

OVERVIEW

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural areas and the suburban areas and all farm land are, unless otherwise specified by law, collectively-owned. The state has the right to resume its ownership of land or the land use right in accordance with law if required for the public interest (and compensation must be paid by the state).

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.

LAND GRANTS*National and local legislation*

In April 1988, the National People's Congress (the "NPC") passed an amendment to the constitution of the PRC. The amendment, which allowed for the transfer of land use rights for value, paved the way for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC (中華人民共和國土地管理法) to permit the transfer of land use rights for value.

In May 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use 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). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for consideration. Under this system, the State retains the ultimate ownership of the land. However, the right to use the land, referred to as land use rights, can be granted by the state and local governments at or above the county level for a maximum period of 70 years for specific purposes pursuant to a land grant contract and upon payment to the State of a land grant fee for the grant of land use rights.

The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of land	Maximum period (Years)
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, cultural, public health and sports	50
Comprehensive utilization or others	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. The state may not resume possession of lawfully-granted land use rights prior to expiration of the term of grant. Should the public interest require the resumption of possession by the state under special circumstances during the term of grant, compensation shall be paid

by the state, on the basis of the period of which the land user has used the land and the status with respect to the development and utilization of the land. Subject to compliance with the terms of the land grant contract, a holder of land use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease.

Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land bureau for the land use rights certificate. In accordance with the Property Right Law (中華人民共和國物權法), which was effective as at October 1, 2007, the term of land use right for land of residential use will automatically be renewed upon expiry. The renewal of the term of land use right for other uses shall be dealt with according to the relevant agreements, and if there is no such agreements or the agreements are not clear enough, then according to laws upon expiry. In addition, if public interest requires the resumption of possession of land by the State during the term of the relevant land use rights, owners of residential properties and other real estate on the land shall be compensated and the relevant land premium shall be refunded to them.

On March 26, 2005, the General Office of the State Council promulgated a Notice on Effectively Stabilizing House Prices (關於切實穩定住房價格的通知) to restrain the excessive increase of housing prices and to promote the sound development of the real estate market. The notice provided that housing prices should be stabilized and the system governing housing supply should be vigorously adjusted and improved. In accordance with the notice, seven departments of the State Council including the Ministry of Construction (建設部) issued an Opinion on the Work of Stabilising Housing Prices (關於做好穩定住房價格工作的意見) on April 30, 2005. The opinion stated, among other things, that: (i) the local government should focus on ensuring the supply of low- to medium-end ordinary residential houses while controlling the construction of high-end residential houses; (ii) to curb any speculation in the real estate market, a 5% business tax would be levied from June 1, 2005 on the total revenue arising from any transfer by individuals of houses within two years from their purchase thereof or on the difference between the transfer price and the original price for any transfer of non-ordinary houses (非普通住宅) by individuals after two or more years from their purchase thereof; and (iii) the real estate registration department will no longer register the transfer of apartment units which are pre-sold where such units have not obtained the relevant real estate ownership certificates.

On May 24, 2006, the General Office of the State Council further issued a Notice on Adjusting the Housing Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格意見的通知). The notice provided for the following broad directives to, among other things: (i) encourage mass-market residential developments and curb the development of high-end residential properties; (ii) enforce the collection of the 5% business tax on property sales (commencing on June 1, 2006, business tax was made applicable to the entire sale price of property other than residential property resold within five years, or on the profit arising from property other than residential property resold after five years; exemptions were made for resales of ordinary residential properties five years or more after the original purchase); (iii) restrict housing mortgage loans to not more than 70% of the total property price (for houses purchased for self-residential purposes and with an area of less than 90 sq.m., the owners are still able to apply for a housing mortgage up to an amount representing 80% of the total property price); (iv) halt land supply for villa projects and restrict land supply for high-end, low-density residential projects; (v) moderate the progress and scale of demolition of old properties for re-development; (vi) require local governments to ensure that at least 70% of the total development and construction area must consist of units of less than 90 sq.m. in size (with any exceptions requiring the approval of the Ministry of Construction); and (vii) prevent banks from providing loans to a property developer whose total capital fund is less than 35% of the total investment amount in an intended development project.

On June 13, 2006, the General Office of the State Council issued a Notice on Further Regulating and Controlling Investment in Fixed Assets and Strictly Controlling the Number of New Projects (關於加強固定資產投資調控從嚴控制新開工項目意見的通知). The notice provides for: (i) clearing and rectifying all new projects; (ii) strictly examining all planning projects, strengthening supervision and examination on implementing industry policy, development plan, market access requirements and construction procedures across the country; and (iii) strictly controlling loans provided for infrastructure.

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), or the New Opinions. The New Opinions stipulate that, the residential units with a floor area of less than 90 square meters shall account for over 70% of the total area of residential units, which are newly approved and constructed in each city or county after 1 June 2006. The relevant local government will have authority to determine the configuration of newly constructed property.

On July 13, 2006, the General Office of the State Council issued a Notice about Relevant Matters on Establishing the State Land Supervision System (關於建立國家土地督察制度有關問題的通知). In accordance with this notice, the Ministry of Land and Resources established the State Land Supervision General Office (國家土地總督察辦公室) and send its local counterparts State Land Supervision Bureau (國家土地督察局) in order to strengthen supervision and management on land and practice the strictest possible land management system.

On August 31, 2006, the State Council issued a Notice about Relevant Matters on Strengthening Control on Land (關於加強土地調控有關問題的通知) in order to hold back the problems of excessive increases in the aggregate amount of construction land, the excessive expansion of low-cost industrial land, the illegal use of land and abusive occupation of cultivated land. The notice implements the following major measures: (i) adjusting land approval measures for urban construction in accordance with the principle of sharing both rights and responsibilities; (ii) only after guaranteeing the social security fee for the land expropriated from farmers can the approval of land expropriation be granted; (iii) the total amount of money from the sale of state-owned land use rights shall be fully accounted for in the local budget and collected into the local government treasury, and the “line of income and expenditure” shall be administrated separately; (iv) raising the standard for the land use rights fee of newly added construction land as well as the urban land use tax and rural cultivated land use tax; (v) the state formulating and promulgating the unified minimum standard for granting industrial land across the country, and industrial land being granted by tender, auction or putting up for bidding; and (vi) prohibiting conversion of agricultural land into construction land “in the name of leasing while actually expropriating” or other illegal ways.

On November 7, 2006, MOFCOM, Ministry of Land and Resources and the PBOC issued a Notice about Relevant Matters on Policy Adjusting Concerning the Land Use Fee for Newly Created Construction Land (關於調整新增建設用地土地有償使用費政策等問題的通知). The notice requires the land use fee on newly created construction land be doubled from January 1, 2007.

Pursuant to the Opinions on Resolving Difficulties of Housing for Urban Low-income Family (關於解決城市低收入家庭住房困難的若干意見) promulgated by the State Council on August 7, 2007, the authorities of each region will adjust the housing supply structure in order to: (i) implement the Circular on Forwarding Opinions of Ministry of Construction and Other Departments on Adjusting Housing Supply Structure and Stabilising Housing Prices issued by the General Office of the State Council (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); (ii) focus on the development of low to medium priced, and small to medium sized commodity housing and (iii) to increase the supply of housing. The approval percentage of new municipal housing and new housing construction (with a GFA of less than 90 sq.m.) will be more than 70% of the total housing developed area. The annual supply of low rental housing construction land, economy-sized housing and low to medium price and small to medium sized commodity housings shall not be less than 70% of the total residential housing land.

