dividend income between qualified resident enterprises is exempted income, it is not clear what is considered as a qualified resident enterprise under the New Income Tax Law. Furthermore, the New Income Tax Law and the Rules on the Implementation, effective January 1, 2008, provide that withholding tax at a rate of 10% will normally apply to dividends payable to non-PRC investors which are derived from sources within the PRC. Moreover, any gain realized on the transfer of shares by investors will be subject to 10% tax if such gain is regarded as income derived from sources within the PRC. Moreover, according to the Arrangements in respect of Prevention of Double Taxation and Tax Evasion between Hong Kong and PRC (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the PRC tax resident enterprise who distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to PRC laws, however, if the beneficiary of the dividends is a Hong Kong tax resident, who directly hold not less than 25% equity of the aforesaid enterprise (i.e. the dividends distributor), the tax levied should be 5% of the distributed dividends. If the beneficiary of the dividends is a Hong Kong tax resident, who directly hold less than 25% equity of the aforesaid enterprise, the tax levied should be 10% of the distributed dividends.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On April 11, 2008, the State Administration of Taxation issued the Notice of the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (關於房地產開發企業所得稅預繳問題的通知), requiring real estate developers to prepay enterprise income tax by quarter (or month) according to the current actual profit.

According to the Notice, for the incomes generated from the pre-sale before completion of the construction of buildings for residential or commercial use or other kinds, the tax prepayments thereof shall be paid upon calculation of the estimated quarterly or monthly profit according to the preset estimated profit rate, which shall be readjusted according to the actual profit after the completion of the construction of the buildings and settlement of the taxable cost.

With respect to non-low-price economy residence, the preset estimated profit rate for the buildings located at provincial-level cities and suburbs shall be not less than 20%, while that for prefectural-level cities and suburbs shall be not less than 15%; for the low-price economy residence, the preset estimated profit rate shall be not less than 3%.

(b) ***Business Tax***

Pursuant to the “Interim Regulations of the People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例) enacted by the State Council on December 13, 1993 and enforced on January 1, 1994 and which was later amended in November 2008 and became enforceable on January 1, 2009 and its “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Business Tax” (中華人民共和國營業稅暫行條例實施細則) issued by the Ministry of Finance on December 25, 1993, which was later amended in 2008 and became enforceable on January 1, 2009, the tax rate on the transfer of immovable properties, their superstructures and attachments is 5%.

(c) ***Land Value-added Tax***

According to the requirements of the “Provisional Regulations of The People’s Republic of China on Land Value-added Tax” (the “Land Value-added Tax Provisional Regulations”) (中華人民共和國土地增值稅暫行條例) which was enacted on December 13, 1993 and effected on January 1, 1994, and the “Detailed Implementation Rules on the Provisional Regulations of The People’s Republic of China on Land Value-added Tax” (中華人民共和國土地增值稅暫行條例實施細則) (the “Land Value-added Tax Detailed Implementation Rules”) which was enacted and enforced on January 27, 1995, any appreciation amount gained from taxpayer’s transfer of property shall be subject to land value-added tax. Land value-added tax shall be subject to a regime of four level progressive rates: 30% on the appreciation amount not exceeding 50% of the sum of deductible items; 40% on the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% on the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% on the appreciation amount exceeding 200% of the sum of deductible items. The related deductible items aforesaid include the following:

- amount paid for obtaining the Grant of State-owned Land Use Right;
- costs and expenses for development of land;

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for transfer of property;
- other deductible items as specified by MOF.

According to the requirements of the Land Value-added Tax Provisional Regulations, the Land Value-added Tax Detailed Implementation Rules and the Notice issued by the MOF in respect of the Levy and Exemption of Land Value-added Tax for Development and Transfer Contracts signed before January 1, 1994 (財政部關於對一九九四年一月一日前簽訂開發及轉讓合同的房地產徵免土地增值稅的通知) which was announced by MOFCOM and State Administration of Taxation on January 27, 1995, Land Value-added Tax shall be exempted under any one of the following circumstances:

- Taxpayers building ordinary standard residential properties for sale (i.e., residential properties built in accordance with the local standard for general civilian residential properties. Deluxe apartments, villas, resorts etc., are not under the category of ordinary standard residential properties), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Properties taken over or the Grant of State-owned Land Use Rights repossessed which were approved by the government due to the city planning and construction requirements of the State;
- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of where they have been living for five years or more, and after obtaining tax authorities' approval;
- For real estate transfer contract which were signed before January 1, 1994, whenever the properties are transferred, the Land Value-added Tax shall be exempted;
- If the real estate development contract were signed before January 1, 1994 or the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, the Land Value-added Tax shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the contract shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the Government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, and after auditing has been conducted by the local financial and tax authorities, the tax-free period may be appropriately prolonged, subject to the approval by the MOF and the State Administration of Taxation.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On December 24, 1999, the MOF and the State Administration of Taxation issued the “Notice in respect of the extension of the period for the Land Value-added Tax Exemption Policy” (關於土地增值稅優惠政策延期的通知) that extended the period for the Land Value-added Tax exemption policy as mentioned in paragraph (5) above to the end of 2000.

