

**APPENDIX V**

**SUMMARY OF PRINCIPAL PRC  
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**REGULATORY OVERVIEW**

Set out below is a summary of certain aspects of the PRC legal and regulatory provisions relating to the Target Group’s operations and business, including but not limited to, laws and regulations relating to land, real estate development, real estate management, environmental protection, taxation, foreign exchange control and civil air defence construction.

**REGULATIONS GOVERNING PROPERTY DEVELOPMENT ENTERPRISES IN THE PRC**

**I. Foreign Investment in PRC Real Estate Market**

The Chinese-Foreign Equity Joint Venture Law of the PRC 《中華人民共和國中外合資經營企業法》 (“**Equity Joint Venture Law**”) was promulgated by the National People’s Congress (“**NPC**”) on 1 July 1979, became effective from 8 July 1979, and subsequently amended on 4 April 1990 and 15 March 2001. Pursuant to the Equity Joint Venture Law, the Chinese government protects foreign investors’ investments, profits distributed to them and other lawful rights and interest in the equity joint venture under the contracts, agreements and articles of association approved by Chinese government. The equity joint venture agreement, contract and articles of associations entered into by the parties to the equity joint venture, shall be reviewed and approved by foreign economic relations and trade authorities. The capital contribution from foreign investors shall not be less than 25% of the registered capital of the equity joint venture. The parties to the equity joint venture shall share the profit and undertake the risk and loss pro ratio to their capital contribution. After payment of joint venture income tax on the gross profit pursuant to PRC tax law and deducting from the gross profit the reserve fund, bonus and welfare fund for employees and expansion funds prescribed in the articles of associations, the net profit could be distributed to the parties to the equity joint venture pro rata to their capital contribution.

The Company Law of the PRC 《中華人民共和國公司法》 (“**Company Law**”) is promulgated by the Standing Committee of NPC (“**SCNPC**”) on 29 December 1993 and became effective from 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The Company Law has specific provisions as to the incorporation and organizations of limited liability company and joint stock limited company, special requirements for the organizations of the listing company, issuance and transfer of shares of joint stock limited company, the qualification and obligations of the company’s directors, supervisors and senior managements, the debentures, the accounts of the company, the companies’ merger and split, increase or decrease of the company’s capital, winding-up and dissolution of the company, branches of foreign companies and the liabilities for violation of such provisions. The Company Law also stipulates that the provisions therein are applicable to foreign-invested companies, unless the law on foreign investment has stipulated otherwise.

Pursuant to the Regulations on Guiding the Orientation of Foreign Investment 《指導外商投資方向規定》 promulgated by the State Council on 11 February 2002 and effective from 1 April 2002, the industries are classified into four categories, including encouraged foreign-invested industries, restricted foreign-invested industries, prohibited foreign-invested industries

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and permitted foreign-invested industries, the first three of which are set forth in the Guidance Catalogue of Industries for the Foreign Investment 《外商投資產業指導目錄》 (“**Guidance Catalogue**”). The industries which are not set forth in the Guidance Catalogue belong to permitted foreign-invested industries. The Guidance Catalogue is the guideline on the application of relevant policies as to review and approval of foreign-invested projects and foreign-invested enterprises.

According to the Provisions on Administration of Approving and Filing Foreign-Invested Projects 《外商投資項目核准和備案管理辦法》 promulgated by the National Development and Reform Commission (“**NDRC**”) on 17 May 2014, implemented on 17 June 2014 and amended on 27 December 2014, (i) the encouraged foreign-invested projects with a total investment amount not less than USD300 million and requested to be controlled by Chinese investors in the Guidance Catalogue, and the restricted foreign-invested projects (excluding real estate projects) with a total investment not less than USD50 million shall be approved by NDRC; (ii) the real estate projects within the scope of restricted foreign-invested projects and other restricted foreign-invested projects with a total investment less than USD50 million shall be approved by the provincial government; (iii) the encouraged foreign-invested projects with a total investment less than USD300 million and requested to be controlled by Chinese investors in the Guidance Catalogue, shall be approved by the local government; and (iv) the other foreign-invested projects that do not fall within the scope of (i), (ii) or (iii) shall be filed with the local investment authority.

Pursuant to the latest version of the Guidance Catalogue promulgated jointly by NDRC and MOFCOM on 10 March 2015 and to be effective from 10 April 2015, construction of golf course and villas belong to a prohibited foreign-invested industry while other real estate projects belong to permitted foreign-invested projects.

On 11 July 2006, the Ministry of Construction, MOFCOM, NDRC, the People’s Bank of China (“**PBOC**”), the State Administration for Industry and Commerce (“**SAIC**”) and SAFE jointly promulgated and implemented the Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market 《關於規範房地產市場外資准入和管理的意見》 (“**No. 171 Opinions**”). The No. 171 Opinions stipulate that, (i) the establishment of foreign-invested real estate enterprises shall obtain licenses by following the procedures set forth therein; (ii) the registered capital of the foreign-invested real estate enterprises with a total investment not less than USD 10 million, shall account for not less than 50% of such total investment; and (iii) the registered capital of the foreign-invested real estate enterprises with a total investment less than USD 10 million shall comply with current rules. According to the Interim Regulations on Proportion of Registered Capital to Total Investment of Chinese-Foreign Equity Joint Venture 《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》, the registered capital of a foreign-invested real estate enterprise shall not be less than 50% of its total investment if its total investment is more than USD3 million but less than USD10 million, while the registered capital of a foreign-invested real estate enterprise with a total investment within USD3 million, shall not be less than 70% of its total investment. No. 171 Opinions also set forth the specifications on transfer of equity in foreign-invested real

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estate enterprises and transfer of interest in real estate projects held by foreign-invested real estate enterprises and on processes relating to the acquisition of domestic real estate enterprises by foreign investors.

