

This Appendix summarizes certain aspects of PRC laws and regulations relating to our operations and business. These include laws and regulations relating to land, real estate development, foreign investment enterprises and foreign exchange control.

LAND

Categories of Land

Land in the PRC is categorized by ownership type or by usage. By ownership type, land can be divided into: (i) state-owned land (“SOL”) owned by the State and (ii) collectively-owned land (“COL”) collectively owned by farmers, under the Land Administration Law of the PRC (《中華人民共和國土地管理法》) adopted by the Standing Committee of the National People’s Congress of the PRC on June 25, 1986, as revised and amended. SOL is generally located in urban areas while COL comprises all land in rural and suburban areas and all farm land, unless otherwise specified by law. COL may be converted into SOL by means of acquisition and such acquisition is subject to the approval of the State Council or the provincial level government depending on the size and the original use of the relevant piece of COL.

SOL land use right can be further divided into two categories in terms of usage pursuant to the Provisional Regulations of the PRC Concerning the Assignment and Transfer of the Right to the Use of the State-Owned Land in Urban Areas (《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 by the State Council on May 19, 1990. The first category, “allocated SOL,” refers to such SOL that can be acquired by the user without paying compensation in accordance with law. The second category, “granted SOL,” refers to such SOL that requires the acquiror to pay a land grant fee in accordance with law.

According to the Land Administration Law of the PRC, land can also be divided into (i) land designated for agriculture purposes, (ii) land designated for construction purposes, and (iii) unutilized land. Land designated for agriculture purposes refers to land used directly in agricultural production, including cultivated land, wooded land, grassland, land for farmland water conservancy and water surfaces for breeding. Land designated for construction purposes refers to land on which buildings and structures are built, including land for urban and rural housing and public facilities, land for industrial and mining use, land for building communications and water conservancy facilities, land for tourism and land for building military installations. Unutilized land refers to land other than that for agricultural and construction uses.

REAL ESTATE DEVELOPMENT

Establishment of a Real Estate Development Enterprise

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》) (the “Urban Real Estate Law”) promulgated by the Standing Committee of the National People’s Congress, effective January 1, 1995 and revised in 2007, a “real estate developer” refers to an enterprise which engages in the development and sale of real estate

for profit-making purposes. Under the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) (the “Development Regulations”) promulgated by the State Council on July 20, 1998, an enterprise engaging in real estate development must satisfy the following requirements in addition to other enterprise establishment conditions provided in relevant laws and administrative regulations:

- (i) its registered capital must be RMB1 million or more; and
- (ii) it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at provincial level, autonomous region level or municipalities under the direct administration of central PRC governments may introduce equivalent regulations regarding the registered capital and professional qualifications of real estate enterprises.

To establish a real estate development enterprise, the developer must apply for registration with the department of industry and commerce administration of the people’s government at or above the county level, which should, in examining the application for the registration, seek the views of the governmental department governing real estate development at the relevant level. The developer must also report its establishment to the department of real estate development in the location of its registration, within 30 days of the receipt of its business license.

A foreign investor intending to engage in real estate development may establish an equity joint venture, a contractual cooperative joint venture or a wholly foreign owned enterprise in accordance with PRC laws and regulations regarding foreign-invested enterprises or FIEs. However, a foreign investor is only allowed to take the form of the equity joint venture or contractual cooperative joint venture for the development of a whole land lot.

Qualifications of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》) (the “Provisions on Administration of Qualifications”) promulgated by the Ministry of Construction on March 29, 2000, a real estate developer must apply for registration of its qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction is in charge of monitoring the qualifications of all real estate developers within China, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers. Under the Provisions on Administration of Qualifications, real estate developers are divided into four classes.

- (i) Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and the final approval of the Ministry of Construction. A Class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country.

- (ii) Class 2, 3 or 4 qualifications are regulated by the construction authorities at the provincial level subject to delegation to lower level government agencies. A real estate developer of Class 2 or lower may undertake a project with a gross floor area of less than 250,000 square meters, the detailed business scope of the developer of Class 2 or lower is determined by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by mainly considering their registered capital and financial condition, lengths of time they have conducted real estate development business, professional personnel they employ, performance and operating results from past real estate operations and their quality control systems. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and sale of real estate within its approved scope of business and may not engage in business which is limited to another higher classification. The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or who operate in breach of the requirements may have their qualification classification certificates degraded or revoked.

For a newly established real estate developer, the real estate development authority will issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issuance and may be extended for not more than two additional years with the approval of the real estate development authority. The real estate developer must apply for a qualification classification certificate to the real estate development authority within one month before the expiration of its provisional qualification certificate. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 to RMB100,000 and, if such failure is not rectified, revocation of the developer's qualification certificate or business license.

Land Use Rights Acquisition

Although all land in the PRC is owned by the state or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights. The land grants from local land authorities may be carried out by means of tender, auction or listing-for-sale, or, before August 31, 2004 and subject to the regulations discussed below as applicable, pursuant to agreements entered into directly with the local governments.

Grant of Land Use Rights

Pursuant to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (《協議出讓國有土地使用權規定》) promulgated by the Ministry of Land and Resources, effective August 1, 2003, only when the methods of tender or auction are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central

government. For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70% of the standard land price of the relevant land category. If the price guidelines are not followed, the validity of the provision of land grant fees in the land grant contract may be deemed invalid. Only when there is only one prospective land user on the land plot to be granted may the land authority grant the land use right through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Right Certificate as evidence of the acquisition of the land use right. According to the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale (《招標拍賣掛牌出讓國有建設用地使用權規定》) promulgated by the Ministry of Land and Resources, effective July 1, 2002, and other relevant regulations, granting land use right to SOL for the purpose of business operations, including but not limited to commerce, tourism, entertainment, and residential commodity properties, must be conducted through tender, auction or listing-for-sale.

On September 24, 2003, the Ministry of Land and Resources issued the Notice of the Ministry of State Land and Resources on Strengthening the Land Supply Management and Promoting the Sustainable Sound Development of Real Estate Market (《關於加強土地供應管理促進房地產市場持續健康發展的通知》) to closely monitor land supply for high-end property development.

On March 31, 2004, the Ministry of Land and Resources and the Ministry of Supervision issued the Notice Regarding Supervision Work of Legal Enforcement Situation of Granting Business Land Use Rights Through Tender, Auction or Listing-for-Sale (《關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知》), which requires that starting from August 31, 2004, land designated for business purposes shall be granted through tender, auction or listing-for-sale and may not be granted pursuant to agreements entered into directly with local governments for any historical reasons.

On May 30, 2006, the Ministry of Land and Resources published the Urgent Notice on Tightening Land Administration (《關於當前進一步從嚴土地管理的緊急通知》). The Notice requires that all land used for property development must be assigned by tender, auction or listing-for-sale, and land supply for medium- to low-price, small- to medium-sized ordinary commodity properties or low-rental properties shall be satisfied with priority and the land supply for large-size, low-density residential properties shall be strictly restricted. Furthermore, the supply of land for new villa projects shall be suspended.