After the issuance of the “Land Value-added Tax Provisional Regulations” and the “Land Value-added Tax Detailed Implementation Rules”, due to the relatively long period required for property development and transfer, many districts, while they were implementing the regulations and rules, did not mandatorily require the property development enterprises to declare and pay the Land Value-added Tax. Therefore, in order to assist the local tax authorities in the collection of Land Value-added Tax, the MOF, State Administration of Taxation, the Ministry of Construction and the Ministry of Land and Resource had separately and jointly issued several notices to restate the following: After the transfer contract is signed, the taxpayers should declare the tax to the local tax authorities where the properties are located, and pay the Land Value-added Tax in accordance with the amount as calculated by the tax authority and within the specified time limit. For those who fail to acquire proof of tax payment or tax exemption from the tax authorities, the property administration authority shall not process the relevant title change procedures, and shall not issue the Realty Title Certificate.

State Administration of Taxation also issued the “Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Value-added Tax” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of Land Value-added Tax collection and operation procedures, to build up a proper tax return system for Land Value-added Tax and to improve the methods of pre-levying for the pre-sale of properties. That notice also pointed out that the preferential policy of Land Value-added Tax exemption has expired and that such tax shall be levied again for first time transfer of properties under property development contracts signed before January 1, 1994 or project proposals that have been approved and capital was injected for development.

State Administration of Taxation issued the “Notice of State Administration of Taxation in respect of the Strengthening of Administration Work in relation to the Collection of Land Value-added Tax” on August 2, 2004 and the “Notice of State Administration of Taxation in respect of the Further Strengthening of Administration Work in relation to the Collection of Land Value-added Tax and Land Use Tax in Cities and Towns” (國家稅務總局關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) on August 5, 2004. The aforesaid notices point out that the administration work in relation to the collection of land value-added tax should be further strengthened. The preferential policy of Land Value-added Tax exemption for first time transfer of properties under property development contracts signed before January 1, 1994 is expired and such tax shall be levied again. Where such taxes were still not levied, the situation should be corrected immediately. Also, the notice required that the system of tax declaration and tax sources registration in relation to the land value-added tax should be further improved and perfected.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On March 2, 2006, the MOF and State Administration of Taxation issued the “Notice of Certain Issues Regarding Land Value-added Tax” (關於土地增值稅若干問題的通知). Our director consider that this notice has no material impact on the Group’s business and operations. The notice clarifies the relevant issues regarding land value-added tax as follows:

i. *As to the Tax Collection and Exemption in the Sale of Ordinary Standard Residential Properties Built by Taxpayer*

The notice sets out the recognised standards for ordinary standard residential properties. Where any developers build ordinary standard residential properties as well as other commercial properties, the value of land appreciation shall be assessed separately. In respect of ordinary standard residential properties for which application for tax exemption has been filed with the tax authority at the locality of the property before the notice is issued and for which land value-added tax exemption has been granted by the tax authority on the basis of the standards of ordinary residential properties originally set down by the people’s government of the province, autonomous region or municipality directly under the Central Government, no adjustment shall be retroactively made.

ii. *As to the Advance Collection of Land Value-added Tax as well as the Settlement*

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

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Value-added Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007. The notice set out further provisions concerning the settlement of land value-added tax by property developers by clarifying details regarding units responsible for settlement of land value-added tax, requirements, materials to be submitted, auditing and verification, recognition of revenue of indirect sale and self-use properties, deductible items and handling of transfer after tax is imposed and settled etc. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation. The notice sets out the following key requirements:

(i) Settlement of land value-added tax on a project by project basis

The settlement of land value-added tax shall be made for each approved real estate development project; as for a project developed by stages, the settlement shall be made for each stage of the project.

In case a development project comprises both ordinary residence and non-ordinary residence, the added value shall be calculated separately.

(ii) Settlement requirements for land value-added tax

1. Where it is under any of the following circumstances, the taxpayer shall settle its land value-added tax:

- (a) a real estate project is completed and sold out;
- (b) a real estate project that has not been completed but it is transferred as a whole;
- (c) the Grant of State-owned Land Use Right is transferred.

A taxpayer that satisfies the above said provisions shall handle the formalities for settlement at the competent tax authority within 90 days as of the date when it meets the settlement requirements.

2. In case of any of the following circumstances, the tax authority may require the taxpayer to settle its land value-added tax:

- (a) As for a real estate project completed and accepted, the construction area already transferred makes up to 85% or more of the salable construction area of the whole project; or although this proportion is below 85%, the residuary salable construction area has been leased or used for self-purposes;

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- (b) The sale is not completed upon the expiration of three years since the day when the sale (pre-sale) permit is obtained;
- (c) The taxpayer has filed an application for writing-off tax registration but has not handled the formalities for settling the land value-added tax yet;
- (d) Other circumstances as prescribed by the provincial tax authorities.