Pursuant to the Notice on Implementation of the Several Opinions of the State Council on Solving Housing Shortage with respect to Urban Low-income Households (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) promulgated by Ministry of Land and Resources (the “Administration Department”) at both municipality and county levels will give priority in arranging land supply for low rental housing, economy-sized housing and low to medium priced and small to medium sized commodity housing. Its annual supply volume shall not be less than 70% of total residential land supply. It will integrate and implement the Notice on the Implementation of Specific Clearing of the Grant of the State-owned Land Use Rights (關於開展國有土地使用權出讓情況專項清理工作的通知) jointly published by the Ministry of Supervision, Ministry of Land and Resources, MOFCOM and the Auditing Department of the Ministry of Construction on August 8, 2007. Further, it will investigate, on a case by case basis, the development of residential land with an emphasis on the observation of land use contract by real estate development enterprises. For any developer that neither commences nor completes the construction work in accordance to the land use contract, the Administration Department will provide comments to ensure that such enterprises complete the development on schedule. Enterprises that do not carry out any measure to resolve the situation will be prohibited from participating in any tenders, auction and putting up for bidding for acquiring new land sites. The Administration Department will strictly enforce the regulations governing idle land and for land where the construction still has not commenced after exceeding one full year from the date of commencement stipulated in the contract, the idle land fee shall be imposed and the respective enterprises will be instructed to commence the construction works and fulfill the completion schedule. The idle land fee, in principle, shall be computed and imposed based on 20% of land premium price of the granted or allocated land. Any land that has not been developed for over two years shall be reclaimed with no compensation. For land where construction works have been commenced on the date stipulated in the contract but the developed area is less than the one-third of the area to be developed or the invested capital is less than one-fourth of the total investment as stipulated in the contract and the development is suspended over a year without any approval, it shall be treated as idle land strictly following the laws.

On December 30, 2007, the General Office of the State Council issued the Notice on the Strict Implementation of the Laws and Policies Regarding Rural Collective Construction Land (Guo Fa Ban [2007] No. 71) (關於嚴格執行有關農村集體建設用地法律和政策的通知)(國辦發[2007]71號). This notice states that residential land in rural areas shall only be allocated to residents of the relevant village residing in the area and that no urban inhabitants shall be allowed to purchase any homesteads, peasants’ dwellings or “small houses with property rights” in rural areas. No organisation or individual shall be allowed to illegally rent or occupy any land collectively owned by peasants for the development of real estate.

On February 7, 2008, the State Council issued the Land Investigation Regulations (Order No. 518 of the State Council of the People's Republic of China) (土地調查條例(中華人民共和國國務院令第518號)). This regulation provides that a nationwide land investigation shall be carried out once every 10 years and a land status alteration investigation shall be carried out each year by the competent state land and resources department at the county level or above and this investigation is done in conjunction with the relevant government departments of the same level. The regulation also specifies the qualification requirements that a government department must meet in order to undertake the investigation tasks. The regulation specifies that the purpose of land investigations is to ascertain the land resources that are available and their utilization status.

On December 29, 2008, the Ministry of Finance and the State Administration of Taxation jointly issued the *Notice on Business Tax Imposed on Individuals Transferring Houses* 《財政部、國家稅務總局關於個人住房轉讓營業稅政策的通知》. The notice provided that, from January 1, 2009 to December 31, 2009, business tax would be levied on the total resale price obtained by individuals transferring property other than ordinary residential property within two years of their purchase of the property. For individuals transferring property other than ordinary residential property two years or more after their purchase of the property, or transferring ordinary residential property within two years of their purchase of the property, business tax would be levied on the difference between the resale price and the original purchase price. Individuals transferring ordinary residential property two years or more after their purchase of the property were not subject to any business tax.

On December 22, 2009, the Ministry of Finance, and the State Administration of Taxation jointly issued the *Notice on Business Tax Imposed on Individuals Transferring Houses* 《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》. The notice provided that, commencing January 1, 2010, individuals transferring property other than ordinary residential property within five years of their purchase of the property, are subject to business tax on the total resale price of such property. For individuals transferring property other than ordinary residential property five years or more after their purchase of the property, or individuals transferring ordinary residential property within five years of their purchase of the property, business tax is applicable on the difference between the resale price and the original purchase price of the property. For individuals transferring ordinary residential property five years or more after their purchase of the property, no business tax is applicable.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy 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 land resource authorities shall deepen the supervision on the compliance of the contracts and strictly collect the land premiums according to the land grant contracts.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation may provide for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are deemed to be inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

In January 2011, the State Council further issued a notice which specified that:

- (i) individuals who resell a residential property within five years of purchase would be subject to a business tax on the proceeds from the resale;

- (ii) if a property developer fails to obtain the relevant construction permits and fails to commence construction within two years from the designation of land for property development, the relevant land use rights granted would be forfeited and an idle land penalty would be imposed;
- (iii) transfer of land and property development projects is prohibited if the amount of property development investment (excluding the land premium) incurred is less than 25% of the total investment amount in respect of the project;
- (iv) families holding local residency and owning two or more residential properties and families holding non-local residency and owning at least one residential property or who cannot provide a local tax payment certificate or a social security certificate are prohibited from purchasing an additional residential properties in the local district.

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), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法). 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.

Modes of land grant

Pursuant to PRC laws or the stipulations of the State Council, except for land use rights which may be obtained through allocation (劃撥), land use rights for property development are obtained through governmental grant. There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e., tender, auction or listing at a land exchange administered by the local government).

As at July 1, 2002, the grant of land use rights by way of competitive processes is governed by the Regulations on the Grant of Use Right of State-owned Land by Invitation of Tender, Auction or Listing-for-bidding (招標拍賣掛牌出讓國有土地使用權規定), issued by the Ministry of Land and Resources of the PRC on May 9, 2002 (2002 Regulations) and revised as at September 21, 2007 by Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Putting up for Bidding (招標拍賣掛牌出讓國有建設用地使用權規定), or the 2007 Regulations. Following the 2002 Regulations, the Ministry of Land and Resources issued the Notice on Continuing the Review of the Implementation of the Grant of Land use Rights for Commercial Uses by Invitation of Bids Auction or Listing (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) on a Land

Exchange on March 31, 2004, requiring all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the Ministry of Land and Resources required that with effect from August 31, 2004, the grant of land use rights must be made pursuant to auctions or listing at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (關於深入開展土地市場治理整頓嚴格土地管理的緊急通知) issued by the State Council on April 29, 2004, the development of agricultural land was suspended for a period of six months for rectification by the PRC government of irregularities in land development in China. The 2007 Regulations specifically provide that land to be used for industrial or commercial purposes, including tourism, entertainment and commodity residential properties for sale, or where there are two or more intended users for the certain piece of land, must be granted by way of competitive processes. A number of measures are provided by the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use right certificate upon full payment of the land premium of the granted land according to the state-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use right certificate. In addition, the announcement of tender, auction or listing-for-bidding must be made 20 days prior to the date on which such competitive process begins. Further, it also stipulated that for listing at a land exchange, the time period for accepting bids must be no less than 10 business days.

In the case of tender, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and inform those qualified to participate in the bidding processes by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other expert), formed by the land bureau is responsible for opening the tenders and deciding on the successful bidder. The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; or if the invitation to tender requires the bidder to submit planning proposals in addition to the tender, then details of the proposals will be considered. If the relevant land bureau considers that none of the tenders is satisfactory, the land bureau has the right to reject all the tenders. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land grant fee before obtaining the State land use rights certificate and the land bureau effecting registration of the successful bidder as the holder of land use rights for the land. See “— Documents of title and registration of property interests.”

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listing-for-sale administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid

who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

In June 2003, the Ministry of Land and Resources promulgated the Regulations on Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定), or the 2003 Regulations, to regulate granting of land use rights by agreement when there is only one party interested in the land, the designated uses of which are other than for commercial purposes as described above. According to the 2003 Regulations, the local land bureau, together with other relevant government departments, including the city planning authority, will formulate the plan concerning the grant, including the specific location, boundary, purpose of use, area, term of grant, conditions of use, conditions for planning and design as well as the proposed land premium, which shall not be lower than the minimum price regulated by the State, and submit such plan to the relevant government for approval. Afterwards, the local land bureau and the relevant party will negotiate and enter into the land grant contract based on the above-mentioned plan. If two or more parties are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or listing at a land exchange in accordance with the 2007 Regulations.

The grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use rights certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a land grant fee shall be paid.