According to the Regulation on the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-Sale amended by the Ministry of Land and Resources, effective November 1, 2007, with respect to the land for industry, commerce, tourism, entertainment, commercial housing or other business operations, or with respect to land for which there are two or more prospective land users, the grant of land use rights shall be conducted through tender, auction or listing-for-sale.

On November 18, 2009, five government authorities, including the MOF and the Ministry of Land and Resources, issued the Circular on Further Strengthening the Income and Expenditure Management Relating to Land Grants (《關於進一步加強土地出讓收支管理的通知》) to regulate

the management of income and expenditure on land grants and curb the excessive increases in land prices. In particular, property developers are required to provide a down payment of no less than 50% of the land grant fee and are required in principle to pay the remaining balance in installments within one year.

Transfer of Real Estate

According to the Provisions on the Administration of Urban Real Estate Transfer (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, donate or otherwise legally transfer real estate to another person or entity. When transferring a building, the ownership of the building and the land use rights attached are transferred together. The parties to the transfer must enter into a written real estate transfer contract and file with the competent land authority within 90 days of the execution of the transfer contract.

Where the land use rights are obtained through grant, the following conditions shall be satisfied when the real estate is transferred:

- (i) The land grant fee must be paid in full according to the terms of the land grant contract, and the Land Use Right Certificate must be obtained; and
- (ii) Where investment and development is carried out according to the terms of the land grant contract, with respect to house construction projects, not less than 25% of the total development project shall be completed; with respect to development of whole land in plot, the land shall be developed and constructed according to the planning, the construction of the civil infrastructure and public facilities such as water supply, drainage, power supply, heat supply, roads and traffic, communication, etc. shall be completed, and the conditions for industrial use or construction shall be met.

If the land use rights were originally obtained by government grant, the term of the land use rights after the real estate transfer will be the remaining portion of the original grant obtained by the original land users.

Pre-examination of the Construction Sites

Under the Measures for Administration of Examination and Approval for Construction Sites (《建設用地審查報批管理辦法》) promulgated by the Ministry of Land and Resources in March 1999 and the Measures for Administration of Preliminary Examination of Construction Project Sites (《建設項目用地預審管理辦法》) promulgated by the Ministry of Land and Resources in July 2001, as amended on November 12, 2008, when carrying out the feasibility study for a construction project, a real estate developer must make a preliminary application for construction to the relevant land administration authority. After receiving the preliminary application, the land administration authority will carry out a preliminary examination of various aspects of the construction project in compliance with the overall zoning plans and land supply policies of the government, and will issue a preliminary approval if its examination proves satisfactory. The opinions derived from this preliminary examination are requisite documents for the approval and notification of the construction project. The construction standards and the total scale of the land to be used are set forth in the opinions issued after the preliminary examination and shall be taken into full consideration during the initial design phase of the construction project.

Planning Permits and Construction Commencement Permits

Under the Measures for Planning of Granting and Transfer of Right to Use Urban State-Owned Land (《城市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 effective January 1, 1993 and the Notice 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 by the Ministry of Construction on December 26, 2002 and effective on the same date, after signing a grant contract, a real estate developer shall apply for an Opinion on Site Selection of Construction Project and a Permit for Construction Land Planning from the city and county planning authorities. After obtaining a Permit for Construction Land Planning, the real estate developer shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a permit for construction project planning from the urban planning authority.

A real estate developer shall apply for a Construction Commencement Permit from the construction administrative authority under the local people's government above the county level pursuant to the Measures for the Administration of Construction Work Permit of 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 on and effective as of July 4, 2001.

The Notice of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction on Adjusting House Supply Control Structure and Stabilizing the Property Prices (the "Guo Ban No. 37 Document") (《國務院辦公廳轉發建設部等部門關於調整住房供應結構穩定住房價格意見的通知》) stipulates that from June 1, 2006, with regard to the construction of commodity houses newly approved and commenced, houses with a construction area of less than 90 square meters (considered to be economically affordable houses) shall take up more than 70% of the total area to be constructed. The Opinions on Implementing the Requirement on the Structural Proportion of Newly-built Houses (《關於落實新建住房結構比例要求的若干意見》) issued on July 6, 2006 and restated from June 1, 2006, houses in all cities with a construction area of less than 90 square meters shall comprise 70% of the total area of commodity houses newly approved and commenced in one year (calculated from June 1). All cities are required to implement the conditions for the planning and design of newly-built commodity houses and determine the structural proportion of commodity houses strictly in compliance with the above-mentioned requirements, and may not violate such requirement without authorization. Where any entity violates these requirements without authorization, the urban planning administration will not issue the construction project planning permit. If the planning and design is not in compliance, the examination and approval authorities of the design documents and the construction drawings will not issue the qualification certificate and, consequently, the construction administration shall not issue the Construction Commencement Permit; and the administration of land and resources shall not issue the Pre-sale Permit.

Completion of a Real Estate Project

Construction projects shall be delivered for use only after passing the inspection and acceptance under Article 61 of the Construction Law (《中華人民共和國建築法》).

A real estate development project must comply with various laws and legal requirements concerning planning, construction quality, safety and environment and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. After construction of a project is complete, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) promulgated by the Ministry of Construction on June 30, 2000. The developer must also file details of the acceptance examination pursuant to the Provisional Measures for Filing Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Construction on April 7, 2000. A real estate development project may only be occupied after passing the inspections and acceptances by the competent authorities. For a housing estate or building complex, an acceptance examination shall be conducted upon completion of the entire project. In the case of a cluster of real estate development projects, such as a residential area developed in phases, separate acceptance examinations may be carried out for each completed phase.

Sale of Commodity Houses

Under the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, the sale of commodity houses can include both sales prior to the completion of the houses and sales after the completion of the houses.

Pre-Sale of Commodity Properties

Any pre-sale of commodity properties must be conducted in accordance with the Measures for Administration of Pre-sale of Commodity Properties (《城市商品房預售管理辦法》) (the “Pre-sale Measures”) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004. The Pre-sale Measures provide that any pre-sale of commodity properties is subject to specified procedures. The pre-sale of commodity properties shall be subject to a licensing system. Where a real estate developer intends to sell commodity properties in advance, it shall apply to the real estate administrative department to obtain a Pre-sale Permit. The pre-sale of commodity properties is required to meet the following conditions:

- (i) the related land grant fee must be fully paid up and a Land Use Right Certificate obtained;
- (ii) a construction project planning permit and a Construction Commencement Permit must have been obtained; and
- (iii) the funds invested in the development of the commodity properties intended for pre-sale must represent 25% or more of the total investment in the project and the progress of construction and the completion and delivery dates must have been properly determined.