A taxpayer that satisfies the above said provisions shall handle the formalities for settlement within the time limit prescribed by the competent tax authority.

(iii) *Collection of land value-added tax by verification*

Where a real estate development enterprise is under any of the following circumstances, the tax authority may, by consulting the tax burdens of the local enterprises similar to it in terms of development scale and income level, collect land value-added tax against it by verification on the basis of the levying rate that is not lower than the advance levying rate:

- (a) it fails to set up accounting books in accordance with the provisions of laws and regulations;
- (b) it destroys the accounting books without authorization or refuses to provide the data of tax payments;
- (c) it has established accounting books, but the accounting items are confusing, or its information on costs, revenue vouchers, and expense vouchers are mutilated and incomplete and it is difficult to determine the transfer or amount under the deductible items;
- (d) it meets the settlement conditions of land value-added tax, but it fails to go through the settlement formalities within the prescribed time limit, or it is ordered by the tax authority to conduct settlement within a certain time limit but still fails to do so upon the expiration of the time limit; or
- (e) the taxable basis declared is obviously much lower, and without reasonable ground.

On May 12, 2009, the State Administration of Taxation issued the Notice on Administration and Procedure of the Settlement of Land Value-added Tax (國家稅務總局關於印發《土地增值稅清算管理規程》的通知), the content of which is consistent with the notice issued on December 28, 2008, with respect to the settlement of land value-added tax on a project by project basis, settlement requirement for land value-added tax and collection of land value-added tax by verification.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Further, the Notice lays down the specific conditions and key issues for calculation of the deductible expenses when settling land value-added tax, such as land premium, land requisition fee, common ancillary facility fee, indirectly fee, etc.

(d) *Deed tax*

Pursuant to the “Interim regulations of the People’s Republic of China on Deed Tax” (中華人民共和國契稅暫行條例) enacted by the State Council on July 7, 1997 and enforced on October 1, 1997, the transferee, whether an entity or individual, of the title to a land site or building in the PRC shall have to pay deed tax. The rate of deed tax is 3% - 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the foresaid range, determine and report their effective tax rates to the MOF and the State Administration of Taxation for the record.

Pursuant to the “Notice on Adjusting Deed Tax Rate” (關於調整契稅稅率的通告) announced jointly by Chengdu finance Bureau and Chengdu local taxation bureau on June 30, 1999, which is authorized by the Sichuan provincial authority, the rate of deed tax in Chengdu is 3% as of July 1, 1999.

Pursuant to the “Implementation Provisions on Deed Tax in Chongqing Municipality” (重慶市契稅徵收實施辦法) enacted by the People’s Government of Chongqing on June 1, 1998, the rate of deed tax in Chongqing is 3%.

Pursuant to the “Notice by the People’s Government of Beijing Municipality on Revising Implementation Provisions on Deed Tax in Beijing Municipality” (北京市人民政府關於修改<北京市契稅管理規定>的決定) announced by the people’s government of Beijing municipality on June 27, 2002, the rate of deed tax in Beijing is 3% as of July 1, 2002.

On October 22, 2008, the Ministry of Finance and State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Estate Transactions (財政部國家稅務總局關於調整房地產交易環節稅收政策的通知). According to the Notice, the following policies would be implemental in order to encourage first-time purchases of ordinary residential properties:

- (a) temporarily decrease the property deed tax to 1% for first-time purchases by individuals of ordinary residential properties with a GFA of 90 sq.m. or below;
- (b) temporarily cease to levy the stamp duty on residential properties sold or purchased by individuals; and
- (c) temporarily cease to levy the land value-added tax on the residential properties sold by individuals.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

(e) *Urban land use tax*

Pursuant to the "Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns" (中華人民共和國城鎮土地使用稅暫行條例) enacted by the State Council on September 27, 1988 and enforced on November 1, 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land collected according to the tax rate determined by local tax authorities. According to the "Notice on Land Use Tax Exemption of Foreign Investment Enterprises and Institutions of Foreign Enterprises in China" enacted by the MOF on November 2, 1988 and the "Approval on Land Use Tax Exemption of Foreign Investment Enterprises" issued by the State Administration of Taxation on March 27, 1997, land use fee instead of land use tax shall be collected from a foreign investment enterprise. However, the Provisional Regulations of the People's Republic of China Governing Land Use Tax in Cities and Towns was revised by the State Council on December 31, 2006, under which the land use tax would be three times the amount of that of the same tax before which is came into effect as of January 1, 2007. The details rates are as follows:

- (i) between 1.5yuan and 30yuan in large cities;
- (ii) between 1.2yuan and 24yuan in medium cities;
- (iii) between 0.9yuan and 18yuan in small cities;
- (iv) between 0.6yuan and 12yuan in county towns, towns/bases operated under an organizational system, and industrial and mining districts.

According to the provisional regulations, land use tax shall be collected from foreign invested enterprises, foreign enterprises and foreign individuals.