The Notice on Implementation of Opinions on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market 《關於貫徹落實〈關於規範房地產市場外資准入和管理的意見〉的通知》 promulgated by the General Office of MOFCOM on 14 August 2006, defines foreign-invested real estate enterprise as the foreign-invested enterprise engaged in the construction and operation of ordinary residence, apartments, houses, hotels (including restaurants), holiday villages, exhibit centers, commercial facilities, theme parks or developing lands or land lots for the construction projects aforementioned.

On 1 September 2006, SAFE and the Ministry of Construction jointly promulgated Regulations on the Administration of Foreign Exchanges in Real Estate Market 《關於規範房地產市場外匯管理有關問題的通知》, pursuant to which, the foreign-invested real estate enterprise shall not borrow any foreign debt, or the foreign exchange authorities shall not accept the registration of its foreign debts or approve its settlement of foreign exchanges relating to foreign debts, in the event that its registered capital has not been fully paid-up, or it has not obtained the Certificate of Using State-owned Lands (**land use right certificate**), or the capital invested in a development project is less than 35% of the total investment of such project. The foreign exchange authorities shall not accept the registration of the foreign debts in the event that (i) the foreign entity or individual fails to pay the transfer price in a lump sum with its/his own funds where it or he merges a domestic real estate enterprise by acquiring its equity interest or by other means, or where it or he purchases the domestic parties' equity interest in a Chinese-Foreign joint venture, or (ii) there are provisions guaranteeing either party directly or indirectly a fixed return in the contracts, articles of associations, equity transfer agreements or other documents entered into by and between the Chinese and Foreign investors. Funds within foreign currency accounts dedicated to foreign investors and opened by foreign organizations and individuals with domestic banks within the PRC may not be used for real estate development and operations. The notice also provides for the formalities relating to the establishment of branches and representative offices within the PRC by foreign institutions as well as the foreign exchange operating procedures relating to the sale and purchase of commodity property within the PRC by foreign individuals, Hong Kong, Macao and Taiwan residents and overseas Chinese.

As requested in the Notice on Strengthening and Regulating Approval of and Supervision on Direct Foreign Investment in Real Estate Market 《關於進一步加強、規範外商直接投資房地產業審批和監管的通知》 jointly issued by MOFCOM and SAFE on 23 May 2007, (i) the MOFCOM local administrative authorities shall strengthen the approval of and supervision on foreign-invested real estate enterprises, restrict the foreign investment in upscale real estate, and the acquisition of or investment in domestic real estate enterprises by means of round-trip investment (including the same effective controller) is strictly prohibited. Foreign investors may not circumvent the approval of foreign-invested real estate by way of changing the effective controller of domestic real estate enterprises. Upon any discovery of the establishment of foreign-invested real estate enterprise by illegal means such as deliberate avoidance and misrepresentation, the foreign exchange control authorities will hold the foreign investors liable

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for the escape and cheat of foreign exchange through unauthorized remittance of capital and gains arising therefrom out of the PRC; (ii) the foreign investor who is engaged in development or operation of real estate in the PRC shall comply with the project-company principle, shall apply for the incorporation of a foreign-invested real estate enterprise, and shall carry out its business within the authorized business scope. Sino-foreign investment parties to the foreign-invested real estate enterprises may not enter into any form of guarantee terms on fixed return or disguised fixed returns for any of the parties; (iii) the foreign-invested real estate enterprise approved by local authorities shall be filed with MOFCOM; and (iv) foreign exchange authorities and the designated foreign exchange bank shall not handle the foreign exchanges settlements and sales for the foreign-invested real estate enterprises which are not registered with MOFCOM or fail in the joint annual inspection on foreign-invested enterprises. Any irregularities in the examination and approval of foreign-invested real estate enterprises by local approval authorities will be investigated and rectified by MOFCOM. Foreign exchange registration procedures for irregularly established foreign-invested real estate enterprises will not be handled by the foreign exchange control authorities.

The Notices on Completing the Filing of Foreign Investment in Real Estate Industry 《關於做好外商投資房地產業備案工作的通知》 promulgated by MOFCOM on 18 June 2008 and implemented on 1 July 2008, stipulates the procedures as to the filing of foreign-invested real estate enterprises. According to such procedures, MOFCOM administrative authorities at provincial level shall verify the filing documents of foreign-invested real estate enterprise and MOFCOM shall conduct the filing. The MOFCOM will conduct random checks on foreign-invested real estate enterprises in conjunction with the relevant departments of the State Council. For foreign-invested real estate enterprises with non-compliance with the existing regulations, upon verification, their foreign exchange registration and foreign investment statistics will be cancelled by the foreign exchange administration department upon notice served by MOFCOM.