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 (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 (the “Notice”), from the day of promulgation, land use for luxurious commodity houses shall be stringently controlled, and applications for land use right to build 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). It provided that: (i) land use shall not violate the overall land use plan and the annual land use plan and no entity or individual shall change or occupy basic agricultural land. Strict prohibitions shall be imposed on any illegal method to avoid the examination and approval procedures for occupation of basic agricultural land by, for example, amending the overall land use plan, and no one shall increase the use of construction land without authorization and approval; (ii) stricter examination and approval procedures shall be implemented with respect to the use of various non-agricultural construction land and strict limitations shall be imposed on the supply of land for projects that fall under restricted categories. No land pre-approval, examination and approval, and land supply shall be granted for prohibited projects. Application and approval procedures must be undertaken in accordance with relevant laws for any non-agricultural construction using tidal-flat areas, barren hills or wasteland; and (iii) the Circular of the General Office of the State Council on Forwarding the Notice of the Ministry of Construction, the NDRC and the Ministry of Supervision on Adjusting the Housing Supply Structure and stabilizing the Housing Price (Guo Ban Fa [2006] No. 37) (國務院辦公廳轉發建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(國辦發[2006]37號)) shall be strictly implemented. This circular provides, amongst other things, that: (a) land used for real estate development must be granted through tender, auction or bidding-for-sale and the area of land shall be ascertained reasonably; (b) land supply priority shall be given to ordinary commodity houses at middle to low prices and in medium to small sizes (including affordable housing) and renting affordable housing. The land supply plan shall be known to the public; and (c) the land supply for

low-density and large-sized housing shall be strictly controlled, and the rules on ceasing land supply for villa real estate development shall be resolutely implemented. From May 30, 2006, all land use supply and relevant procedures for villa projects shall cease and an overall rectification shall be carried out.

On December 12, 2006, the Ministry of Land and Resources and National Development and Reform Commission promulgated the Catalogue of Restrictive Land Supply Items (2006 Version) and Catalogue of Forbidden Land Supply Items (2006 Version) (限制用地項目目錄(2006本)和禁止用地項目目錄(2006本)). This catalogue provides that, the new office buildings of the Chinese Communist Party and government agencies, large-scale commercial or entertainment establishments, racing fields, motor vehicle training fields, burial grounds, low-density and large-sized housing projects (referring to residential projects with a plot ratio of less than 1.0 and where the GFA for a single house exceeds 144 sq.m.) are listed in the restrictive land supply items, and villas, golf courses, racing courses, and new training centers of the Party and government agencies, State-owned enterprises and institutional agencies are classified as forbidden land supply items.

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) was implemented on January 1, 2008. This law provides, among other things, that if land use rights were obtained by way of allocation, the developer shall apply to the relevant urban and rural planning authorities for a site selection opinion before applying to other relevant authorities for approval or consent. This law also specifies that if the land use rights were obtained by way of allocation within the planning zones of cities or towns, the developer shall, before applying to the land administration authorities at or above the county level for land use rights, apply for the planning permit of construction from the relevant urban and rural planning authorities of that city or town after obtaining the approval or consent of other relevant authorities. Further, if land use rights were obtained by way of grant within the planning zones of cities or towns, relevant urban and rural planning authorities shall, prior to the granting of land use rights, specify the planning conditions such as the location, nature of use and permitted density of the development and integrate the planning conditions into the grant contract of the land use rights. Land without planning conditions can not be granted. After a grant contract of land use rights is executed, the developer needs to apply to urban and rural planning authorities of the city or county for the planning permit for construction land along with the required documents. If a development is within the planning zones of a city or town, the developer needs to apply to urban and rural planning authorities of the particular city or county, or to the township government specified by the provincial level government for a planning permit for construction in a rural area. The development of projects must comply with the planning conditions and an application must be filed with the urban and rural planning authorities of the relevant city or county if any amendments to the planning conditions are necessary. Within six months of the completion of projects, a developer needs to file documents in respect of the inspection and assessment by governmental authorities of completed project with the urban and rural planning authorities.

Model land grant contract

To standardize land grant contracts, in 2000, the Ministry of Land and Resources and the State Administration for Industry and Commerce published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their specific local circumstances. The model land grant contract contains terms such as location of land, use of land, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations),

construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land grant fee and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

If the land user wishes to change the specified use of land after entering into a land grant contract, approvals must be obtained from the relevant land bureau and the relevant urban planning department, and a new land grant contract may have to be signed and the land grant fee may have to be adjusted to reflect the added value of the new use. Registration procedures shall be carried out immediately after approval of the change of designated use.

If the land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to withdrawal of the grant without consideration (unless the failure to develop and invest in the land is due to a force majeure event or the activities of a governmental authority).

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), which was issued on October 28, 2007, after execution of the land grant contract, the urban planning department cannot change the planning requirements under the land grant contract without authorization.

Transfer of land use right of collectively-owned construction land

The PRC Land Administration Law (中華人民共和國土地管理法) regulated that land use right owned by peasants' collectives may not be granted, assigned or leased for non-agricultural construction, except for the transfer according to law of the leaseholds by enterprises due to circumstances such as bankruptcy, merger, etc., provided that the construction land is in compliance with the master land use plan and was lawfully obtained. On October 21, 2004, the Decision on Deepening the Reform of Strict Land Management (關於深化改革嚴格土地管理的決定) issued by the State Council provides that the collective construction land use right owned by peasants can be transferred according to the law. However, on June 23, 2005, Guangdong Province has enacted a new rule (廣東省集體建設用地使用權流轉管理辦法), which was effective as at October 1, 2005. This rule progressively went forward in the area of collectively-owned land for it permitted the grant, transfer, lease and mortgage of the construction land use right owned by peasants' collectives in Guangdong Province, while at the meantime, it also stipulated that the grant and lease of the land use right of collectively-owned construction land for commerce, tourism and entertainment shall be proceeded by way of tender, auction or listing-for-sale. On December 30, 2007, the Notice regarding Strictly Implement the Law and Regulations of the Collective Construction Land in the Rural Place (關於嚴格執行有關農村集體建設用地法律和政策的通知) issued by the General Office of the State Council provides that the transfer of the collective construction land use right owned by peasants should be strictly controlled. Regarding the rural collectively-owned construction land gained by the way of grant, transfer and lease, it is prohibited to be used for commercial property development and residential construction.

TERMINATION

Pursuant to the Property Right Law (物權法) promulgated on March 16, 2007 which became effective as at October 1, 2007, when the term of the land use right for construction of residential building expires, it shall be renewed automatically.

The state generally will not withdraw a land use right before the expiration of its term of grant. Should the circumstance occurs for special reasons, such as for the public interest, it shall pay proper compensation for the properties on such land, and corresponding land transfer fees shall be returned, having regard to the surrounding circumstances and the period of which the land use right has been enjoyed by the land user.

Upon expiry of the land other than for residential buildings, unless renewal of the term of land use rights has been approved, the land user must take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay the premium and effect appropriate registration for the renewed land grant.

According to the Law of Administration of Urban Real Property (中華人民共和國城市房地產管理法) (the “Urban Real Property Law”) issued in July 1994 and amended in August 2007, where a real property development is carried out on land for which the land use rights are acquired by means of grant, the land must be developed in line with the specified use for the land and the deadline for commencement of the development must be set out in the land use rights grant contract. Where the development does not commence within one year from the specified date set out in the land use rights grant contract, an idle land fee may be charged at a rate equivalent to not more than 20% of the relevant land premium. Where the development does not commence within two years from the specified date, the relevant land use rights may be withdrawn without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or delays in preliminary work necessary for the commencement of development.

The Urgent Notice to Further Strengthen Land Management at Current Stage (關於當前進一步從嚴土地管理的緊急通知) issued by the Ministry of Land and Resources on May 30, 2006, provides that: (i) the dates of construction commencement and completion shall be clearly stated in the state-owned land use rights grant contracts; and (ii) the penalty on idle land shall be strengthened. Where the idle land fee should be levied, it shall be levied at the highest level in accordance with the law. Where the idle land should be reclaimed without compensation, it must be absolutely reclaimed back in accordance with the law.

According to the Measures on Disposal of Idle Land (閒置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, “idle land “ refers to land granted for use but laying idle because the land user fails to commence development and construction before the specified commencement date without the consent of the government which approved the use of the land. Where the land is deemed “idle land”, relevant municipal or county land administrative departments (“Land Administrative Authorities”) shall inform the land user and prepare a plan for the disposal of the idle land. Where the land is mortgaged, the mortgagee shall be informed to participate in the preparation of the disposal plan. The Land Administration Authorities are responsible for implementing the disposal plan after such plan has been approved by the government which originally approved the use of the land.