On June 11, 2007, SAT issued the Notice on Cancelling Certain Administrative Examination and Approval Items for Local Taxes (關於取消部分地方稅行政審批專案的通知), which came into force as of the date of its issuance. Under this notice, certain preferential treatments of land use tax have been canceled as follows:

- (a) for certain infrastructure construction projects, in particular the large-scale infrastructure construction projects supported by relevant national industry policies, which need large areas of land and long-term construction but without operational revenue during the construction period, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.
- (b) for the real estate development enterprises that have difficulty in paying the land use tax prior to the sale of commercial real estates, the exemption or reduction of land use tax may be granted by the taxation bureau at the provincial level based on the specified situations.
- (c) the exemption or reduction of land use tax as a benefit for using land for port construction, electric power industry and coal industry.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

(f) **Buildings tax**

Under the “Interim Regulations of the People’s Republic of China on Buildings Tax” (中華人民共和國房產稅暫行條例) enacted by the State Council on September 15, 1986 and enforced on October 1, 1986, buildings tax shall be 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental. The following categories of buildings shall be exempt from buildings tax:

- (i) a building of governmental agencies, people’s organizations and the armed forces for their own use;
- (ii) a building of institutions whose operating expenses are allocated by State finance departments for their own use;
- (iii) a building religious temples and shrines’ parks and places of historic interest and scenic beauty for their own use;
- (iv) a building owned by individuals for non-business purposes;
- (v) tax exemption approved by the Ministry of Finance for other buildings.

On 31 December, 2008, the State Council decided to abolish the urban real estate tax (城市房地產稅) applicable to foreign-funded enterprises, foreign individual and entities and since January 1, 2009, the urban real estate tax has been substituted by the real estate tax (房產稅), which as a result has been applicable to both local and foreign entities and individuals.

(g) **Stamp duty**

Under the “Interim regulations of the People’s Republic of China on Stamp Duty” (中華人民共和國印花稅暫行條例) enacted by the State Council on August 6, 1988 and enforced on October 1, 1988, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including Realty Title Certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

(h) **Municipal maintenance tax**

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) enacted by the State Council on February 8, 1985, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) and the “Approval on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” (關於外商投資貨物運輸企業免徵城市維護建

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

設稅和教育費附加問題的批覆) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, whether foreign investment enterprises are subject to municipal maintenance tax shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

(i) *Education surcharge*

Under the “Interim Provisions on Imposition of Education Surcharge” (徵收教育費附加的暫行規定) enacted by the State Council on April 28, 1986 and revised on June 7, 1990 and August 20, 2005, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge, unless such obliged taxpayer is instead required to pay a rural area education surcharge as provided by the “Notice of the State Council on Raising Funds for Schools in Rural Areas” (關於籌措農村學校辦學經費的通知). Under the “Supplementary Notice Concerning Imposition of Education Surcharge” (關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the “Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge For Enterprises with Foreign Investment and Foreign Enterprises” (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) and the “Reply on Exemption of Municipal Maintenance Tax and Education Surcharge in Foreign-Invested Freightage Enterprises” (關於外商投資貨物運輸企業免徵城市維護建設稅和教育費附加問題的批覆) issued by State Administration of Taxation on February 25, 1994 and on September 14, 2005 respectively, whether foreign investment enterprises are subject to the education surcharge shall be determined in accordance with notices issued by the State Council; and such tax is not applicable to enterprises with foreign investment for the time being, until further explicit stipulations are issued by the State Council.

I. Measures on Adjusting the Structure of Housing Supply and Stabilizing Housing Price

The General Office of the State Council enacted the “Notice on Effectively Stabilizing Housing Prices” (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain the housing price from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Doing a Good Job of Stabilizing House Prices (國務院辦公廳轉發建設部等部門關於做好穩定住房價格工作意見的通知), the opinion provides that:

(a) *Intensifying the planning and control and improving the supply structure of houses*

Where the residence price is in excessive growth and where the supply of ordinary commodity houses with medium or low price and economical houses is insufficient, construction of residential properties should mainly involve projects of ordinary commodity houses with medium or low price and economical houses. The construction of low-density, up-market houses shall be strictly controlled. With respect to construction projects of medium or low price ordinary commodity houses, before any grant of land, the municipal planning authority shall, according to the level of control required, set out conditions for planning and design such as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth such controlling requirements as sale price, type and apartment sizes. Such conditions and requirements will be set out as preconditions of land granting to ensure an effective supply of small or medium-sized houses at

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Residential projects that have not commenced within two years must have their plans examined again, and those that turn out to be not in compliance with the planning permits will be revoked.