On 22 November 2010, MOFCOM issued and implemented the Notice on Strengthening Management over the Approval and Filing of Foreign-invested Real Estate Enterprises 《關於加強外商投資房地產業審批備案管理的通知》, whereby, it is required that the local commercial authorities should duly strengthen the review of real estate projects involving foreign exchange inflows. On checking archival data, the focus should be placed on the review of the integrity of land files. For the grant of lands without the requirement of public tender, auction and listing-for-sale, proof of evidence issued by the land administrative authorities and in compliance with the provisions of land management of the country should be provided. The local competent authorities will, in collaboration with the relevant local authorities, curb speculative investment by stepping up the supervision over cross-border investment and financing activities as well as the mitigation and prevention of risk exposures in the real estate market. Real estate enterprises established in the PRC with foreign capital may not realize their profits through sale and purchase of the real estate properties built/under construction within the PRC. The local commercial authorities should conduct examination and approval in strict compliance with the provisions relating to the setting up of the investment vehicles with foreign investment. No approval shall be granted for investment companies engaged in real estate development and operation. Working with relevant departments such as the foreign

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exchange bureau, the local commercial authorities will carry out serious screening and rigorous examination on real estate enterprises which are involved in round-trip investment, with strict control over the setting up of real estate enterprises by way of round-trip investment.

The Notice on Adjusting Policies on Admittance and Administration of Foreign Investment in Real Estate Market (《關於調整房地產市場外資准入和管理有關政策的通知》) was jointly promulgated and implemented by Ministry of Housing and Urban-Rural Development (“**MOHURD**”) and other five departments on 19 August 2015, which stipulates, (i) the proportion of registered capital to total investment of the foreign-invested real estate enterprise shall abide by the Interim Regulations on Proportion of Registered Capital to Total Investment of Chinese-Foreign Equity Joint Venture (《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》) promulgated by the State Administration for Industry & Commerce; (ii) revocation of the requirement that the registered capital must be fully injected before the foreign-invested real estate enterprise applies for domestic loan and external loan and settlement for foreign exchange loan; (iii) the branch and representative offices set up by foreign institutes (excluding the real estate enterprises) and the foreign individuals working and studying in the PRC may purchase necessary real estate property for self-use; and (iv) the foreign-invested real estate enterprises may conduct foreign exchange registration directly at banks.

## **II. Development of Real Estate**

### *1. Real Estate Development Enterprises*

The Urban Real Estate Administration Law of PRC 《中華人民共和國城市房地產管理法》 (“**Real Estate Administration Law**”) was promulgated by SCNPC on 5 July 1994, came into effect from 1 January 1995, and amended on 30 August 2007. Pursuant to the Real Estate Administration Law, the real estate development enterprise (or real estate developer) is an enterprise engaged in the development and operation of real estate for the purpose of making profit. A real estate development enterprise upon its establishment shall (i) have its own name and organizations; (ii) have fixed business place; (iii) have registered capital stipulated by State Council; (iv) have employed enough professional technicians; and (v) satisfied other requirements stipulated by laws and regulations. The real estate development enterprise shall be registered, within one month after obtaining its business license, with the authority designated by the government above county level in the place where it is incorporated.

The Administration of Urban Real Estate Development Ordinance 《城市房地產開發經營管理條例》 (“**Administration Ordinance**”) was promulgated by State Council on 20 July 1998, and subsequently amended on 1 November 2002, 19 May 2004 and 8 January 2011. According to the Administration Ordinance, a real estate development enterprise shall also satisfy the following requirements in addition to other requirements stipulated by laws and regulations: (i) its registered capital shall be more than RMB1 million; (ii) it shall employ four or more qualified full-time technicians in real estate and construction project; and (iii) it shall employ two or more full-time certified accountants. Local governments at the level of provinces, autonomous regions and municipalities may

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formulate the provisions on the registered capital and the requirement of professional and technical personnel for real estate development enterprises at a standard higher than those aforementioned according to the actual situation of the region. The real estate authorities would approve and grant qualifications in different classes to the real estate developers according to their assets, quantity of professional technicians and business performance in real estate development.