The proceeds of pre-sale of commodity properties must be used to develop the relevant project so pre-sold.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinion of Such Departments as the Ministry of Construction on Stabilizing Housing 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》) promulgated by

the General Office of the State Council on May 9, 2005, the purchaser of a pre-sale commodity property is prohibited from transferring such property prior to the completion of its construction. Prior to the completion and delivery of a pre-sold commodity property and the obtaining of the Property Ownership Certificate, the administrative department of real estate may not engage in any transfer formalities for the pre-sale purchaser. Property developers are required to carry out an immediate archival filing network system for pre-sales contracts of commodity properties with the local authorities on a real name and real time basis.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (《關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》), which sets forth certain measures to enhance the regulation of pre-sale of commodity housing. Property developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on all information relating to units available for pre-sale and the price of each unit.

In addition to the above conditions, there are various local regulations in each of our target markets setting forth more conditions that must be met before the Pre-sale Permits may be obtained.

Tianjin (“Tianjin Municipality Regulation on Management of Commodity Properties”):

- (i) the business registration license and qualification certificate must have been granted;
- (ii) the construction and investment plan for commodity properties development must have been approved;
- (iii) the payment certificate must have been granted indicating the payment of fees for the basic supporting facilities in accordance with relevant regulations;
- (iv) the proposal for property management or the executed contract relating to the preliminary stage of property management must have been filed;
- (v) the commodity properties development project must satisfy the project exterior design requirements stipulated by the city government, and the certificate and relevant design information must have been submitted;
- (vi) the quality satisfaction certificate as inspected and accepted by the developer must have been granted; and
- (vii) the proposal on the sales of commodity properties, including the area calculations chart (《面積計算成果表》) and the stamped site plan of the project must have been submitted.

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Beijing (“Beijing Municipality Regulation on Management of Urban Real Properties Transfer”):

- (i) the license of business registration and the qualification certificate must have been granted;
- (ii) the confirmed completion date must satisfy the maximum pre-sale period announced by the Municipal Administration of State Land Resources and Housing (國土資源和房屋管理局);
- (iii) the construction contract must have been submitted;
- (iv) the proposal for pre-sale and the site plan for each level of the property developments must have been submitted;
- (v) based on the pre-sale properties under application, the proof of the investment of at least 25% of the total investment amount in construction must have been issued by the bank with which the developer opened its account; and
- (vi) for projects situated in the green areas, the certificate affirming the scope of the commodity properties must have been issued by an organization endorsed by the relevant environmental department.

Chongqing (“Chongqing Municipality Regulation on Urban Properties Transaction”):

- (i) the license of business registration and the qualification certificate must have been granted;
- (ii) the approval documents for the project and the investment must have been granted;
- (iii) the pre-sale proposal for commodity properties must have been submitted together with a Surveying Report on the Pre-sale Area of Commodity Properties (《商品房預售面積預測繪報告書》) issued by a professional surveying institution;
- (iv) a special account for the proceeds from the pre-sale must have been opened with a local commercial bank and a supervision agreement signed;
- (v) the permit for dismantlement of properties, if applicable, must have been issued by the relevant administrative department;
- (vi) the properties for pre-sale and the associated land use rights of the relevant land may not have been mortgaged;
- (vii) a property usage agreement and a preliminary-stage property management agreement must have been filed; and

(viii) with respect to commodity properties for pre-sales, the funds that have been invested in construction and development must represent more than 25% of the total investment and, for low-rise buildings, the main structure must have been completed with roofs or, for high-rise buildings, more than one third of the planned GFA approved must have been completed.

Jiangsu Province (for Wuxi and Suzhou):

- (i) the license of business registration and the qualification certificate must have been granted; and
- (ii) the construction agreement, the site plan for each level of the pre-sale commodity properties and the pre-sale proposal must have been submitted.

Wuxi (“Wuxi Municipality Implementation Rules on the Management of Commodity Properties Sales”):

- (i) the Land Use Rights Certificates may be obtained upon the clear payment of land grant fees;
- (ii) Construction Works Planning permits and Construction permits have been obtained; and
- (iii) based on the pre-sale properties under application, the proof of the investment of at least 25% of the total investment amount in construction must have been issued and the delivery time has been set.

Suzhou:

- (i) the pre-sale proposal must have been submitted together with the report on the estimated pre-sale area, the pricing information and the overall site plan for the pre-sale commodity properties;
- (ii) the certification document of the supervision of proceeds from the pre-sale must have been prepared;
- (iii) the termite prevention agreement must have been submitted; and
- (iv) the proof of preliminary-stage property management must have been granted.

Sales after the Completion of Commodity Properties

Commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Regulatory Measures on the Sale of Commodity Properties (《商品房銷售管理辦法》), the sale of commodity properties after the completion shall meet the following conditions:

- (i) the real estate development enterprise has a business license and a qualification classification certificate for real estate development;
- (ii) a Land Use Right Certificate or approval documents of land use has been obtained;

- (iii) the Construction Works Planning Permit and the Construction Commencement Permit have been obtained;
- (iv) the commodity properties have been completed, inspected and accepted as qualified;
- (v) the relocation of the original residents must be completed;
- (vi) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. are ready for use, and other supplementary essential facilities and public facilities are ready for use, or the schedule of construction and delivery date of such facilities must have been specified; and
- (vii) the property management plan is completed.

Estate Loan

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》) promulgated by the PBOC in June 2001, all banks must comply with the following requirements before granting residential development loans, individual home mortgage loans or individual commercial property mortgage loans:

- (i) Property development loans from banks may only be granted to real estate developers with adequate development qualification and sufficiently high credit ratings. Such loans may be offered to residential projects with good market potential. While the borrowing enterprise must have working capital in the amount of no less than 30% of the total investment required for the project, the project itself must have already obtained a State-Owned Land Use Right Certificate, Construction Land Planning Permit, Construction Project Planning Permit and Construction Commencement Permit.
- (ii) With regard to the grant of individual property mortgage loans, the ratio between the loan amount and actual value of the collateral (the "Mortgage Ratio") may never exceed 80%. Where an individual applies for a home purchase loan to buy a property under pre-sale, the property construction must have reached the stage of "completion of the roofing of the main structure" for multi-storey buildings and "two-thirds of the total planned construction" for high-rise apartment buildings.
- (iii) With regard to the grant of individual commercial use building mortgage loans, the Mortgage Ratio for commercial use building mortgage loans may not exceed 60%. The maximum loan period for such mortgage loans is 10 years and the commercial use building must 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》) in June 2003 to tighten the requirements on banks for the provision of loans for the purpose of residential development, individual home mortgage and individual commodity properties as follows:

- (i) Property development loans may be granted to property developers who are qualified for property development, are ranked high in credibility and have no overdue payment for construction. For property developers with commodity properties with a high vacancy rate and high debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring.