(b) ***Intensifying the control over the supply of land and rigorously enforcing the administration of land***

Where the price of land for residential use and residential properties grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical housing should be emphatically increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

(c) ***Adjusting the policies of business tax on residential property house transfer and strictly regulating the collection and administration of tax***

From June 1, 2005, business tax on transfer of a residential property by an individual within two years from purchase will be levied on the basis of the full amount of the sale proceeds. Transfer of an ordinary residential property by an individual two years or more after purchase shall be exempted for business tax. For transfer of a house other than ordinary residential property by an individual two years or more after purchase, the business tax will be levied on the basis of the balance between the proceeds from selling the property and the purchase price.

(d) ***Strictly Rectifying and Regulating the Market Order and Seriously Investigating into and Punishing Any Irregular and Rule-breaking Sales***

The buyer of a pre-completion commodity property is prohibited from conducting any transfer of the pre-sale commodity property that he has bought but is still under construction. A real name system for property purchase should be applied, and an immediate archival filing network system for advance sales contracts of commodity properties should be carried out.

(e) ***Further Strengthening the Disposing of Idle Land***

An “idle land fee” will be imposed in respect of land the development of which has not commenced within one year from the commencement date set out in the land use right granting contract and the relevant land use right will be cancelled for the land which is idle for two years or more.

On May 24, 2006, the State Council forwarded the “Opinion on Adjusting the Housing Supply Structure and Stabilizing Property Prices” (關於調整住房供應結構穩定住房價格的意見) (the “Opinion”) of the Ministry of Construction and other relevant government authorities. The Opinion provides the following:

i. ***Adjusting the Housing Supply Structure***

- Developers must focus on providing small to medium sized ordinary commodity properties at low to mid-level prices to cater to the demands of local residents;

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

- As of June 1, 2006, newly approved and newly commenced building construction projects must have at least 70% of the total construction work area designated for small apartments with floor areas of 90 sq.m. or below (including economically affordable apartments). If municipalities directly under the Central Government, cities listed on state plans (計劃單列市) and provincial capital cities (省會城市) have special reasons to adjust such prescribed ratio, they must obtain special approval from the Ministry of Construction. Construction projects that have been approved but have not yet obtained a Permit for Commencement of Construction Works must follow the prescribed ratio.
- ii. *Further adjustments in tax, loan and land policies*
- From June 1, 2006, business tax will be levied on the full amount of the sale proceeds on conveyance of residential properties within a period of five years from the date of purchase. If an individual sells his ordinary standard apartment after five or more years from the date of purchase, business tax will normally be exempted. If an individual sells his non-ordinary apartment after five or more years from the date of purchase, business tax will be levied on the balance between the selling price and the purchase price;
 - Commercial banks are not allowed to advance loan facilities to real estate developers who do not have the required 35% or more of the total capital for the construction projects as capital fund. The commercial banks should be prudent in granting loan facilities and/or revolving credit facilities in any form to the real estate developers who have a large number of idle lands and unsold commodity apartments. Banks shall not accept mortgages of commodity properties remaining unsold for three years or more;
 - From June 1, 2006 and onward, individual purchasers need to pay a minimum of 30% of the purchase price as down payment. However, if individual purchasers buy apartments of 90 sq.m. or less for residential purposes, the existing requirement of 20% of the purchase price as down payment remains unchanged;
 - At least 70% of the total land supply for residential property development must be used for developing small-to-medium-sized ordinary apartment (including economically affordable apartments) and low-cost housing. Based on the restrictions of residential property size ratio and residential property price, land supply will be granted by way of auction to the property developer. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly restricted;
 - The relevant authorities will levy a higher surcharge against those real estate developers who have not commenced the construction work for longer than one year from the commencement date stipulated in the Grant of State-owned Land Use Right contract and will order them to set a date for commencing the construction work and a date of completion. The relevant authorities will confiscate without compensation

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

the Grant of State-owned Land Use Right from those real estate developers who have not commenced the construction work beyond two years from the commencement date stipulated in the Grant of State-owned Land Use Right granting contract without proper reasons. The relevant authorities will dispose of the idle land of those real estate developers who have suspended the construction work consecutively for one year without an approval, have invested less than one-fourth of the total proposed investment or have developed less than one-third of the total proposed construction area.

iii. *Reasonably Monitoring the Scope and Progress of Demolition of Urban Housing*

The management and reasonable control of the scope and progress of the demolition of urban housing should be strengthened to halter the excessive property growth triggered by passive means.

iv. *Further Rectifying and Regulating the Order of Property Market*

- In order to ensure that the prescribed ratio regarding types and sizes is followed, the relevant authorities will need to re-examine the approval of those construction projects which have been granted Construction Planning Permit but have not been commenced. The relevant authorities will ensure that no Construction Planning Permit (規劃許可證), Construction Permit (施工許可證) or Permit for Pre-Sale of Commodity Properties (商品房預售許可證) is issued to those construction projects which do not satisfy the controlling requirements, in particular, the prescribed ratio requirement. If the real estate developers, without an approval, alter the architectural design, the construction items, and exceed the prescribed ratio, the relevant authorities have the power to dispose of the land and to confiscate the land in accordance with the law;
- The property administration authority and the administration of industry and commerce will investigate illegal dealings such as contract fraud cases in accordance with the law. The illegal conduct of pre-completion sale of commodity properties without satisfying all the conditions will be ordered to stop and be imposed a proper administrative penalty in accordance with the law. For those property developers who maliciously manipulate the supply of commodity housing, the relevant authorities will impose a proper administrative penalty, which includes revoking the business licenses of serious offenders and will pursue personal liability for those concerned.