The methods of disposal of idle land include, among others, the following:

- (i) extending the development and construction period by no more than one year;
- (ii) changing the use of the land, and continuing development and construction afterwards; or
- (iii) arranging for temporary use of the land and re-approving the development after the original project satisfies the construction conditions; where the land has appreciated in value, the government will increase the land premium in accordance with the appreciated value.

Where the idle land is due to acts of the state or relevant governmental authorities and the land user has partly paid the purchase price (including any compensation or resettlement cost) for the land, in addition to the methods provided above, the State may acknowledge the relevant land to the land user for the part of land which the land user has paid the compensation or requisition fee, while the remaining part of the land will be withdrawn by the government.

On May 24, 2006, the Circular on Forwarding Opinions of Ministry of Construction and Other Departments on Adjusting Housing Supply Structure and Stabilising Housing Prices issued by the General Office of the State Council (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) provides that if any land remains idle for one year, an idle land fee shall be levied and the land shall be developed in due course; if any land remains idle for two years, the idle land will be confiscated.

On January 3, 2008, the State Council issued the Notice on Promoting the Economization and Intensive Use of Land (Guo Fa [2008] No. 3) (關於促進節約集約用地的通知(國發[2008]3號)). This notice states, among other things, that (i) state policies in relation to the forfeiture of land use rights of land which has remained idle for more than two years without compensation shall be strictly implemented; (ii) if any land remains idle for one year, an idle land fee of 20% of the relevant land premium shall be levied; (iii) before June 2008, local governments are required to submit to the State Council reports on the status of the clearance and handling of idle land; (iv) the prohibition of land supply for villa projects shall continue; (v) the local authorities are required to research commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land; (vi) in relation to the supply of residential land, planning conditions such as minimum plot ratio limits and the number and type of flats that can be constructed shall be taken into account in land grant contracts and allocation decisions to ensure that at least 70% of the total land grants for residential developments will consist of low-cost rental housing, economy housing, limited pricing housing and units of less than 90 sq.m. in size; and (vii) financial institutions are required to exercise caution when approving financing for any property developer who

fails to commence the construction for one year or more from the commencement date stipulated in the land grant contract, complete at least one-third of the development of project or inject at least 25% of the total investment in the project.

LAND TRANSFERS FROM CURRENT LAND USERS

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into an assignment contract or a joint-develop agreement with the land user.

The assignment contract or joint-develop agreement must be registered with the relevant local land bureau at the municipal or county level for land use right title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

The assignment contract or the joint-develop agreement is subject to terms and conditions specified in the land grant contract. For residential construction projects, the Urban Real Estate Law requires that at least 25% of total construction costs, excluding land grant fees, be expended and the construction schedule and date of completion and delivery of the project have been determined before assignment can take place. A higher minimum construction and investment fee may be provided in land grant contracts entered into between the local land administration bureau and the land user. All rights and obligations of the current holder under a land grant contract will be transferred contemporaneously to the assignee of the land use rights. The relevant local government has the right to acquire the land use rights to be assigned if the assignment price is significantly lower than the market price. Relevant local governments may also acquire the land use rights from a land user in the event of a change in town planning. The land user will then be compensated for the loss of his land use rights.

The Standing Committee of Guangzhou Provincial People's Congress amended the Guangdong Province Urban Real Estate Transfer Regulations (廣東省城鎮房地產轉讓條例) on April 3, 1997. The amended regulations, which took effect on May 1, 1997, provide that the transfer of any property for which the land use rights have already been obtained by means of allotment shall be submitted to the appropriate Governmental Authority for approval.

LAND RESERVE AND PRIMARY DEVELOPMENT

The Ministry of Finance, Land and Resources and the PBOC jointly promulgated the Measures for Land Reserve Administration (土地儲備管理辦法), which became effective as at November 19, 2007. Pursuant to the Measure, the land reserve institution refers to the independent legal entity which is affiliated to the local land administration bureau. The scope of the land reserve includes but is not limited of the land use right resumed by the state, the land obtained subject to the preemption right, the rural land which had been completed the reversion procedures and the land purchased by the land reserve institution. The land reserve institutions are permitted to carry out primary development of the reserved lands before supplying them to the market. Commercial banks could make mortgage loans to the land reserve institution after getting approval from the local financial department.

The Ministry of Finance and the Ministry of Land and Resources issued the Provisional Measures on Administration of Funds and Finance Affairs Relating to Land Reserve (土地儲備資金財務管理暫行辦法) on February 27, 2007, which regulate the matters concerning the capital required for, among other things, the early stage development of reserved land, including the source, scope of use and management of the such capital.

DOCUMENTS OF TITLE AND REGISTRATION OF PROPERTY INTERESTS

According to the State Land Administration Bureau Land Registration Regulations (國家土地管理局土地登記規則) promulgated by the State Land Administration Bureau (國家土地管理局) on December 28, 1995 and implemented on February 1, 1996, and the Administrative Rules on Registration of Urban Real Estate Property (城市房屋權屬登記管理辦法) amended by the Ministry of Construction (建設部) on August 15, 2001, the Land Registration Regulations (土地登記辦法) issued by the State Land Administration Bureau on December 30, 2007 and the Buildings Registration Regulations (房屋登記辦法) issued by the Ministry of Construction on February 15, 2008, all land use rights and building ownership rights which are duly registered are protected by the law. A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated in the certificate. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a land use right who is issued a building ownership certificate holds the land use rights and owns the building erected thereon. All holders of land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register their lawful state-owned land use rights, as well as ownership rights to the buildings. In this regard, real estate registries have been established in all cities in China. In most cities, there are separate registries for land use rights and building ownership. However, in Guangdong province and some other major cities, the two registries have been or are in the process of being combined. In places where there are separate registries, the holder of a land use right will be issued a building ownership certificate for the building and a land use rights certificate for the underlying land. In the other places where registries are combined, such as in Zhuhai Special Economic Zone in Guangdong Province, the land use rights certificate and the building ownership certificate are combined into a single certificate. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

Whether the registered land user can assign, mortgage or lease the land use rights will be subject to conditions stipulated in the original land grant contract. In addition to the requirement to register land use rights, there is also a requirement to register a mortgage of a land use right in local land registration departments. See the section headed “Mortgage and Guarantee”.

MORTGAGE AND GUARANTEE

The mortgage of real estate in the PRC is governed by the Property Right Law (物權法), Security Law of the PRC (中華人民共和國擔保法), or the Security Law, the Law of the PRC on the Administration of Urban Real Estate, or the Real Estate Law, the Regulation on Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法), or the Real Estate Mortgage Regulation, and other relevant real estate related laws and regulations. When a mortgage is created over the ownership of a completed building, the same will be simultaneously created over the land use right of the land where the building is erected. The mortgagee and the mortgagor shall enter into a mortgage contract in writing which becomes effective on the date of the registration of such mortgage by the relevant real estate authority. Pursuant to the Security

Law, a real estate mortgage agreement shall contain specific provisions including (i) the type and amount of the indebtedness secured, (ii) the period of the obligation by the debtor, (iii) the repayment of the indebtedness, and (iv) the name, quantity, conditions, location, valuation and ownership of the mortgaged property. Pursuant to the Real Estate Law, buildings newly- erected on a piece of urban land after a mortgage contract has been entered into shall not be a mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

Pursuant to the Property Right Law, a real estate mortgage becomes effective on the date of registration with the local real estate department. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the registration authority. If the mortgagor cannot repay the loan that is secured by the mortgaged property, the mortgagee may agree with the mortgagor to receive payment by appraising the mortgaged property or through the proceeds of an auction or sale of the property. If no such agreement is reached, the mortgagee may institute proceedings in a People's Court. After the mortgaged property has been appraised or been auctioned or sold, any portion of the proceeds that exceeds the amount of the indebtedness shall belong to the mortgagor and any shortfall shall be paid by the mortgagor.