In accordance with the Regulation on Administration of Qualification of Real Estate Development Enterprise 《房地產開發企業資質管理規定》 (“**Qualification Regulation**”) promulgated by the Ministry of Construction on 29 March 2000, real estate development enterprises shall apply for qualification certificate and shall not be engaged in real estate development business without qualification certificate. Pursuant to the Qualification Regulation, the qualifications of real estate developers can be classified into four classes, namely, Class I Qualification, Class II Qualification, Class III Qualification and Class IV Qualification. The Class I Qualification is subject to preliminary approval of construction authorities of local governments at the level of provinces, autonomous regions and municipalities and final approval of construction authorities of State Council, while qualification in other three classes are regulated and granted according to the measures prescribed by local governments at the level of provinces, autonomous regions and municipalities. The Real Estate Developer with Class I Qualification is entitled to undertake nation-wide real estate project without restriction. The real estate developer with Class II qualification or lower qualifications is entitled to undertake real estate projects the total GFA of which is less than 250,000 sq.m. The specific business scope for the real estate developer with Class II or lower qualification shall be determined by construction authorities at provincial level. The real estate developer is only entitled to be engaged in development and operation of real estate within the approved business scope and shall not be engaged in the business beyond such scope. The real estate enterprise newly established shall be registered with the real estate authority within 30 days after incorporation, and real estate authority shall issue a provisional qualification certificate within 30 days after receipt of the registration application if such enterprise is eligible. The provisional qualification certificate will be valid for one year from issuance and can be extended for not more than another two years subject to the approval of real estate authorities. The real estate developer shall apply to the real estate authority for qualification within one month prior to the expiration of its provisional qualification certificate. The qualification certificate of a real estate developer is subject to annual inspection. The annual qualification inspection for real estate development enterprises with Class I Qualification shall be carried out by the construction administration department of the State Council or its authorized body. The methods on the annual qualification inspection for real estate development enterprises with Class II Qualification or below shall be framed by people’s governments at the level of provinces, autonomous regions and municipalities. The failure of the participation in the annual qualification inspection by real estate development enterprises without justifiable reasons shall be deemed as unqualified results of inspection, upon which, qualification certificate shall be cancelled by the original examination and approval authorities.

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According to Fujian Implementation Rules of Qualification Regulation 《福建省〈房地產開發企業資質管理規定〉實施細則》 promulgated by Bureau of Construction of Fujian Province on 28 December 2005, (i) the real estate developer with Class I Qualification is eligible to undertake any real estate project in Fujian Province without restriction; (ii) the real estate developer with Class II Qualification can only develop real estate projects in Fujian Province with total GFA less than 250,000 sq.m.; (iii) the real estate developer with Class III Qualification can only develop real estate projects in Fujian Province with total GFA of 200,000 sq.m. or below; (iv) the real estate developers with Class IV Qualification can only develop real estate projects in Fujian Province with total GFA of 100,000 sq.m. or below. In addition, the real estate developer which has a provisional qualification certificate and a registered capital over RMB8 million, and the quantity of whose professional technicians satisfies the requirement for a Class III developer can undertake the real estate projects as a developer with Class III Qualification. The real estate developer with a provisional qualification certificate, whose registered capital is less than RMB8 million but over RMB2 million, can undertake real estate projects as a developer with Class IV Qualification. The period for annual inspection on the qualification of real estate developers is from March to June of each year.

In accordance with Yangzhou Measures on Administration of Real Estate Development 《揚州市區房地產開發經營管理辦法》 promulgated by Yangzhou Government on 17 July 2004, (i) the real estate developer with Class I Qualification can undertake nation-wide real estate projects without any limitation; (ii) the real estate developer with Class II Qualification can undertake real estate projects within Jiangsu Province and with total GFA of less than 250,000 sq.m and without any limitation to the floors; (iii) the real estate developer with Class III Qualification can undertake real estate projects not exceeding 16 floors with total GFA of less than 150,000 sq.m within Yangzhou; (iv) the real estate developer with Class IV Qualification can undertake real estate projects not exceeding 7 floors with total GFA of less than 50,000 sq.m. in the towns outside the urban area of Yangzhou. Real estate developers shall submit documents for annual inspection on their qualification to the real estate authority before 20 January of each year, and the real estate authority would publish the result of annual inspection before 30 April of each year.

*2. Land for Real Estate Development*

The Land Administration Law of the PRC 《中華人民共和國土地管理法》 (“**Land Law**”) was promulgated by SCNPC on 25 June 1986, became effective from 1 January 1987, and was subsequently amended on 29 December 1988, 29 August 1998 and 28 August 2004. Pursuant to the Land Law, the land in urban areas is state-owned. Except as otherwise stipulated by law, the constructing entities that need to use the state-owned land, shall acquire the land use rights by paying a consideration, such as by paying the premium for the land use right granted. Prior to using the land, the constructing entities acquiring the land use rights subject to the payment of consideration, shall pay the consideration for land use (such as land premium) and other fees in compliance with the standards and measures prescribed by the State Council.

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The Interim Ordinance on Grant and Transfer of State-owned Land Use Right of PRC 《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》 (“**Grant and Transfer of Land Use Right Ordinance**”) was promulgated by the State Council on 19 May 1990. According to the Grand and Transfer of Land Use Right Ordinance, the State adopts a state-owned land use right transfer and grant system applicable to the State-owned lands in cities and towns on the basis of the principle of the separation of ownership and land use rights, the land use right can be granted by way of agreement, public tender and auction. The grant of land use rights shall be subject to the execution of contracts. After paying the land premium, the land user shall register the land use right as requested under relevant regulations and obtaining the land use right certificate. Land use rights of land users may be transferred, leased, pledged or used for other economic activities within the terms of land use rights. The maximum term of land use rights, ascertained in accordance with the usage of land, is (i) 70 years for the land used for residence; (ii) 40 years for the land used for commerce, tourism and entertainment; (iii) 50 years for industrial use; (iv) 50 years for the land used for education, technology, culture, public health and sports; or (v) 50 years for the land for comprehensive use or other purposes. The State shall not withdraw the land use right prior to the expiration of the aforesaid terms. If the State shall withdraw the land use right in advance for public interest under special circumstances, it shall pay compensation for such withdrawal. Upon the expiration of the land use right, the user of the land may apply for renewal. The renewal is subject to formation of a new contract, payment of land premium and registration.