v. *Gradually relieving the housing demands for low income families*

To expedite the establishment of low cost public housing supply system in various cities and counties; to monitor and regulate the construction of economically affordable apartments; to aggressively develop the second-hand property market and property rental market.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

vi. *Improving information disclosure system and system for collecting property statistics*

On July 6, 2006, the Ministry of Construction promulgated a supplemental Opinion on Carrying Out the Residential Property Size Ratio in Newly Built Residential Buildings (Jianzhufang [2006] No. 165) (關於落實新建住房結構比例要求的若干意見) (the “Supplemental Opinion”). The Supplemental Opinion provides the following:

- As of June 1, 2006, of the newly approved and newly commenced commodity residence projects in different cities including town and counties (from June 1, 2006 and onward), at least 70% of the total construction area must be used for building small apartments with unit floor area of 90 sq.m. or below (including economically affordable apartments);
- The relevant authorities in different localities must strictly follow the prescribed ratio requirement in their respective locality. The relevant authorities must ensure the conditions of newly built commodity apartments including the planning and the design, and must ensure that the property size ratio is adhered to. If a real estate developer has not followed the ratio requirement without providing proper reasons, the town planning authorities will not issue a Construction Planning Permit. If the real estate developer has not followed the requirements of the Construction Planning Permit, the relevant authority censoring the planning documents will not issue a certification, the construction authority will not issue a Construction Permit, and the property authority will not issue a Permit for pre-completion sale of the commodity properties.

In the case of commodity residence projects that were granted approval before June 1, 2006 but that were not granted a Construction Permit by that date, the relevant local governments in different localities should ascertain the details of the projects and ensure that the prescribed residential property size ratio requirement is complied with the percentage of the annual total construction area of the newly developed residential development projects in the locality among other factors. Accordingly our directors consider that such opinion will not have any adverse impact on the company’s projects including housing with floor area exceeding 90 sq.m.

On September 30, 2007, the Ministry of Land Resources issued the “Notice On Implementation of the ‘Several Opinions of the State Council of the PRC on Solving Housings Shortage with respect to Urban Low-Income Household’ and Further Strengthening Control on Land Supply” (關於認真貫徹<國務院關於解決城市低收入家庭住房困難的若干意見>進一步加強土地供應調控的通知) for strictly strengthening disposal of idle land. The land resources administrative bureau at the city or county level shall give priority to the construction land of low rental houses, affordable house and low-to-medium size ordinary residence at low-to-medium prices when drafting the Annual Land Supply Plan, the annual supply amount of such houses shall not be less than 70% of the total amount of annual land supply. The local authorities shall control the land supply amount, shorten development period, in principle the development period of a parcel of land shall not be more than three years, in order to ensure the efficiency of land development.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

II. PRC LEGAL FRAMEWORK REGULATING THE PROPERTY MANAGEMENT BUSINESS

A. Foreign-invested property management enterprises

According to the “Foreign Investment Industrial Guidance Catalogue (amended in 2007)”, property management falls within the Category of Permitted Foreign Investment Industries. According to the “Foreign Investment Industrial Guidance Catalogue (amended in 2007)” and the relevant requirements set out under the laws and the administrative regulations on foreign investment enterprises, a foreign invested property management enterprise can be set up in the form of Sino-foreign equity joint venture, Sino-foreign cooperative joint venture or wholly foreign owned enterprise. Before the administration of Industry and Commerce registers a foreign investment enterprise as a foreign-invested property management enterprise, the foreign-invested property management enterprise should obtain an approval from the relevant department of commerce and receive a “foreign investment enterprise approval certificate”.

B. Qualifications of a property management enterprise

According to the “Regulation on Property Management” (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, the state implements a qualification scheme system in monitoring the property management enterprises. According to the “Measures for Administration of Qualifications of Property Management Enterprises” (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004 and revised on November 26, 2007, a newly established property management enterprise shall, within 30 days from the date of receiving its business license, apply to the relevant local bureau in charge of the property management under the local government or to the municipalities directly under the Central Government for a grading assessment. The departments of qualification examination and approval will check and issue a “property management qualification certificate” corresponding to their grading assessment results.

The State Council amended the “Regulation on Property Management” (the “Regulations”) on August 26, 2007, which clarifies the relevant issues regarding Property Management as follows:

(a) *Clarification of the Rights and Obligations of Owner’s Congresses*

The Regulations clarify that the term “owner” means the title-holder of a premises. Owners may elect one owner’s congresses to represent and protect their lawful rights and interests, such as information rights and rights of supervision over the use of common facilities and spaces.