- (ii) Commercial banks may not grant loans to property developers to pay off land grant fees.
- (iii) Commercial banks may only provide housing loans to individual buyers when the roofing of the main structural buildings has been completed. When a borrower applies for individual housing loans for a first residential unit, the down payment by the borrower must be at least 20% of the purchase price. In respect of a loan application for the additional purchase of residential unit(s), the percentage of the down payment by the borrower is increased.
- (iv) When a borrower applies for mortgage loan for an individual commercial use building, the Mortgage Ratio may not be more than 60% of the purchase price of the property. In addition, the term of the loan may not be more than 10 years and the commodity property must be completed and delivery accepted after inspection.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (《商業銀行房地產貸款風險管理指引》) issued by the China Banking Regulatory Commission in September 2004, commercial banks may not provide loans in any form for a property development project that has not yet obtained the state-owned Land Use Right Certificate, Construction Land Planning Permit, Construction Works Planning Permit and Construction Commencement Permit. A commercial bank is required to maintain a strict loan evaluation system for processing applications for property development loans for property development.

On July 22, 2006, the CBRC issued the Notice on Further Strengthening the Administration of Real Estate Related Credit (《中國銀監會關於進一步加強房地產信貸管理的通知》). According to the Notice, no loans are to be granted to real estate developers that fail to contribute at least 35% of the total investment amount of the project from their own funds (projects targeted at middle- to lower-income households are excluded), or to fund projects that have not obtained the requisite Land Use Right Certificate, Construction Land Planning Permit, planning permit for construction project or Construction Commencement Permit. Real estate loan terms are expected to be reasonable. Banks are prohibited from advancing funds to real estate developers for working capital facilities. New loans to real estate developers that stock up on land and houses and disturb the order of the market are strictly prohibited. Preventative measures will be taken against real estate developers illegally gaining loans by splitting up or rotating projects. The Notice also emphasizes the legitimacy of real estate fund trusts.

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 September 27, 2007, the PBOC and CBRC promulgated 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》), with a supplement issued on December 5, 2007, aiming to tighten the control over real-estate loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- (i) for a first-time home owner, increasing the minimum amount of down payment to 30% of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square meters or more and the purchaser is buying the property as its own residence;

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (ii) for a second-time home buyer, increasing (1) the minimum amount of down payment to 40% of the purchase price of the underlying property and (2) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate. If a member of a family (including the buyer, his/her spouse and their children under 18) has financed the purchase of a residential unit, any other member of the family who purchases another residential unit with loans from banks will be regarded as a second-time home buyer;
- (iii) for a commercial property buyer, (1) requiring banks not to finance any purchase of pre-sold properties, (2) increasing the minimum amount of down payment to 50% of the purchase price of the underlying property, (3) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark lending interest rate, and (4) limiting the terms of such bank loans to no more than 10 years, although commercial banks are allowed flexibility based on their own risk assessment;
- (iv) for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price of the underlying property, with other terms of the loan to be determined by reference to guidelines relating to the purchase of commercial properties; and
- (v) prohibiting commercial banks from providing loans to real-estate developers who have been found by relevant government authorities to be hoarding land and properties.

In addition, commercial banks are also banned from providing loans to projects that have less than 35% of capital funds (proprietary interests), or fail to obtain Land Use Right Certificates, Construction Land Planning Permits, Construction Works Planning Permits and Construction Permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral for loans. In principle, real-estate development loans provided by commercial banks should only be used for projects in the areas the commercial banks are located. Commercial banks may not provide loans to property developers to finance their payments for land use right grant fees.

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 (《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 to 20% from 30%, 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.

On May 25, 2009, the State Council issued the Notice on Adjusting the Proportions of Registered Capital in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》), setting the minimum capital ratio for ordinary residential property development projects and social security housing development projects as 20%, and the minimum capital ratio for other property development projects as 30%.

On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (《關於進一步加強按揭貸款風險管理的通知》), requiring all banking financial institutions to tighten the pre-loan inspections and the standards for granting mortgage loans, strengthen the risk control of mortgage loans, adhere to the policy of meeting the needs of first-time home buyers and strictly comply with the policy on mortgage loans for second residential properties.

On January 7, 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which, among other things, provides that family units with outstanding mortgage loans who intend to buy additional residential properties for themselves, their spouses or dependent children are required to pay a down payment of no less than 40% of the purchase price, and the applicable interest rate shall be set strictly based upon the associated risk level.

In April 2010, the State Council also issued the Notice on Strictly Control of the Escalation of Property Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which further increased the minimum down payment in respect of mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provides that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate published by the PBOC. The minimum down payment in respect of mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first owner-occupied residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. Further, in those areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend granting mortgage loans to buyers purchasing their third or more residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of local tax or social security in the locality.

Leases of Buildings

Under the Urban Real Estate Law (《中華人民共和國城市房地產管理法》) and the Measures for Administration of Leases of Buildings in Urban Areas (《城市房屋租賃管理辦法》) promulgated by the Ministry of Construction in April 1995, parties to a building lease should enter into a written lease contract and register the lease with the real estate administration authority. Whenever a lease is signed, amended or terminated, the parties are expected to register the details with the real estate administration authority.

Mortgages of Real Estate

Under the Urban Real Estate Law, the Security Law of PRC (《中華人民共和國擔保法》) promulgated by the Standing Committee of the National People's Congress in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is placed on the ownership of a building, the mortgage must be simultaneously placed on the land use rights of the land on which the building is attached. After a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority within 30 days of its execution. A real estate mortgage contract becomes effective on the date of registration of the mortgage.

Idle Land

On September 8, 2007, the Ministry of Land and Resources promulgated the Notice on Strengthening the Disposing of Idle Land (《關於加大閑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

an earlier stage. The notice also prescribes that the State-owned Land Use Right 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 February 27, 2007, the Ministry of Land and Resources and 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》), 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 initial-stage 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 to promote the appropriate use of land resources.

On January 3, 2008, the State Council issued the Notice on Promoting the Saving and Intensive Use of Land (《國務院關於促進節約集約用地的通知》). This notice strictly enforces the policies for dealing with idle land. If a piece of land has been idle for two years or more, it must be taken back free of charge resolutely and rearranged for other uses; if the land does not meet the statutory conditions for recovery, it must be timely dealt with and fully used through changing its uses, replacement by parity value, temporary use or incorporation into government reserves. If a piece of land has been idle for more than one year but less than two years, the idle land fee must be collected at 20% of the land grant price. If the land price has not been completely paid off according to the contract, no land certificate may be granted, and it is also prohibited to grant the land certificate by dividing the land based on the proportion of the paid land grant fee. The system of granting industrial land and commercial land by tender, auction or listing-for-sale shall be strictly implemented. For industrial land and commercial land for business, tourism, entertainment, commodity houses and other purposes (including ancillary office, research and training space), or a land parcel on which there are two or more intended users, the land grant must be conducted by way of tender, auction or listing-for-sale.