The Regulation on Grant of State-owned Construction Land Use Right by Public Tender, Auction and Listing-for-sale 《招標拍賣挂牌出讓國有建設用地使用權規定》 promulgated by the Ministry of Land and Resources (“**MLR**”) on 9 May 2002 and implemented on 1 July 2002 and amended on 21 September 2007, provides that the land use right over the lands used for industry, commerce, tourism, entertainment and commodity residence and for same parcels of land with two intentional land users or more shall be granted by the way of public tender, auction or listing-for-sale. It further specifies the procedures for such public tender, auction and listing-for-sale.

The Regulations on Grant of State-owned Land Use Rights by Agreements 《協議出讓國有土地使用權規定》 were issued by the MLR on 11 June 2003 and were in effect on 1 August 2003. According to the regulations, the grant of state-owned land use rights refers to the grant of state-owned land use rights to land users by the State within a certain term of years by way of agreement, and the payment of land premium to the State by land users. The grant of state-owned land use rights shall be conducted by way of agreement, otherwise by way of public tender, auction or listing-for-sale in accordance with laws, rules and regulations. The grant of state-owned land use rights by way of agreement shall be based on open, fair, impartial and good faith principles. The land premium for the grant of state-owned land use rights by way of agreement shall not less than the lowest one as determined by the State.



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The Regulations on Disposal of Idle Land 《閒置土地處置辦法》 (“**Idle Land Regulation**”) was promulgated by the MLR on 26 April 1999, and amended on 22 May 2012. According to Idle Land Regulation, the land being developed and constructed and is state-owned construction land shall be deemed as idle land under the following circumstances (i) the land had not been developed or constructed for one year from the commencement date for construction stipulated in the land grant contract or land allocation warrant; (ii) the area developed or constructed is less than one-third of the total area of the land, or the amount invested is less than 25% of the total amount supposed to be invested in the land, and the suspension of development and construction continues for one year. If the idle land is caused by governmental actions or force majeure, the land and resources administrative authorities at the city or county level shall negotiate with the land user on the measures for disposal of such idle land, which include (i) extending the period for development and construction but the extended period shall not be more than one year, (ii) adjusting the usage of or zoning requirements for the land, (iii) being arranged for temporary use by the government, (iv) being resumed with compensation by agreement, (v) exchanging for other land and other disposal measures. If the idle land is not caused by governmental actions or force majeure, the land and resources authorities at the city or county level, subject to the approval from the government at the same level, is entitled to impose idle land fee equivalent to 20% of the land premium. The idle land fee shall not be added into the cost of developing the land. If the idle land is not developed or constructed for two years, it shall be forfeited without compensation by the land and resources authorities at the city or country level, subject to the approval from the government with authority.

The State Council promulgated the Notice on Economical and Intensive Use of Land 《關於促進節約集約用地的通知》 on 3 January 2008, to emphasize the strict enforcement of regulations on idle lands. The land being idle for two years shall be forfeited according to laws and regulations in order to be rearranged for other use. The idle land which cannot fulfill the statutory conditions for forfeiture shall be handled timely and fully used by way of adjusting the usage, exchanging other land of same value, arranging temporary usage or incorporating into government reserve. For the land being idle for more than one year but less than two years, an idle land fee amounting to 20% of the land premium shall be imposed on the land user.

*3. Planning of Real Estate Development Project*

According to the Urban and Rural Planning Law of the PRC 《中華人民共和國城鄉規劃法》 promulgated by SCNPC on 28 October 2007 and effective from 1 January 2008, for construction project on land to be granted, the constructing entity or individual shall apply to the competent authority for the construction land planning permit after execution of the land use rights grant contract. In addition, the entity or individual constructing projects in the area planned to be cities or towns, shall apply to the competent authority for construction work planning permit. The approval of granting land use rights to the constructing entity without obtaining construction work planning permit should be

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revoked by the local governments at county-above level. The land under occupation should be promptly returned. Should such occupation result in any losses to the relevant parties, compensation should be made according to law.

Pursuant to the Administrative Measures on Planning of Grant and Transfer of State-owned Land Use Right 《城市國有土地使用權出讓轉讓規劃管理辦法》 promulgated by Ministry of Construction on 6 November 1992 and implemented on 1 January 1993, the transferee of the state-owned land use right could apply for the Land Use Certificate on the condition of obtaining the construction land planning permit.

*4. Construction of Real Estate Development Project*

The Construction Law of the PRC 《中華人民共和國建築法》 (“**Construction Law**”) was promulgated by SCNPC on 1 November 1997, effective from 1 March 1998 and amended on 22 April 2011. The Construction Law contains provisions as to construction permit, contracting of construction projects, supervision on construction projects, safety management on construction and the quality of construction. According to the Construction Law, the constructing entity or individual shall apply for construction work commencement permit prior to the commencement of the construction.