(b) *Owner’s Committee Executes a Written Service Contract with the Property Manager*

The owner’s congress will select one property service company, and the owner’s committee will execute a written service contract with the property service company on behalf of the owners. Under the Regulations, the premises used by the management company are the owner’s property, and the management company may not change the use of these premises without the approval of the owner’s congress. The property service company will be liable for damages to the owner’s person or property in violation of the service contract.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

(c) The rate of the property service fee must be reasonable, public and appropriate to the service provided. The service fee shall be agreed in the service contract in accordance with the relevant regulations enacted by the departments supervising consumer prices and construction under the State Council. With respect to any property already completed but not yet sold or delivered to the property buyer, the service fees will be paid by the construction entity.

According to the "Measures for the Administration on Qualifications of Property Management Enterprises", the qualifications of a property management enterprise shall be classified as class 1, class 2 and class 3. The competent construction department of the State Council shall be responsible for issuance and administration of the qualification certificate of the class 1 property management enterprises. The competent construction departments of the people's governments of provinces and autonomous regions shall be responsible for issuance and administration of the qualification certificate of the class 2 property management enterprises, and the competent realty departments of the people's governments of municipalities directly under the Central Government shall be responsible for issuance and administration of the qualification certificate of the classes 2 and 3 property management enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class 3 property management enterprises.

The property management enterprises with the class 1 qualification may undertake various property management projects. The property management enterprises with the class 2 qualification may undertake the property management business of residential management projects of less than 300,000 sq.m. and the non-residential management projects of less than 80,000 sq.m. The property management enterprises with the class 3 qualification may undertake the property management business of residence projects of less than 200,000 sq.m. and non-residence projects under 50,000 sq.m.

C. Employment of a property management enterprise

According to the "Regulation on Property Management Enterprise" (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003 and revised on August 26, 2007, the general meeting of owners can select or dismiss the property management enterprises if it has obtained the consents from the owners representing 1/2 or more in terms of population and private area of the entire building. If, before the formal employment of a property management by the owners or the general meeting or the owners, the real estate development is to employ a property management enterprise for the preparation of stage property services.

III. FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. The State Administration of Foreign Exchange ("SAFE"), under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain the prior approval of SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the People’s Bank of China Concerning Further Reform of the Foreign Currency Control System 《中國人民銀行關於進一步改革外匯管理體制的公告》, effective from January 1, 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On March 26, 1994, the PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理暫行規定》 (the “Provisional Regulations”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

On January 1, 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, determined by demand and supply of Renminbi. Pursuant to such system, the PBOC sets and publishes the daily Renminbi-US dollar exchange rate. Such exchange rate is determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, the PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by the PBOC.

On January 29, 1996, the State Council promulgated Regulations for the Control of Foreign Exchange 《中華人民共和國外匯管理條例》 (“Control of Foreign Exchange Regulations”) which became effective from April 1, 1996. The Control of Foreign Exchange Regulations classify all international payments and transfers into current account items and capital account items. Current account items are no longer subject to SAFE approval while capital account items still are. The Control of Foreign Exchange Regulations (中華人民共和國外匯管理條例) were subsequently amended on January 14, 1997 and August 5, 2008. Such amendments affirm that the State shall not restrict regular international payments and transfers. The enterprises may either repatriate their foreign exchange incomes back or deposit the same abroad, and the conditions and terms for repatriating their foreign exchange incomes back or depositing in overseas countries shall be regulated by the administration of foreign exchange under the State Council depending on the balance of international payments and the needs for foreign exchange control. Where the foreign exchange incomes under capital accounts are to be retained or sold to financial institutions which are engaged in settlement and sale of foreign exchange, approvals of foreign exchange control agencies are required, except as otherwise permitted by the state.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange 《結匯、售匯及付匯管理規定》 (the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

On the basis of the Settlement Regulations, the PBOC published the Announcement on the Implementation of Foreign Exchange Settlement and Sale Banks by Foreign-invested Enterprises 《外商投資企業實行銀行結售匯工作實施方案》. The announcement permits foreign-invested enterprises to open, on the basis of their needs, foreign exchange settlement accounts for current account receipts and payments of foreign exchange, and specialized accounts for capital account receipts and payments at designated foreign exchange banks. On April 13, 2006, the PBOC promulgated the Announcement [2006] No. 5. The announcement provides that the system for opening, amending and closing current account-related foreign exchange accounts by enterprises shall be changed from one requiring advance examination and approval to one in which matters shall be handled directly by banks in line with foreign exchange control requirements and commercial practice and reported to the foreign exchange bureau for its records. The limits on current account-related foreign exchange accounts of enterprises shall be increased. On the same day, SAFE issued a Notice on Adjusting the Policies Concerning the Administration of Current Foreign Exchange Accounts 《關於調整經常項目外匯管理政策的通知》. The notice abolished the advance examination for opening of current account-related foreign exchange accounts and improved the limits on current account-related foreign exchange accounts.