The Security Law also contains comprehensive provisions dealing with guarantees. Under the Security Law, guarantees may be in two forms: (i) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; and (ii) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

The Security Law further provides that where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

IDLE LAND

According to the Measures on Disposing Idle Land (閒置土地處理辦法) 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: (i) development and construction of the land is not commenced within the prescribed time limit after obtaining the land use right without consent from the people's government who approved the use of the land; (ii) 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"; (iii) 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; or (iv) other circumstances prescribed by the laws and the administrative regulations.

The municipality or county-level land administrative department shall, after a piece of land which has been 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 extending 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, ascertaining a new land user by competitive bidding, public auction. 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 approved the use of the land, arrange for implementation of the proposal. To the land which is obtained by grant 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 no more than 20% of the land grant premium 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.

According to the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council on January 7, 2010, the land resource authorities shall strengthen the investigation and handling of idle lands.

PROPERTY DEVELOPMENT

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of large area and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

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 which is to engage in development of real estate shall satisfy certain requirements including (i) its registered capital shall be more than RMB1.0 million; and (ii) it has four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate.

Where a foreign-invested enterprise is to be established to engage in development and sale of real estate, the relevant requirements of the laws and regulations regarding foreign-invested enterprises must also be observed and relevant approvals be obtained. The "Foreign Investment Industrial Guidance Catalogue" was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission in October 31, 2007 and effective as at December 1, 2007, which provides, among other things, that the development and construction of ordinary residential properties has been removed from the category of industries for which foreign investment is encouraged. The development of a whole land lot and construction of villas, high-end hotels, premium office buildings, international conference centers by foreign invested enterprises still falls within the category of industry in which foreign investment is subject to restrictions, while other real estate development falls within the category of industries in which foreign investment is permitted. Moreover, real estate secondary market and estate agent or broker falls

within the category of industry in which foreign investment is subject to restrictions. A foreign investor intending to engage in the development and sale of real estate may establish an equity joint venture, a cooperative joint venture or a wholly owned enterprise in accordance with relevant laws and regulations regarding foreign investment. Prior to its registration, the enterprise must be approved by the government authorities in charge of foreign investment, upon which the Approval Certificate for a Foreign Invested Enterprise will be issued.

The total investment amount and the category provided by the “Foreign Investment Industrial Guidance Catalogue” determine the levels of the approval authorities. The existing laws and regulations impose a cap of a total investment of US\$50.0 million on local approval for projects in the restricted category and a cap of a total investment of US\$100.0 million on local approval for projects in the encouraged category. For those with a total investment exceeding US\$50.0 million in the restricted category and projects with a total investment exceeding US\$100.0 million in the encouraged category, the relevant approval authority shall submit the project document to the Ministry of Commerce for approval.

Pursuant to the Urban Land Regulations, foreign entities may acquire land use rights in the PRC unless the law provides otherwise. However, in order to develop the acquired land, the foreign entities need to establish foreign investment enterprises in the PRC as the project companies. These project companies may be in the form of Sino-foreign equity or cooperative joint ventures or wholly foreign-owned enterprises. The typical scope of business of such project company includes development, construction and sales and leasing commodity properties and ancillary facilities on the specific land as approved by the government and property management. The term of the property development company is usually the same as the term of grant of the land use rights in question.

Establishment of a project company is subject to the approval by the relevant departments of the PRC government in accordance with the following procedure. First, the PRC party to a joint venture project or the foreign investor, in the case of a wholly foreign-owned project, will submit a project application report to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project. The National Development and Reform Commission and the Ministry of Commerce have been authorized to regularly promulgate guidelines for the direction of foreign investment.

Once the project application report has been verified and approved, the PRC party and the foreign investor may proceed to prepare a joint feasibility study report that reflects their assessment of the overall economic viability of the proposed project company. At the same time, the parties may proceed to negotiate and execute the joint venture contract and articles of association for the establishment of a project company. In the case of a wholly foreign-owned project, the foreign investor may then prepare and sign the articles of association. The joint feasibility study report, the joint venture contract and/or articles of association will then, depending, among other things, on the industry to which it belongs under the Catalogue and the amount of total investment, be submitted to the Ministry of Commerce or its local counterpart, as the case may be, for approval. If the Ministry of Commerce or its local counterpart finds the application documents to be in compliance with PRC law, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the foreign investor and/or the PRC party can apply to the competent administration for industry and commerce for a foreign investment enterprise business license for the project company.

Once a foreign entity developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain a construction permit from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Under the “Provisions on Administration of Qualification Certificates of Real Estate Developers” (房地產開發企業資質管理規定) (the “Qualification Certificate Regulation”) implemented by the Ministry of Construction on March 29, 2000, a real estate developer shall apply for its qualifications according to such Regulation. An enterprise may not engage in the development and sale of real estate without the qualification registration certificate. The construction authority under the State Council takes charge of supervising the qualifications of real estate developers throughout China, and the real estate development authority under a local government on or above the county level shall supervise the qualifications of local real estate developers.

In accordance with the Qualification Certificate Regulation, real estate developers are classified into four classes. The approval system is tiered, so that confirmation of class 1 qualifications 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 then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2, 3 or 4 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 that passes the qualification examination will be issued a qualification certificate of the relevant class by the authority.

Under the Qualification Certificate Regulation, the real estate development authorities shall examine applications for registration of qualifications of a real estate developer when it reports its establishment, by considering its assets, professional personnel and business results. A real estate developer shall only undertake real estate development projects in compliance with the approved qualification registration.

After a newly established real estate developer reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days of its receipt of the above report. The real estate developer shall apply for a formal qualification certificate from the real estate development authority within one month before expiry of the provisional one. The provisional qualification certificate shall be effective for one year from the date of its issuance. The real estate development authority can extend the validity period for not more than two years after considering the actual business situation of the enterprise. Failure to obtain the required provisional or formal qualification certificate may result in a fine ranging from RMB50,000 to RMB100,000 and revocation of the developer’s business license if such failure to obtain the certificate is not rectified.

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 exceeding the scope permitted by its classification. A class 1 real estate developer is not restricted as to the scale of real estate project to be developed and may undertake a real estate development project anywhere in the country. A real estate developer of class 2, 3 or 4 may undertake a project with a gross area of less than 250,000 sq.m. and the

specific scope of business shall be as confirmed by the construction authority under the people's government of the relevant province, autonomous region or municipality.

The real estate development authorities perform annual inspections of qualified developers. Developers who fail to meet the qualification requirements or violate the relevant rules may have their qualification classification certificates degraded or revoked.

For the purpose of carrying out the construction and development of a real estate project, the real estate developers shall, after signing the land grant contract in accordance with the Regulations on Land Granting and Transfer and the Tender, Auction and Listing Regulations, attend certain procedures and obtain relevant approval documents in relation to the design, planning, construction and development of the land.

According to the Circular on Issues Pertaining to the Strengthened Implementation of Real Estate Land use Regulatory Policies and the Healthy Development of Land Market (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》) promulgated by Ministry of Land and Resources on December 19, 2010, land use rights for real estate development shall be granted strictly through tenders, auction and listing-for-bidding. If a parcel of land is idle for more than one year or the relevant land developer breaches the terms of the relevant land grant contracts or relevant laws or regulations, the developer will be disqualified from obtaining land through the bidding process. Pursuant to the Circular, regulation on land use for real estate development was also strengthened. If land which is initially designated for government-subsidized housing is subsequently used to build commercial houses, the developer's land use right shall be forfeited to the government and all the gains by the developer, if any, shall be confiscated. After the land forfeiture, the relevant land use right shall be sold through the tender, auction or listing-for bidding process under the direction of relevant land and resources authorities.

PLANNING AND CONSTRUCTION PERMITS

Under the "Regulations on Planning Administration regarding Granting and Transfer of State-owned Land Use Right in Urban Area" (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction in December 1992, a real estate developer shall apply for a Construction Land Planning Permit (建設用地規劃許可證) from the municipal planning authority. After obtaining the Construction Land Planning Permit, the real estate developer shall then organize the necessary planning and design work in accordance with relevant planning and design requirements. A planning and design proposal in respect of the real estate project shall be submitted to the municipal planning authority following the requirements and procedures under 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), which was issued on October 28, 2007 and a Construction Works Planning Permit (建設工程規劃許可證) must be obtained from the municipal planning authority.