According to the Tender and Bidding Law of the PRC 《中華人民共和國招標投標法》 (“**Tender and Bidding Law**”) promulgated by SCNPC on 30 August 1999 and effective from 1 January 2000, the survey, design, construction, supervision and purchase of substantial equipment and materials relating to a construction project in the PRC falling into the following scope shall be conducted by way of tender and bidding: (i) the project of constructing large-scale infrastructure and public utilities for public interest and security; (ii) the projects fully or partly funded from national funds or through national financing; or (iii) projects using loans or financial assistance from international organizations or foreign governments.

According to the Standards on Scope and Scale of Construction Projects Subject to Tender 《工程建設項目招標範圍和規模標準規定》 issued by National Development and Planning Committee on 1 May 2000, contracts with respect to construction projects in the stipulated scope and meeting one of the following standards shall be entered into by way of tender: (i) any construction contract with an estimated price of more than RMB2 million; (ii) any purchase contract of substantial equipment or materials with an estimated price of more than RMB1 million; (iii) any service contract of construction survey, design and supervision with an estimated price of more than RMB500,000; and (iv) the total investment amount of the project is over RMB30 million, although the estimated price of individual contract may be lower than the aforesaid standards.

On 30 January 2000, the State Council promulgated and implemented the Ordinance on Quality Management of Construction Project 《建設工程質量管理條例》, which stipulates the regulatory obligations and liability of the constructing entity, surveyor, contractor, supervisor with respect to the quality of the construction project, and further provides that the construction authority above county level shall supervise the quality of the construction projects in its administrative region. Within 15 days following the pass of

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examination and inspection of the construction project, the constructing entity shall file with construction or other relevant authorities the examination and inspection report and the acknowledgement documents issued by planning, public security and environmental protection authority. A maintenance guarantee system has been adopted to ensure the quality of construction projects. At the time of the submission of the inspection and examination reports of the completion of construction projects to constructing entity, construction contractors shall issue letters of quality warranty to constructing entity. Letters of quality warranty should specify the aspects of scope, duration and responsibility of warranty of building works. Upon the condition of regular use, the minimum maintenance guarantee period (i) for infrastructures, foundation and major structure shall be the usable period stipulated in the design documents; (ii) for the roofing waterproofing engineering, rooms and bathrooms and outside walls with waterproofing requirements, shall be 5 years; (iii) for the heat and cooling supply system shall be 2 terms of supply periods ; and (iv) for the electricity wires, gas pipeline, drainage pipeline, equipment installed and decorations shall be 2 years.

According to Administrative Measures on Construction Work Commencement Permit 《建築工程施工許可管理辦法》 promulgated by the Ministry of Construction on 15 October 1999 and subsequently amended on 4 July 2001 and 25 June 2014, with its latest amendment effective from 25 October 2014, for the construction, repairing or decoration of various kinds of buildings and their ancillary facilities, the installation of their supporting lines, pipelines and equipment as well as the construction of urban municipal infrastructure facilities, the constructing entity shall apply for construction work commencement permit prior to the commencement of the construction work with the construction authorities at or above the county level. Construction projects with an investment amount of less than RMB300,000 or construction area of less than 300 sq.m. can be waived from application for the construction work commencement permit. The constructing entity shall start the construction work within three months from the date of procurement of such permit. Should the constructing entity fails in starting the construction work as scheduled, they shall apply for extension with the construction authority before the expiration of the three-month period and explain the reasons in relation thereto. Application for extension shall be limited to twice and each extension period shall be no more than three months. Upon failure in commencing the construction work as scheduled without application for extension or excess of number of such application or expiration of the extension period, the construction work commencement permit shall automatically become null and void.

According to the Interim Administrative Measures on Inspection and Registration Upon Completion of Building and Municipal Infrastructure 《房屋建築和市政基礎設施工程竣工驗收規定》 promulgated by Ministry of Housing and Urban-Rural Development (“**MOHURD**”) on 2 December, 2013, the constructing entity shall be responsible to organize and conduct the examination and inspection upon completion of the construction project in compliance with the prescribed procedures. Within 15 days following such examination and inspection, the constructing entity shall submit an examination and inspection report to and file the completion with the construction authority above county level in the place where the construction is located.

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*5. Sale of Commodity Property*

The Measures on Administration of Sale of Commodity Property 《商品房銷售管理辦法》 (“**Sale Measures**”) was promulgated by Ministry of Construction on 4 April 2001 and implemented on 1 June 2001. The Sale Measures stipulates the conditions for sale of commodity property, advertisements, contracts and sales agent of commodity property, and delivery of commodity property. According to the Sale Measures, the sale of commodity property includes post-completion sale and pre-sale. The post-completion sale means the real estate developer sell the property that has passed the completion examination and inspection to the purchaser and in return, the purchaser pays the price for such property. The post-completion sale of commodity property is conditional upon (i) the real estate developer for such property has obtained the business license and the real estate development qualification certificate, (ii) the real estate developer has obtained land use right certificate or other approval documents for land use, (iii) the real estate developer has obtained construction work planning permit and construction work commencement permit; (iv) the real estate project has been completed, examined and inspected as qualified; (v) the demolition resettlement has been practicably carried out; (vi) the supply system of water, electricity, heat, gas, communication has been made ready for use, and other supplementary infrastructures and public facilities has been made ready for use or their construction schedule and delivery date has been confirmed; and (vii) the real property management plan has been practicably implemented. Prior to the post-completion sale of commodity property, the real estate developer shall file with the real estate authority its real estate development manual and other documents proving that the preconditions set forth above have been fulfilled.