In March, 2010, the Ministry of Land and Resources issued the Notice on Further Increasing the Supply and Strengthening the Supervision of Land for Property Development Purposes (《國土資源部關於加強房地產用地供應和監管有關問題的通知》). Pursuant to this notice, the price at which land may be granted must not be less than 70% of the standard land grant fee for the applicable grade of land. Parties to land grant must execute a land grant contract within 10 business days of completing the tender, auction or listing-for-sale process. Any property developers who failed to comply with the filing requirement by governments during the property development period are prohibited from acquiring land for at least one year.

Environment

The laws and regulations governing the environmental protection requirements for real estate development in the PRC include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), the PRC Prevention and Control of Noise Pollution Law

(《中華人民共和國環境噪聲污染防治法》) and the PRC 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 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 protection standards and regulations before the property can be delivered to the purchasers.

NEW RULES OF FOREIGN INVESTMENT IN THE PRC REAL ESTATE MARKET

On July 11, 2006, the Ministry of Construction, MOFCOM, the National Development and Reform Commission, the People's Bank of China, the State Administration for Industry of Commerce and the State Administration of Foreign Exchange promulgated the Regulation on the Access to and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》) (the "171 Opinion"). Under the 171 Opinion, a foreign investor investing in real estate in the PRC must establish an FIE and if its total investment amount is over US\$10 million, the registered capital of the FIE is required to be at least 50% of the total investment amount. A real property FIE is not allowed to obtain loans (domestic or overseas) unless its registered capital has been fully paid up, the Land Use Right Certificate has been obtained or at least 35% of the total project investment has been injected as the initial capital fund of the project. The 171 Opinion also contains restrictions on the purchase of properties located in the PRC by foreign individuals and entities. It provides that branches and representative offices (except for those that are approved to conduct the real estate business) of foreign institutions in the PRC and foreign individuals who work or study in the PRC for more than one year may purchase real property to satisfy their personal or institutional needs but not for any other purpose. Foreign institutions with no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from buying any real property in the PRC. Residents of Hong Kong, Macau and Taiwan and foreigners of Chinese origin are not subject to the one-year residency requirement and may purchase real property within a limited GFA in a certain limited area in the PRC for their own residential purpose.

On September 1, 2006, SAFE and the Ministry of Construction jointly issued the Notice in respect of Standardization of Issues Relating to Management of Foreign Exchange of Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》). This notice provides, among other things, the specific procedures for purchasing houses by branches and representative offices established in the PRC by foreign institutions, foreign individuals who work or study in the PRC for more than one year, and residents of Hong Kong, Macau and Taiwan as well as foreigners of Chinese origin.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry (《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》) (the "Circular"). The Circular provides stricter controlling measures as following:

- (i) Foreign investment in the real estate sector in the PRC relating to high-end properties is to be strictly controlled;

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- (ii) Prior to obtaining approval for the establishment of an FIE of real estate, either (i) both the Land Use Right Certificates and Property Ownership Certificates must have been obtained, or (ii) contracts for obtaining land use rights or property ownership must have been entered into; if the above requirements have not been satisfied, the approval authority will not approve the application;
- (iii) FIEs need to obtain approval before expanding their business scope into the real estate sector and FIEs which have been established for real estate development purposes need to obtain approvals to expand their real estate business scope;
- (iv) Acquisition of or investment in domestic real estate enterprises by way of round trip investment (including by the same actual controlling person) is to be strictly regulated. Overseas investors may not avoid the necessity of securing approvals for foreign investment in real estate by way of changing the actual controlling person of a domestic real estate enterprise from a domestic person to a foreign person. If the foreign exchange authority finds that the foreign-invested real estate enterprise has been established by false representation, it will take actions against the enterprise's conduct of remittance of capital and interest accrued without approval, and the enterprise shall bear the liability for the evasion of foreign exchange;
- (v) A foreign-invested real property enterprise is prohibited from engaging in fixed return agreement or agreements with the same effect; and
- (vi) The local SAFE administrative authority and designated foreign exchange banks may not perform the foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the filing requirement of the MOC or fail to pass its annual inspections.

On July 10, 2007, SAFE issued the Notice Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have 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》). This notice restricts foreign invested real estate enterprises from lending shareholder loans offshore. The notice provides that, among other things:

- (i) SAFE will no longer process foreign debt registrations or applications for purchase of foreign exchange for foreign-invested real estate enterprises that obtained their authorization certificate from and completed their filing with MOFCOM on or after June 1, 2007; and
- (ii) SAFE will no longer process foreign exchange registrations (or change in such registrations) or applications for the sale and purchase of foreign exchange for foreign-invested real estate enterprises that obtained their approval certificates from local commerce departments on or after June 1, 2007 but have not completed their filing with MOFCOM.

Under the Catalog of Guidance on Industries for Foreign Investment (《外商投資產業指導目錄(2007年修訂)》) promulgated by MOFCOM and the National Development and Reform Commission (the "NDRC") in October 2007:

- (i) the development of a whole land lot, including primary development of a land site such as construction of infrastructure and installation of utility supplies, solely by foreign investors falls within the category of industries in which foreign investment is prohibited;
- (ii) the development of a whole land lot jointly with PRC partners and the construction and operation of high-end hotels, villas, premium office buildings, international conference centers, golf courses and large theme parks fall within the category of industries in which foreign investment is subject to restrictions; and
- (iii) other real estate development falls within the category of industries in which foreign investment is permitted.

On June 18, 2008, MOFCOM issued the Circular on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry (《關於做好外商投資房地產業備案工作的通知》), under which MOFCOM has delegated its authority over verification of the filings in relation to foreign investment in real estate to the provincial MOFCOM authorities and require the verification results to be reported to MOFCOM; the verification materials would be kept in record by the provincial MOFCOM authorities.

FOREIGN INVESTMENT AND FOREIGN EXCHANGE CONTROL

On January 29, 1996, the State Council promulgated the PRC Regulations on the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997. These 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, but the conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, require the prior approval from SAFE or its local office. Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise approved, PRC companies must repatriate foreign currency payments received from abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks subject to a cap set by SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all of their foreign currency proceeds into Renminbi.

On June 20, 1996, the PBOC promulgated the Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on July 1, 1996. These regulations superseded the relevant 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.

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. According to the notice, “special purpose company” refers to any offshore company established or indirectly controlled by PRC residents for the special purpose of carrying out financing of their assets or equity interest in any PRC domestic enterprise. 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. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to file or update the registration with the local branch of SAFE within 30 days after occurrence of any material change involving round-trip investment and capital variation such as an increase or decrease in capital, transfer or swap of shares, merger, division, long-term equity or debt investment or creation of any security interest with respect to that offshore company. The Notice applies retroactively. As a result, PRC residents who have established or acquired control of such offshore companies that have made onshore investment in the PRC in the past had been required to complete the relevant overseas investment foreign exchange registration procedures by March 31, 2006.