Before the commencement of construction of a real estate project, the real estate developer shall apply for a Permit for Housing Demolition and Resettlement (房屋拆遷許可證) if the demolition and resettlement of housing on the land where the project is located are undertaken in accordance with the Regulations for the Administration of Demolition and Removal of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council on June 13, 2001. 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 of demolition and removal, such procedures to be 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 the demolition and removal.

Upon obtaining the Permit for Housing Demolition and Resettlement, the real estate developer shall appoint a qualified third party to carry out the demolition and removal within the land area and period specified in the Permit for Housing Demolition and Resettlement after the local real estate administration office having issued a demolition and resettlement notice to the inhabitants of the housing to be demolished. Subject to a written agreement entered into by the real estate developer and the parties relevant to the demolition and resettlement for compensation and resettlement, the real estate developer needs to pay compensation and resettlement fees to the inhabitants of the housing to be demolished. Compensation may be effected by way of monetary compensation or exchange of property rights. In addition to paying the demolition and resettlement compensation, the real estate developer shall pay resettlement allowance to the parties subject to demolition and resettlement. After a real estate developer has carried out the above work, the site is ready for commencement of the construction works, the progress of demolition of existing buildings complies with construction needs, funds required for the construction have been made available, the contractor has been determined, and the design for construction has been examined and approved by the relevant government authorities, the real estate developer shall then apply for a Work Commencement Permit (建築工程施工許可證) from the relevant construction authority in accordance with the “Regulations on Administration regarding Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction in October 1999, which was amended in July 2001.

ACCEPTANCE AND EXAMINATION UPON COMPLETION OF A REAL ESTATE PROJECT

Pursuant to the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) promulgated 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 in April 2000 and the Interim Provisions for Reporting Details 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暫行規定) promulgated and implemented by Ministry of Construction on June 30, 2000, upon the completion of real estate development project, the real estate development enterprise shall submit an application to the control department of real estate development of local people’s government at county level or above, where the project is located, for examination upon completion of building and for filing purposes; and to obtain the Examination Upon Completion of Construction Project Filing Form (建築工程竣工驗收備案表). A real estate project may not be delivered before passing the acceptance examination and obtaining the completion certificate.

SALES/PRE-SALES OF COMMODITY BUILDINGS

Commodity buildings can be sold before or after their completion. These sales are regulated and conducted in accordance with the provisions of the “Regulations for the Administration of Sale of Commodity Buildings (商品房銷售管理辦法), or the Sales Regulations promulgated by the Ministry of Construction in April 2001, the Measures for the Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法), or the Pre-sales Measures amended by the Ministry of Construction in July 2004 and in accordance with the Development Regulations.

For units of a commodity building sold before completion (a “Pre-sale”) to occur under the Pre-sale Regulations, a developer must make the necessary pre-sale registration with the real estate development authority of the relevant city or county and obtain a pre-sale permit. A Pre-sale will take place if:

- The premium in respect of the land use rights has been paid in full and the land use rights certificate has been obtained;
- The construction works planning permit and the construction project commencement permit have been obtained;
- At least 25% of the total amount of the project investment fund has been injected into the development of the project and the progress of construction and the expected completion date of the project has been ascertained; and
- The pre-sale permit has been obtained.

Various local governments have enacted local regulations to supplement the national requirements. In accordance with the Administration Regulations on Pre-sale of Commodity Houses in Guangdong Province (廣東省商品房預售管理條例), amended on August 22, 2000, property developers who pre-sell real estate in Guangdong Province shall meet the following conditions:

- The property developer qualification license and business license have been obtained;
- The land premium has been paid and the land use right certificate has been obtained;
- The construction works planning permit and the works commencement permit have been obtained and the construction project quality and safety supervision procedures have been completed;
- The schedule of construction and date of delivery for use have been determined;
- The corresponding schedule for the image of the project has been completed;
- A special account for pre-selling commodity properties has been opened in the local commercial bank;
- No third party lien is set on the pre-sale property and the land use right;
- Other conditions regulated by laws and regulations have been complied with.

According to the Notice of Adjusting Conditions on Image Schedule for Pre-sale Commodity Houses Projects in Guangdong Province (廣東省建設廳關於調整我省商品房預售項目工程形象進度條件的通告), since February 1, 2001, the conditions on the image schedule of commodity houses projects have been adjusted as the following: for the pre-sale of commodity housing projects lower than 7 floors (inclusive), the structure construction up to the top level shall be completed; for the pre-sale commodity house items higher than seven floors (not inclusive), two-thirds of the structure construction shall be completed.

Under the “Regulations for the Administration of Sale of Commodity Buildings” (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the real estate development enterprise offering to sell the post-completion buildings shall have a enterprise legal person business license and a qualification certificate of a real estate developer; (b) the enterprise has obtained a land use right certificate or other approval documents of land use; (c) the enterprise has the permit for construction project planning and the permit for construction; (d) the commodity buildings have been completed and been inspected and accepted as qualified; (e) the relocation of the original residents has been well settled; (f) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. have been made ready for use, and other supplementary 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. Before the post-completion sale of a commodity building, a real estate developer shall submit the real estate development project manual and other documents showing that the preconditions for post-completion sale have been fulfilled to the real estate development authority for making a record.

On July 6, 2006, the Ministry of Construction, the National Development and Reform Commission and the State Administration for Industry and Commerce promulgated the Notice for the Further Rationalization and Standardization of the Property Market (關於進一步整頓規範房地產市場交易秩序的通知) (2006 No. 166), or the “166 Notice”. The 166 Notice aimed at perfecting a system of disclosure in order to regulate transactions conducted in the property market so as to prevent speculation. The 166 Notice contains, inter alia, the following measures that:

- property developer shall commence the pre-sale within 10 days since the permission is obtained;
- the resale of any unit of an pre-sold uncompleted commodity building be prohibited;
- the advertisement of pre-sales prior to obtaining the relevant pre-sale permit be prohibited; and
- standard forms for the sale and purchase of an unit of a commodity building before or after its completion be made available to a purchaser.

According to the Property Rights Law (中華人民共和國物權法) which was promulgated on March 16, 2007 and implemented on October 1, 2007, parties can apply for registration of a caveat by agreement in order to secure that they obtain a future property right. After registration of such caveat, without permission of the persons who enjoy such right of registration of the caveat, any disposal of the relevant real estate shall have no effect to the property rights.

Pursuant to the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) issued by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of presales rationally based on local practice and may not issue separate presale permits by floor or unit.

Pursuant to the Notice on Further Standardization of the Administration of Housing Purchase by Foreign Entities and Individuals (《關於進一步規範境外機構和個人購房管理的通知》) issued by the Ministry of Housing and Urban-Rural Development and SAFE on November 4, 2010, a foreign individual is only permitted to purchase one residential property for his own use in the PRC. A foreign entity which has branches or representative offices in the PRC is only permitted to purchase non-residential properties for office use in the cities where its branches or representative offices are registered.

RESIDENTIAL PROPERTY QUALITY WARRANTY

On May 12, 1998 the Ministry of Construction promulgated the Regulation for Adoption of Residential Property Quality Warranty and Residential Building User Guide for Commodity Residential Properties (商品住宅實行住宅質量保證書和住宅使用說明書制度的規定), which took effect from September 1, 1998. This regulation and provides that the residential property quality warranty shall include the following contents: (1) quality grading as verified by construction quality supervision authority; (2) guaranteed repair of the foundation and main structure within their reasonable use life; and (3) the contents and term of guaranteed repair of all parts and components under normal using conditions. The term of guaranteed repair of the residential buildings shall commence at the date of delivery by the developers of the residential buildings which have passed the check and acceptance procedure.

LEASING

Both the Urban Land Regulations and the Real Estate Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Measures for Administration of Leasing of Urban Buildings (城市房屋租賃管理辦法), or the Leasing Measures. The Leasing Measures were promulgated by the Ministry of Construction on April 28, 1995 in accordance with the Real Estate Law in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and tenants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights shall not exceed 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real estate administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants. Local governments may impose rent controls.