On October 25, 1998, the PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business 《關於停辦外匯調劑業務的通知》 pursuant to which and with effect from December 1, 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On July 21, 2005, the PBOC announced that, beginning from July 21, 2005, China will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

Save for foreign-invested enterprises or other enterprises which are specially exempted by relevant regulations, all entities in China (except for foreign trading companies and production enterprises having import and export rights, which are entitled to retain part of foreign exchange income generated from their current account transactions and to make payments using such retained foreign exchanges in their current account transactions or approved capital account transactions) must sell their foreign exchange income to designated foreign exchange banks. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares is not required to be sold to designated banks, but may be deposited in foreign exchange accounts with designated banks.

Enterprises in China (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, upon presentation of valid receipts and proof. Foreign-invested enterprises which need foreign currencies for the distribution of profits to their shareholders, and Chinese enterprises which, in accordance with regulations, are required to pay dividends to shareholders in foreign currencies, may with the approval of board resolutions on the distribution of profits, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks.

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Convertibility of foreign exchange in respect of capital account items, like direct investment and capital contribution, is still subject to restriction and prior approval from SAFE or its competent branch.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On October 21, 2005, 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》 which became effective as of November 1, 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. According to the notice, a "special purpose company" refers to an offshore company directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of undertaking equity financing (including convertible bond financing) abroad with the enterprise assets or rights and interests it/he holds inside PRC. Prior to establishing or assuming control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investments in the PRC in the past are required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On September 1, 2006, SAFE and Ministry of Construction jointly issued a Notice on Regulating Issues Relevant to Administration of Foreign Exchange in Real Estate Market 《關於規範房地產市場外匯管理有關問題的通知》. The notice provides: (i) where a foreign-invested real estate enterprise fails to pay the registered capital in full or to acquire a state-owned land use right certificate or to make its capital fund for a development project reach 35% of the total investment to the project, the foreign exchange bureau will not handle its foreign debt registration or approve the conversion of foreign debt into Renminbi; (ii) where a foreign organization or individual acquires a domestic real estate enterprise, if it (he) fails to pay the transfer price in a lump sum by its (his) own fund, the foreign exchange bureau will not handle the registration of foreign exchange income from transfer of equities; (iii) Chinese and foreign investors of a foreign-invested real estate enterprise shall not reach an agreement including any clause which promises a fixed return or fixed revenue in any disguised form to any party, otherwise the foreign exchange bureau will not handle the foreign exchange registration or registration modification of foreign-invested enterprise; and (iv) funds in a foreign exchange account exclusive to foreign investors opened by a foreign organization or individual in a domestic bank shall not be used for real estate development or operation. The notice also provides for a foreign exchange working process related to branches of overseas institutions established within China, overseas individuals, Hong Kong, Macao or Taiwan residents and overseas Chinese purchasing or selling commodity houses within China.

On December 25, 2006, PBOC promulgated the Measures for the Administration of Individual Foreign Exchange 《個人外匯管理辦法》. The measures use category administration to classify the individual foreign exchange operations as domestic and overseas by participants in the transaction, and current accounts and capital accounts by the nature of the transaction. The measures set the annual total amount of foreign

APPENDIX V SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

exchange for settlement of individuals and for purchase of domestic individuals, and provide different procedures for individuals who set foreign exchange over the annual total amount and domestic individuals who purchase foreign exchange over the annual total amount according to current accounts items and capital accounts items.

On January 5, 2007, SAFE promulgated the Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange 《個人外匯管理辦法實施細則》. The Detailed Rules provide, amongst others, that (i) the annual total amount of foreign exchange for settlement of individuals and for purchase of domestic individuals is USD50,000; (ii) domestic individuals who engage in external direct investment satisfying the relevant rules shall not only get approval from the foreign exchange bureau, but also complete the overseas investment foreign exchange registration procedures before they can purchase foreign exchange or remit with their own foreign exchange. (iii) domestic individuals can engage in financial investment such as overseas fixed-revenue right-interest, etc. through qualified domestic institutional investors such as banks and fund management companies; (iv) in case domestic individuals engage in such foreign exchange operations as an employee stock ownership plan of an overseas listed company or subscription option program, they can only deal with such options after completing registration with the foreign exchange bureau through their company or domestic agency institutions; and (v) the administration of foreign exchange on overseas loans, debts, guarantees, etc. for domestic individuals will be gradually opened.

On 29 August, 2008, SAFE issued the Circular of the SAFE on Relevant Business Operations Issues Concerning Improving the Administration of Payment and Settlement of Foreign Exchange Capital of Foreign-funded Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知). According to the Circular, a foreign-funded enterprise shall authorize an accounting firm to conduct capital verification before applying for the settlement of the foreign exchange capital. The settled foreign exchange capital shall be merely used for the business approved by the related authorities and shall not be used for equity investment. It is also prohibited to use the settled foreign exchange capital for purchasing domestic real estate for any purpose other than its own use, unless the enterprise is a foreign-funded real estate enterprise.