On August 5, 2008, the State Council further amended the PRC Regulations on the Control of Foreign Exchange, under which several provisions have been revised, including:

- (1) removing the compulsory requirement to repatriate foreign currency payments received from abroad by permitting the foreign currency payments to be repatriated back or deposited abroad in accordance with the required conditions and periods;
- (2) removing the compulsory requirement to convert the foreign currency proceeds in the current account into RMB by permitting those proceeds in the current account to be reserved or sold to financial institutions in accordance to the rules;
- (3) allowing the domestic institutions and individuals to invest abroad directly or indirectly after registration, subject to the foreign exchange registration, unless otherwise provided for approval or filing; and
- (4) adopting the market-determined and floating RMB exchange rates system.

On August 29, 2008, SAFE issued the Notice on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises (《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》), aiming to strengthen the administration of payment and settlement of foreign exchange capital of foreign-funded enterprises. The Notice requires that:

- (1) the capital verification of an FIE shall be conducted by accountants before the FIE applies for the payment and settlement of foreign exchange capitals;
- (2) the RMB proceeds converted from the FIE's capital shall be used in the approved business scope of approval authorities and unless otherwise regulated, such proceeds shall not be invested in the domestic equity interests. Other than the foreign-invested real estate enterprises, the FIE shall not use the RMB proceeds converted from its capital to purchase the domestic non-self occupied properties; and
- (3) the RMB proceeds converted from the FIE's foreign exchange capital shall not be used to repay the unused RMB loans.

Measures on Stabilizing Property Prices

In March 2005, the General Office of the State Council promulgated the Circular on Effectively Stabilizing Housing Prices (《國務院辦公廳關於切實穩定住房價格的通知》), which is aimed at restraining housing prices from increasing too rapidly and promoting stable development of the real estate market. In April 2005, several ministries and bureaus jointly issued the Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) with the following guidance:

- (i) Where housing prices grow too rapidly at a time when the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, construction projects should mainly involve the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses. The construction of low-density, high-end houses should be strictly controlled.
- (ii) Where the price of land for residential use and the price of residential housing grow too rapidly, land supply for residential use as a proportion of the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high-end residential property construction should be strictly restricted.
- (iii) Land idle fee must be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use rights of land that has not been developed for two years must be revoked without compensation.
- (iv) Commencing from June 1, 2005, a business tax upon the transfer of a residential property by an individual within two years from his or her purchase will be levied on the gain from such transfer. If an individual transfers his or her ordinary residential property more than two years after its purchase, the business tax will be exempted. For an individual who transfers a property other than an ordinary residential house more than two years after from its purchase, the business tax will be levied on the difference between the price of such transfer and the original purchase price.
- (v) Ordinary residential houses with medium or small GFA and at medium or low prices may be granted certain preferential treatment in relation to planning permits, land supply, credit and taxation. Properties enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable properties at comparable locations. Local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential properties that can enjoy the preferential policies.
- (vi) Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract of commodity property must also be filed with the relevant government agencies electronically immediately after its execution.

On May 24, 2006, the Ministry of Construction, NDRC, Ministry of Supervision, MOF, Ministry of Land and Resources, PBOC, State Bureau of Statistics, State Taxation Bureau and CBRC jointly issued the Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices (《關於調整住房結構穩定住房價格意見的通知》). The Opinions reiterated the existing measures and introduced new measures intended to further curb the rapid increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among others, include:

- (i) requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small- to medium-sized units or low-cost rental properties;
- (ii) requiring that at least 70% of the units in the residential projects approved or constructed on or after June 1, 2006 must be smaller than 90 sq.m. in terms of GFA and that projects which have received project development approvals prior to that date but have not obtained Construction Permits must adjust their planning in order to conform with this new requirement. However, municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- (iii) increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;
- (iv) prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for loans; and
- (v) imposing a business tax levy on the entire sales proceeds from the re-sales of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005. Where an individual transfers a property other than an ordinary residential property more than five years after his or her purchase, the business tax will be levied on the difference between the resale price and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published the Urgent Notice on Tightening Land Administration (《關於當前進一步從嚴土地管理的緊急通知》). In this Notice, the Ministry of Land and Resources emphasized that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The Notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations applicable to the holding of idle land.

On July 6, 2006, the Ministry of Construction promulgated Certain Opinions regarding the Implementation of the Ratio Requirements for the Structure of Newly Constructed Residential Units (《關於落實新建住房結構比例要求的若干意見》), which stipulate that residential units

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with a GFA of less than 90 sq.m. shall account for over 70% of the total area of residential units which are newly approved and constructed in each city or county after June 1, 2006. The relevant local government will have the authority to determine the configuration of newly constructed properties.

Also on July 6, 2006, the Ministry of Construction, the NDRC and the State Administration for Industry and Commerce promulgated the Notice for the Further Rationalization and Standardization of the Real Estate Market (《關於進一步整頓規範房地產交易秩序的通知》), which provides, among others, that:

- (i) a real estate developer must commence selling the property within 10 days of the receipt of the Pre-sale Permit for the project;
- (ii) the resale of any unit of a pre-sold uncompleted commodity building is prohibited;
- (iii) the advertisement of pre-sales prior to obtaining the relevant Pre-sale Permit is prohibited; and
- (iv) standard forms for the sale and purchase of a unit of a commodity building before or after its completion must be made available to a purchaser.

On October 22, 2008, the MOF and the State Administration of Taxation issued the Notice on the Adjustments to Taxation on Real Property Transactions (《關於調整房地產交易環節稅收政策的通知》), which enacted the following provisions as of November 1, 2008: (i) reduction of the deed tax on an ordinary residential property with an area of 90 square meters or below to one percent when purchased by a first-time home buyer; (ii) temporary exemption from stamp duty on residential properties sold or purchased by individuals; and (iii) temporary exemption from land appreciation tax on residential properties sold by individuals.

On December 20, 2008, the State Council issued the Circular on Several Measures to Promote Healthy Development in China's Real Estate Market (《關於促進房地產市場健康發展的若干意見》) to encourage development of the real estate market by providing supports in respect of taxes and credits. Among others, the following measures have been adopted.

- (1) In order to promote ordinary residential property purchases, the following incentives will be enacted and expire after December 31, 2009:
 - (i) applying the same preferential policy previously granted to the first-time home buyers to second-time home buyers whose per capita GFA of the first properties is below the local average level;
 - (ii) providing one-year business tax exemption for residential property transfer. Individuals who transfer their ordinary residential properties held for two or more years (instead of the previous five-year requirement) are exempt from business tax. Also, if the property has been held for less than two years when it is transferred, the business tax due is now calculated on a net rather than a gross basis; and
 - (iii) individuals who transfer their nonresidential property (非普通住房) held for two or more years (instead of the previous five-year requirement) must still pay business tax on the property on a net basis, but if the property has been held for less than two years when it is transferred, the business tax is calculated on a gross basis.