According to the Real Estate Law, when a building is rented out, the rental income derived from the any underlying land the landlord has acquired only allocated land use rights for which must be turned over to the State.

INSURANCE

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 real estate projects.

According to the “Construction Law of the People’s Republic of China” (中華人民共和國建築法) promulgated by the Standing Committee of the National People’s Congress on November 1, 1997 and effective as at 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 the Construction Work” (建設部關於加強建築意外傷害保險工作的指導意見) by the Ministry of Construction on May 23, 2003, the Ministry of Construction further emphasises the importance of the insurance of accidental injury in the construction work and put forward the detailed opinions of guidance.

REAL ESTATE LOANS

According to the “Notice of the People’s Bank of China on Regulating Real Estate Financing Business” (中國人民銀行關於規範住房金融業務的通知) issued by 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) Housing 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 own capital 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, Construction Land Planning Permit, Construction Work Planning Permit and Permit of Construction Work. (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 mortgage loan to buy a pre-completion house, 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 shall have already been completed.

On June 5, 2003, the PBOC promulgated the Notice on Further Strengthening the Administration of Real Estate Related Credit (關於進一步加強房地產信貸業務管理的通知). According to this notice, commercial banks shall focus their business on supporting real estate projects targeted at mid-to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and houses. The notice provides that when applying for bank loans, a real estate development company must contribute at least 30% of the total investment of the project from its own funds, and prohibits banks from advancing funds to real estate developers as working capital or for payment of land grant fees. See “Recent macroeconomic control measures” below for recent developments in this area.

On August 12, 2003, the State Council (國務院) published the Notice by the State Council on Facilitating Sustained and Healthy Development of the Real Estate Market (國務院關於促進房地產市場持續健康發展的通知), which provides a series of measures to control the real estate market, including but not limited

to enhancing the gathering and granting of public housing fund (住房公積金), perfecting the security of the residential loan and strengthening the supervision of real estate loans. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

On August 30, 2004, the CBRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to the guideline, no loans shall be granted in relation to projects which have not obtained requisite land use rights certificates, construction land planning permit, construction works planning permit and work commencement permit. The guideline also stipulated that not less than 35% of the investment in a property development project must be derived from the real estate developer's own capital for the project in order for banks to extend loans to the real estate developer. In addition, the guideline noted that commercial banks should set up strict approval systems on granting loans.

On March 16, 2005, the PBOC promulgated a Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks (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) which cancelled the preferential mortgage lending interest rate for individuals and restricted on the minimum mortgage loan rate to 0.9 times the benchmark rate. The PBOC also increased the public housing fund loan rate (住房公積金貸款利率) by 0.18% and permitted commercial banks to decrease the mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where property prices are increasing too rapidly.

On April 27, 2006, the PBOC promulgated a Notice on Adjusted the RMB Loan Interest Rates of Financial Institutions (關於調整金融機構人民幣貸款利率的通知). The notice provides that, from April 28, 2006, the benchmark rates of loan interest of financial institutions will be increased. The annual loan interest rate was increased from 5.58% to 5.85% and the public housing fund loan rate was increased by 0.18%.

On May 31, 2006, the PBOC promulgated a Notice about Relevant Matters on Adjusted Housing Credit Policies (關於調整住房信貸政策有關事宜的通知). The notice provides that, from June 1, 2006, the first instalment payment for an individual house bought through a mortgage loan must not be lower than 30% of the purchase price. However, for houses purchased for self-residential purposes and with a GFA of less than 90 sq.m., the 20% first instalment payment regulation still applies.

On July 22, 2006, the CBRC promulgated a Notice on Further Strengthening the Administration of Real Estate Credit (關於進一步加強房地產信貸管理的通知). The notice provides for the following: (i) improving the credit risk classification system for all classes of real estate loans; (ii) prohibiting the provision of loans to disqualified real estate developers whose own capital is less than 35% of the total capital required for the projects (not including affordable housing), or who have not obtained the "four certificates", etc.; (iii) setting the loan term appropriately, and not allowing the provision of real estate development loans in the name of working capital loans; (iv) strictly restricting new loans for those developers who hoard land or housing and disturb the market order; (v) preventing developers from obtaining loans by splitting up projects or by developing project on a rolling basis; and (vi) enhancing management after the provision of loans. All financial institutions shall provide loans strictly in accordance with the real estate project progress and strengthen overall supervision of the whole process of loan utilisation by the developers.

On May 25, 2009, the State Council issued a Notice on Adjusting the Capital Ratio of 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). The Notice provides that the minimum capital requirement for the low- to medium-cost and small- to medium-sized units and ordinary commodity apartments are 20%, and the minimum capital requirement for other real estate development projects in 30%.

On August 18, 2006, the PBOC promulgated a Notice on Adjusting the RMB Benchmark Deposit and Loan Interest Rates of Financial Institutions (關於調整金融機構人民幣存貸款基準利率的通知). The notice provides that, from August 19, 2006, the annual deposit interest rate will be increased from 2.25% to 2.52% and the annual benchmark loan interest rate will be increased from 5.85% to 6.12%. The notice also increases the minimum rate of the commercial housing loan interest to 0.85 times the benchmark loan interest rate while the minimum rate for other commercial loan interest still remains the same, at 0.9 times the benchmark loan interest rate.

On March 17, 2007, the PBOC promulgated the Notice on Adjusting the RMB Benchmark Deposit and Loan Interest Rates of Financial Institutions (關於調整金融機構人民幣存貸款基準利率的通知). The notice provides that, from March 18, 2007, the annual deposit interest rate will be increased from 2.52% to 2.79%, annual benchmark loan interest rate will be increased from 6.12% to 6.39% and other deposit and benchmark loan rates shall be adjusted correspondingly.

On March 17, 2007, the Ministry of Construction promulgated the Notice on Adjusting the Public Housing Fund Deposit and Loan Rate (關於調整個人住房公積金存貸款利率的通知). The notice provides that, from March 18, 2007, both the public housing fund loan rate of five years or more shall be increased by 0.18%. The rate less than five years (including five years) shall be adjusted from 4.14% to 4.32% and the rate of five years or more shall be adjusted from 4.59% to 4.77%.

On May 18, 2007, the PBOC promulgated the Notice on Adjusting the RMB Benchmark Deposit and Loan Interest Rates of Financial Institutions (關於調整金融機構人民幣存貸款基準利率的通知). The notice provides that from May 19, 2007, the annual deposit interest rate will be increased from 2.79% to 3.06%, annual benchmark loan interest rate will be increased from 6.39% to 6.57% and other deposit and benchmark loan rates shall be adjusted correspondingly.

On May 18, 2007, the Ministry of Construction promulgated the Notice on Adjusting the Public Housing Fund Deposit and Loan Rate (關於調整個人住房公積金存貸款利率的通知). The notice provides that, from May 19, 2007, both the public housing fund loan rate of 5 years or more and less than 5 years (including the fifth year) shall be increased by 0.09%.

On July 21, 2007, the PBOC raised the benchmark interest rates by 0.27% to 3.33% for one-year Renminbi savings and by 0.27% to 6.84% for one-year Renminbi loans with effect from July 22, 2007.

On August 21, 2007, the PBOC raised the benchmark interest rates by 0.27% to 3.60% for one-year Renminbi savings and by 0.18% to 7.02% for one-year Renminbi loans with effect from August 22, 2007.

On September 27, 2007, PBOC and CBRC promulgated a “Circular on Strengthening the Management of Commercial Real-estate Credit Loans” (關於加強商業性房地產信貸管理的通知), which increases the down payment requirement applicable to a purchaser acquiring his second residential property to at least 40% and the interests payable on these loans must not be less than 110% of the benchmark interest rate of the same kind and same term by PBOC. Under this circular, the PRC authority has tightened control over commercial banks’ loans to property developers in order to prevent these banks from excessive credit granting. The circular emphasizes that commercial banks must not offer loans to property developers who have been verified by state land and resource and construction authorities to hoard land and buildings. Commercial banks are also prohibited from accepting commercial properties that have been vacant for more than three years as guaranties for loans. Under the complementary 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補充通知), if a member of a family (including the purchaser, his/her spouse and their children under 18) has borrowed loans from banks to buy a house, any member of the family that buys another house will be regarded as a second-time home buyer.