The pre-sale of commodity property means the real estate developer pre-sells the commodity property under construction to purchasers, and the purchasers in return would pay a deposit or the price of such property. In accordance with the Measures on Administration of Pre-sale of Urban Commodity Property 《城市商品房預售管理辦法》 promulgated by Ministry of Construction on 15 November 1994, effective from 1 January 1995 and subsequently amended on 15 August 2001 and 20 July 2004, the conditions precedent to pre-sale of commodity property are as follows: (i) the real estate developer has paid up the land premium and obtained land use right certificates, (ii) the real estate developer has obtained construction work planning permit and construction work commencement permit for the property under pre-sale, (iii) the amount invested represents more than 25% of the total investment amount which is estimated on the basis of the quantity of commodity properties under pre-sale, and the constructing schedule and delivery date has been ascertained. The real estate developer to pre-sell the commodity property shall apply for such permit to real estate authority and obtain the pre-sale permit. Further, the real estate developer is requested to register the commodity property pre-sale contract within the 30 days after its execution with the real estate authority and land administrative authority at the city or county level. The revenues from the pre-sale of commodity property shall be re-invested in the relevant construction work.

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Pursuant to the Fujian Interim Measures on Administration of Pre-sale of Commodity Property 《福建省商品房預售管理暫行辦法》 promulgated by the Housing and Town Construction Bureau of Fujian Province on 14 December 2005, prior to the application for pre-sale permit, the real estate developer shall open a special account for the revenues from pre-sale in the commercial bank in the place where the real estate pre-sold is located. Before the construction fees (excluding quality warranty premium) has been fully paid by the real estate developer, the revenues from pre-sale shall only be used for purchasing the materials and equipment for the construction, paying construction fees, statutory taxes and fees and land premium, or repay the loan secured by the buildings under construction, and shall not be used for any other purpose.

According to Opinion on Supervision over Revenue from Pre-sale of Commodity Property 《泉州市商品房預售資金監督管理工作實施意見》 promulgated by Housing and Urban Construction Bureau of Quanzhou City on 18 April 2013, if the real estate developer of the presold real estate has been found involved in violation of regulations on pre-sale revenues, including circumventing the supervision over pre-sale revenues, not using the revenues for approved usage, providing false certificate of construction progress or false contracts, and getting the pre-sale revenues in other fraudulent means, the real estate administrative authority could order the developer to rectify such non-compliance within a prescribed period and suspend its business and registration of sales contracts during the rectification period, or could cancel its license to develop real estate.

According to the Jiangsu Measures on Administration of Pre-sale of Urban Commodity Property 《江蘇城市商品房預售管理辦法》 promulgated by the Construction Bureau of Jiangsu Province on 28 October 2004, the real estate developer and its sales agents who pre-sell the commodity property shall open a special bank account in the commercial banks. The revenues from the pre-sale shall be deposited into such account and be used for the relevant construction work or repayment of real estate loans. The real estate authority is entitled to supervise on the payment under the pre-sale transactions and to inspect on the cash flow of the special account.

According to the Regulations on Clear Pricing in Sale of Commodity Property 《商品房銷售明碼標價規定》 promulgated by NDRC on 16 March 2011 and effective from 1 May 2011, the sale of newly built commodity real property by real estate developers and intermediary service institutions shall be based on clearly marked prices pursuant to the regulations thereof. The sale of second-hand commodity real property by intermediary service institutions also shall be based on clearly marked prices with reference to such regulations. The pricing authorities of governments at all levels are the administrative authorities over clear pricing of commodity real property, and shall supervise and inspect on commodity housing operators' compliance with the clearly marked price policy and the publication of fees they charge. According to such regulations, the real estate developer who has obtained the pre-sale permit or is to conduct a post-completion sale, shall price each unit clearly when it discloses the commodity properties for sale. If the commodity property is priced on the basis of GFA or interior GFA, the price for every unit of GFA or interior GFA shall be marked clearly. The real estate developer (being the commodity housing operators) shall disclose simultaneously all the commodity properties for sale

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within the prescribed period, and shall sell each commodity at the exact price it has reported and marked. Commodity housing operators shall neither add any extra prices on the sale of commodity housing other than marked prices nor charge any unspecified fees.

*6. Charge over Real Estate*

The Security Law of the PRC 《中華人民共和國擔保法》 (“**Security Law**”) was promulgated by SCNPC on 30 June 1995 and came into effect from 1 October 1995, and the Property Law of PRC 《中華人民共和國物權法》 (“**Property Law**”) was promulgated by NPC on 16 March 2007 and took effect from 1 October 2007. In accordance with the Security Law and Property Law, a pledge refers to the charge of a property as security for debt, where a debtor or a third person may not transfer the possession of the property. Should the debtor default the repayment of the debt, the creditor is entitled to be compensated in priority at the discounted price of the property or the realized value of the property in auction or sale in accordance with the regulation thereof. Creditor’s right secured by the charge shall not exceed the value of its collateral. The surplus of the value of the secured property over the remaining balance of the secured creditor’s right may be charged again, provided that the charge shall not be in excess of the remaining balance. A charge can be created over the land use rights, buildings and other constructions attached to the land and buildings under construction. If a charge is created over a building, the land use right over the land on which the building stands shall also be subject to such charge. If the land use right over the land is under a charge, the buildings and constructions on this land shall also subject to such charge. The chargor and chargee shall enter into a security contract in writing. A charge over the real estate shall be registered with the real estate authority in the place where the real estate is situated, and the charge would be created upon such registration.