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- (2) Commercial banks shall, in accordance with the credit policies and regulation requirements, strengthen the credit support for low- to medium-price and small- to medium-size ordinary commodity properties, especially for projects under development; and provide the financing assistance and relevant financial services to reputable and capable real estate enterprises engaging in mergers and acquisitions transactions.
- (3) The real estate tax is abolished according to the Provisional Regulations Governing the Urban Real Estate Tax (《中華人民共和國房產稅暫行條例》) for the domestic/foreign-invested enterprises and individuals.

On December 22, 2009, the MOF and the State Administration of Taxation issued the Notice on Adjusting the Business Tax Policy on Transfers of Residential Properties by Individuals (《關於調整個人住房轉讓營業稅政策的通知》) to discourage speculative activities in the secondary property market and control soaring housing prices. For example, effective from January 1, 2010:

- transfers of non-ordinary residential properties by individuals who have held them for less than five years are subject to business tax calculated on a gross basis;
- transfers of (i) non-ordinary residential properties by individuals who have held them for five years or more or (ii) ordinary residential properties by individuals who have held them for less than five years are subject to business tax calculated on a net basis; and
- transfers of ordinary residential properties by individuals who have held them for five years or more are exempted from business tax.

On January 7, 2010, the State Council issued the Circular on Promoting the Stable and Sound Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》) to further regulate the real estate market. This circular provides for 11 measures addressing the following objectives:

- effectively increasing the supply of social welfare housing and ordinary commodity residential properties;
- directing consumers to make reasonable purchases of residential properties and discouraging investment and speculation in the housing market;
- strengthening credit risk management for real estate projects and market supervision;
- speeding up the construction of social welfare housing projects; and
- setting or clarifying the responsibilities of provincial and local governments.

In April 2010, the State Council also issued the Notice on Strictly Control of the Escalation of Property Prices in Certain Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which further increased the minimum down payment in respect of mortgage loans on purchases of second residential properties by individuals to 50% of the purchase price and provides that the applicable mortgage rate must be at least 1.1 times the relevant benchmark lending rate

published by the PBOC. The minimum down payment in respect of mortgage loans on purchases of third or more residential properties by individuals may be substantially increased at the commercial bank's discretion and based on its risk control policies. The notice also specifies that the down payment for first owner-occupied residential properties with a GFA of more than 90 sq.m. must be at least 30% of the purchase price. Further, in those areas where property prices have escalated and property supply is tight, commercial banks may, depending on the level of risk, suspend granting mortgage loans to buyers purchasing their third or more residential properties or to those non-local residents who cannot provide documentation evidencing their payment for over one year of tax or social security in the locality.

Property Rights

Pursuant to the Property Rights Law (《中華人民共和國物權法》), the property rights of the state and collective, individual or other right holders shall be under the protection of law, and no entity or individual may infringe upon it.

- (i) The varieties and contents of property rights shall be stipulated by law, and the creation, change, transfer or elimination of the property rights of a realty shall be registered according to law. Except otherwise prescribed by law, the creation, change, transfer or elimination of the property rights of a realty shall become effective only after it is registered according to law.
- (ii) The creation or transfer of property rights of a chattel shall be delivered according to law. Except otherwise prescribed by law, the creation or transfer of property rights of a chattel shall become effective only upon delivery.

PRC TAXATION

Our operations in the PRC

As substantially all of our business operations are in the PRC and we carry out these business operations through our operating subsidiaries and associated project companies organized under PRC law, our PRC operations and our operating subsidiaries and associated project companies in the PRC are subject to PRC tax laws and regulations, which indirectly affect your investment in the Offer Shares.

Corporate Income Tax

Under the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "Corporate Income Tax Law") effective from January 1, 2008, and its implementation rules, domestic enterprises and foreign owned enterprises are subject to the same corporate income tax law and the same corporate income tax rate of 25%. Pre-tax deduction methods and criteria for domestic and foreign enterprises have been made uniform and standardized.

Under the Corporate Income Tax Law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose "de facto management body" is located in China are treated as "resident enterprises" for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders, which are treated as resident enterprises, are excluded from such taxable worldwide income.

Under the Corporate Income Tax Law and its implementation regulations issued by the State Council, a PRC withholding tax at the rate of 10% is applicable to dividends payable to investors that are “non-resident enterprises” (and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business) to the extent such dividends have their source within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides which reduces or exempts the relevant tax. Similarly, any gain realized on the transfer of shares by such investors is subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC.

On April 11, 2008, the State Administration of Taxation issued the Notice of the Prepayment of Corporate 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 the real estate developers to prepay corporate income tax by quarter (or month) according to the current actual profit.

Under the Notice, for the incomes generated from the pre-sale before completion of the construction of the buildings for residence or commerce use or other kinds, the tax prepayment 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-economically affordable housing, 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%, and for the economically affordable housing, the preset estimated profit rate shall be not less than 3%.

Under the Corporate Income Tax Law, a withholding tax is imposed on dividends payable by a foreign-owned PRC enterprise to its foreign shareholders, which are taxable at a rate of 10% absent any applicable tax treaty between the PRC and the jurisdiction in which the foreign shareholders reside which reduces or exempts such tax. Pursuant to the Arrangement on Prevention of Repeated Imposition of Income Tax, Tax Evasion and Tax Fraud signed between China Mainland and Hong Kong Special Administrative Region (《內地和香港特別行政區關於對所得規避雙重徵稅和防止偷漏稅的安排》) on August 21, 2006, when an enterprise in Mainland distributes dividends to Hong Kong residents who are eligible for receiving such dividends, the Hong Kong residents, if holding more than 25% equity interests in such enterprise, are generally subject to a 5% taxation of the total dividends received.

On February 20, 2009, the State Administration of Taxation issued the Notice on Issues Regarding the Implementation of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which, among other things, (i) requires the non-resident taxpayer or the withholding agent to provide a host of documentary evidence to prove that the recipient of the dividend meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty and (ii) empowers the tax authorities with the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible if the main purpose of an offshore arrangement is to obtain a preferential tax treatment.

Pursuant to the Notice on Publishing Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (Trial) (關於印發《非居民享受稅收協定待遇管理辦法(試行)的通知》), which was promulgated on August 24, 2009 by State Administration of Taxation and went into effect on October 1, 2009, a non-resident subject to taxation is required to obtain the approvals from the relevant tax authorities before it may enjoy tax reduction or waiver under the dividend provision of a taxation treaty.

On March 6, 2009, the State Administration of Taxation issued the Notice on the Measures for the Treatment of Corporate Income Tax on Real Estate Development and Operation Businesses (《房地產開發經營業務企業所得稅處理辦法》), regulating the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real property business in the PRC, in relation to the imposition of corporate income tax.

On May 12, 2010, the State Administration of Taxation promulgated the Notice on the Confirmation of Completion Conditions for Development of Products by Property Development Enterprises (《關於房地產開發企業開發產品完工條件確認問題的通知》), which provides that a property should be deemed as completed when its delivery procedures (including move-in procedures) have commenced or when the property is in fact put in use. Property developers should conduct the settlement of cost in time and calculate the amount of corporate income tax for the current year.