On October 22, 2008, the State Council, the Ministry of Finance, and the State Administration of Taxation jointly announced the decision to reduce the tax expenses of housing transactions. The Ministry of Finance and the State Administration of Taxation provided that effective November 1, 2008, the deed tax were temporarily reduced to 1% for individuals who purchase the ordinary residence with less than 90 sq.m. floor areas for the first time, and temporarily exempt stamp duty and land appreciation tax for purchase or sales of housing by individuals, as applicable.

On October 22, 2008, the PBOC announced that effective from October 27, 2008, for an individual who purchases a principal residence with a total GFA less than 90 sq.m., the minimum interest mortgage loan interest rate was reduced to 70% of the PBOC benchmark lending interest rate and the minimum down payment requirement was reduced to 20% of the underlying purchase price. In addition, the PBOC reduced the interest rate for housing provident loans with a term up to five years to 4.05% and loans with a term over five years to 4.59%.

The PBOC also reduced the benchmark one-year lending rate five times to 5.31% from September 2008 to December 2008. In addition, the PBOC reduced the commercial bank reserve ratio by 1% from September 25, 2008, another 0.5% from October 15, 2008 and another 0.5% from December 25, 2008 to 14.5%.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知). The Notice, among other things, provides that:

- To the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%, the loan rates should be strictly depended on the risks.
- Financial institutions are restricted from offering real estate development loans to a property development project or a property developer which is not in compliance with credit loan regulations or policies.

On December 31, 2009, the China Banking Association promulgated the Self-discipline Consensus of regulating well doing the individual real estate mortgage loan business and maintaining the market order (關於規範做好個人房地產按揭貸款業務維護市場秩序的自律共識). The consensus promulgated that all member banks shall strengthen self-discipline when executing the individual real estate mortgage loan business. From January 1, 2010, All member banks shall stop paying the commission which is unmatched to the service and is purely for the business introduction in all kinds of ways to the housing loan intermediaries and their employees.

The PBOC decided to raise the RMB deposit reserve ratio of the deposit financial institutions (存款類金融機構) by 0.5% as at January 18, 2010 to 16%. The adjustment of the deposit reserve ratio is only effective to the large-scale financial institutions.

The PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 16.5% on February 25, 2010. The deposit reserve ratio of small-scale financial institutions (such as rural credit cooperatives) was not changed. The PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 17% on May 2, 2010. The deposit reserve ratio of small-scale financial institutions (such as rural credit cooperatives) was not changed.

The PBOC raised the benchmark one-year deposit and lending rate by 0.25% on October 20, 2010.

The PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 17.5% on November 10, 2010. The deposit reserve ratio of small-scale financial institutions was raised to 14%.

The PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 18% on November 29, 2010. The deposit reserve ratio of small-scale financial institutions was raised to 14.5%.

On December 20, 2010, the PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 18.5% and the deposit reserve ratio of small-scale financial institutions was raised to 15%.

On December 26, 2010, the PBOC raised the benchmark one-year deposit and leading rates by 0.25%.

On January 20, 2011, the PBOC raised the RMB deposit reserve ratio of deposit financial institutions (存款類金融機構) by 0.5% to 19%. The deposit reserve ratio of small-scale financial institutions was raised to 15.5%.

From February 9, 2011, the PBOC raised the benchmark one-year RMB deposit and lending interest rate of financial institutions by 0.25% to 3% and 6.06%, respectively.

On February 9, 2011, the Ministry of Construction promulgated the Notice on Adjusting the Notice on Adjusting the Housing Provident Fund Deposit Rate (《關於調整住房公積金存款利率的通知》), which specified that, amongst other things,

- (i) the housing provident fund deposit rate for funds accumulated during the year shall be increased from 0.36% to 0.40%, and the rate for funds accumulated during the previous year was increased from 2.25% to 2.60%; and

- (ii) the housing provident fund lending rate for loans of a term of over five years shall be increased from 4.30% to 4.50%, and the rate for loans of a term of five years or below was increased from 3.75% to 4.00%.

On February 24, 2011, the PBOC raised the RMB deposit reserve ratio of deposit financial institutions by 0.5% to 19.5%.

LOCAL LEGISLATION

While the Urban Land Regulations set out a general framework for transactions relating to land use rights, Guangdong Municipal legislation regulates specific transactions within specified areas relating to the grant and transfer of land use rights. These local regulations are numerous. Some of them are inconsistent with national legislation. The central authorities have taken the position that if there are inconsistencies, the national legislation will prevail.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the Options on Regulating the Entry and Administration of Foreign Investment into 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 document”). The 171 document provides that: (i) foreign organisations and individuals who have established FIEs are allowed to invest and purchase non-self-resided real estate in China; branches of foreign organisations established in China and foreign individuals who work or study in China for over a year are eligible to purchase commercial houses which match their real needs for self-utilisation or self-residence under their real names; (ii) the registered capital of foreign-invested real estate corporations with total investments of more than US\$10.0 million shall be no less than 50% of its total investment; (iii) foreign-invested real estate corporations can apply for the FIE approval certificate (外商投資企業批准證書) and business licence (營業執照) only after they have paid back all the land premium and obtained the State-owned land use rights certificate; (iv) foreign investors shall pay off all the transfer price in a lump sum with their own funds if they acquire Chinese domestic real estate corporations; (v) no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not contributed their registered capital in full, or have not obtained the State-owned land use right certificate, or their capital for a development project is less than 35% of the total investment; and (vi) by no means can Chinese or foreign investors make any commitment in any documents to guarantee a fixed return or fixed revenue in disguised form for any party in the contract.

On December 28, 2006, the State Administration of Taxation issued a Notice on Issues Relevant to the Administration of Settlement of Land Appreciation Tax of Real Estate Development 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), implemented on February 1, 2007. The notice provides that the settlement of LAT shall be implemented in units for a real estate development project. For projects developed by stages, the settlement shall be implemented in units for each stage of the project. If a project contains both ordinary residences and non-ordinary residences, the appreciated value shall be calculated respectively. In accordance with the notice, a taxpayer shall settle LAT when he satisfies one of the following conditions: (i) the real estate development project has been totally completed and sold; or (ii) the real estate development project, which is uncompleted and has not proceeded with final accounts, is entirely transferred; or (iii) the land use right is directly transferred. The tax office in charge may request the taxpayer to proceed with settlement of LAT under one of the

following conditions: (i) as to a completed real estate development project checked and accepted by the relevant department, the floor area of the transferred real estate accounts for over 85% of saleable floor area has been rented or used by the developer himself; or (ii) the project is not sold within three years from the date of obtaining the sale (pre-sale) permit; or (iii) the taxpayer has applied to cancel LAT registration but has not dealt with the LAT settlement procedures; or (iv) other conditions stipulated by the provincial tax office.

EMPLOYMENT

The Employment Contract Law of the People's Republic of China (中華人民共和國勞動合同法) was implemented on January 1, 2008. This law sets out specific provisions in relation to the execution, contents and term of employment contracts and the rights and obligations of employees and employers. This law provides, among others, that at the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, place of work, occupational hazards, production safety conditions, work compensation and other matters which the employee may request to be informed about. Further, at the time of termination of an employment contract, an employer needs to issue to the employee a proof of termination of the employment contract and carry out the procedures for the transfer of the employee's file and social insurance account within 15 days. An employer needs to archive all terminated employment contracts for not less than two years. The implementation of this law provides protection for both employees and employers. Our Company shall comply with this law.

The Employment Promotion Law of the Peoples' Republic of China (中華人民共和國就業促進法) has been in place since January 1, 2008. This law mainly regulates the employment systems such as employment supporting services and human resource market. We intend to provide fair employment opportunities to potential employees in accordance with all applicable employment laws. This law sets out specific provisions in relation to the hiring practices of employers to ensure the existence of an equal opportunity environment for all candidates. This law provides that employers cannot apply different hiring criteria to men and women, refuse employment solely on the basis of gender, background or any disability. Further, an employer cannot contractually restrict female employees from marrying or bearing children.