Deed tax

Under the PRC Provisional Regulations on Deed Tax (《中華人民共和國契稅暫行條例》) of 1997, a deed tax is chargeable to transferees of land use rights and/or ownership in real properties within the territory of mainland China. The deed tax rate is between 3% to 5% subject to determination by local governments at the provincial level in light of local conditions.

Business tax

Under the PRC Provisional Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) of 1994, services in mainland China are subject to business tax. Taxable services include the sale of real property in mainland China. The business tax rate is between 3% to 20% depending on the type of services provided.

Land Appreciation Tax

Under the Provisional Regulations of the PRC on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) of 1994 and its implementing rules of 1995, the LAT applies to both domestic and foreign investors in real properties in mainland China, irrespective of whether they are corporate entities or individuals. The tax is payable by a taxpayer on the appreciation value derived from the transfer of land use rights, buildings or other facilities on such land, after deducting certain "deductible items" that include the following:

- (i) payment made to acquire land use rights;
- (ii) costs and charges incurred in connection with land development;
- (iii) construction costs and charges in the case of newly constructed buildings and facilities;
- (iv) assessed value in the case of old buildings and facilities;

APPENDIX V SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

- (v) taxes paid or payable in connection with the transfer of land use rights, buildings or other facilities on such land; and
- (vi) other items allowed by the Ministry of Finance.

The tax rate is progressive and ranges from 30% to 60% of the appreciation value net of the “deductible items.”

According to a notice issued by the Ministry of Finance in January 1995, the LAT regulation does not apply to the following transfers of land use rights:

- (i) real estate transfer contracts executed before January 1, 1994; and
- (ii) first time transfer of land use rights and/or premises and buildings during the five years commencing on January 1, 1994, if the real estate development contracts were executed or the development projects were approved before January 1, 1994 and the capital was injected for the development in compliance with the relevant regulations.

On December 24, 1999, the Ministry of Finance and the State Taxation Bureau issued a notice that extends the period for the above LAT grandfather exemption policy to the end of 2000.

On December 28, 2006, the State Bureau of Taxation promulgated the Notice of the State Administration of Taxation on the relevant Issues Concerning the Settlement Management of Land Appreciation Tax on Real Estate Enterprises (《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》), effective beginning February 1, 2007. According to the Notice, the LAT assessment amount shall be derived from the entire value of the real estate development project if the project was approved by the relevant authority as a unit; and for a project developed in stages, the LAT assessment amount shall be derived from the value of each individual stage of the project.

A taxpayer should pay the LAT if one of the following circumstances occurs:

- (i) a construction project has been completed and its commodity houses sold;
- (ii) an uncompleted real estate development project is transferred; or
- (iii) a direct transfer a land use right.

The tax authority may require the taxpayer to pay the LAT in one of the following circumstances:

- (i) the floor area of the real estate sold is in excess of 85% of the saleable GFA of the entire project or, if the proportion is less than 85%, the residual saleable floor area has been leased out or is held for self-use;
- (ii) the Pre-sale Permit has been held for three years, but the commodity houses of the project still have not been sold;
- (iii) the taxpayer applies for cancellation of tax registration but has yet to carry out the procedures for the LAT settlement; or

(iv) others circumstances provided by tax authorities at the provincial level.

On May 12, 2009, the State Administration of Taxation issued the Circular on Issuing Regulations of LAT Settlement Administration (《土地增值稅清算管理規程》), which took effect on June 1, 2009, aiming to strengthen the imposition of the LAT by specifically regulating the acceptance, review of liquidation and tax imposition procedures.

On May 19, 2010, the State Administration of Taxation promulgated the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》), which provides further clarifications and guidelines on LAT Settlement, income recognition, deductible expenses, timing of assessment and other related issues.

On May 25, 2010, the State Administration of Taxation promulgated the Notice on Strengthening the Levy and Administration of Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) to impose further requirements on the collection of LAT. This notice provides that, except for social security housing, the minimum LAT prepayment rate shall be no less than 2% for properties in East China, no less than 1.5% for properties in Central or Northeast China and no less than 1% for properties in West China. The LAT prepayment rate shall be determined by the local authorities based on different property types in the locality.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the PRC on Urban Land Use Tax (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, urban land use tax is levied according to the area of the urban land plot and the annual tax rate on urban land was set at between RMB0.2 and RMB10 per square meter. On December 31, 2006, the Provisional Regulations of the PRC on Urban Land Use Tax were amended by the State Council. As of January 1, 2007, on the basis of the amended regulations, the urban land use tax is charged at a rate three times higher than the previous rate and foreign invested enterprises are no longer exempt.

Building Tax

Under the Provisional Regulations of the PRC on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, building tax applicable to domestic enterprises is 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 value of a rental lease.

Stamp Duty

Under the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988 applying to building property transfer instruments, including property ownership transfer instruments, the duty rate is 0.05% of the amount stated therein. For permits and certificates relating to rights, including Property Ownership Certificates and Land Use Right Certificates, stamp duty is levied on an item-by-item basis at a rate of RMB5 per item.

Municipal Maintenance Tax

Under the Provisional Regulations of the PRC on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985, any taxpayer, whether an individual or otherwise, that is required to pay product tax, value-added tax or business

tax is also required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% otherwise. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and Foreign Enterprises (《國家稅務總局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》) issued by the State Taxation Bureau on February 25, 1994, municipal maintenance tax is not applicable to enterprises with foreign investment until further explicit stipulations are issued by the State Council.

Education Surcharge

Under the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行規定》) and the Decision on Amendment to the Interim Provisions on Imposition of Education Surcharge (《國務院關於修改《徵收教育費附加的暫行規定》的決定》) promulgated by the State Council in April 1986 and August 2005, respectively, any taxpayer, whether an individual or otherwise, that is required to pay value-added tax, business tax or consumption tax is also required to pay an education surcharge, unless such taxpayer is 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. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Enterprises with Foreign Investment and Foreign Enterprises issued by the State Taxation Bureau on February 25, 1994 and Supplementary Circular Concerning Imposition of Education Surcharge (《國務院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 education surcharge is not applicable to enterprises with foreign investment for the time being until the State Council issues further stipulations.

REGULATION OF OVERSEAS LISTINGS

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the CSRC, and SAFE, jointly adopted the Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which was effective on September 8, 2006. This regulation provides that an offshore special purpose vehicle (“SPV”) established for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV’s securities on an overseas stock exchange.

On September 21, 2006, the CSRC published Procedures Regarding Its Approval of Overseas Listings by SPVs on its official website, which provides that certain documents shall be submitted to the CSRC.

On June 22, 2009, MOFCOM issued the Amendments to Regulations of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於修改〈關於外國投資者併購境內企業的規定〉的決定》), revising the provisions on the anti-monopoly review for mergers and acquisitions of domestic enterprises by foreign investors.