The Measures on Administration of Charges over Urban Real Estate 《城市房地產抵押管理辦法》 (“**Charge Measures**”) promulgated by the Ministry of Construction on 9 May 1997 and amended on 15 August 2001, governs the charge created over urban real estate and provides that charge over other real estate shall be created by reference to it. According to the Charge Measures, for a charge over real estate with a legally obtained housing ownership certificate, the registration authorities shall make a record on the other right column on the housing ownership certificate, which shall then be received and executed by the chargor. The certificate of other rights over housing shall be issued to the chargee. the charge over pre-sold commodity real estate shall be created upon the condition that such real estate development project has satisfied the requirements for transfer and be granted pre-sale permit. If the charge has been created over pre-sold commodity real estate or the building under construction, the registration authority shall make a record on the charge contract. If the pre-sold real estate under charge is completed during the term of such charge, the parties to the charge shall re-register the charge after the chargor obtaining the title certificate to the real estate.

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*7. Real Estate Loan*

According to the Notice on Further Strengthening Management of Loans for Real Estate 《關於進一步加強房地產信貸業務管理的通知》 promulgated by PBOC on 5 June 2003, commercial banks are prohibited from granting loans in any form for real estate projects without land use right certificate, construction land planning permit, construction work planning permit or construction work commencement permit, or granting loans to real estate developers who would use the money borrowed to pay the land premium. The grant of loans by commercial banks for the application from real estate development enterprises may only be made by way of real estate development loans, provided that the grant of such loans by way of working capital of real estate development and in other forms of loans shall be strictly prohibited. Commercial banks could only make housing loans to individual purchasers of residence when the roof of the relevant major structural buildings has been completed. The borrower, who applies for the housing loan for purchasing his first residential unit, shall place at least 20% down payment of the purchase price. For borrower who purchases second or more residential unit, the percentage of down payment shall be appropriately increased.

PBOC promulgated the Notice on Adjusting Housing Credit Policy of Commercial Banks and Excess Reserve Rate 《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》 on 16 March 2005 and implemented on 17 March 2005, to request the commercial banks to cancel the preferential interest rate for individual housing loans granted by themselves, and to increase the down payment for an individual residence from 20% to 30% in the cities where the property market is considered to be overheating.

Pursuant to the Guidance on Risk Management on Real Estate Loans Originated by Commercial Banks 《商業銀行房地產貸款風險管理指引》 issued by China Banking Regulatory Commission ("CBRC") on 30 August 2004, for real estate developers applying for real estate loans, the capital ratio of their real estate projects shall not be less than 35%.

On 27 September 2007, PBOC and CBRC jointly promulgated the Notice on Strengthening Management on Commodity Real Estate Credit 《關於加強商業性房地產信貸管理的通知》, to strengthen their regulation on the commodity real estate loans, and to require the commercial banks to enforce stringently their process of granting real estate development loans. Commercial banks are prohibited to make loans in any form to the real estate projects with a capital ratio less than 35%, or without land use right certificate, construction land planning permit, construction work planning permit and construction work commencement permit. The commercial banks shall not grant loans to real estate developers that are verified by the real estate or construction authority, to have reserved lands and houses illegally. In addition, the commercial banks shall not accept the commodity property vacant for three or more years as the collateral for a loan. The down payment for the first self-residence residential unit and with a GFA of less than 90 sq.m. shall not be less than 20%. For the first residential unit purchased for self-residence and with a GFA of over 90 sq.m., the down payment shall not be less than 30%. The down payment for the second or more residential unit purchased by individuals who have been

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granted bank loans for his first residential unit shall not be less than 40%, and the interest rates of such loan shall not be lower than 110% of the benchmark interest rate in the same grade during the same period prescribed by PBOC. Moreover, the down payment ratio and interest rate of loans should go up along with the increase of loans, specifically at an extent of increase to be autonomously determined by commercial banks in accordance with their relevant principles of credit risk management, provided that the monthly repayment of housing loans by borrowers shall not exceed 50% of their monthly income.

In accordance with the Notice on Adjustment of Capital Ratio of Fixed Asset Investment Project 《關於調整固定資產投資項目資本金比例的通知》 promulgated by the State Council on 25 May 2009, the minimum capital ratio of the subsidized housing projects and commodity housing projects has been adjusted to 20%, while that of other real estate projects has been adjusted to 30%. The government could adjust the minimum capital ratio of fixed asset investment projects according to the economic situation and the necessity of macro-control.

*8. Measures on Stabilizing Real Estate Prices*

For the purpose of restraining the speculation in real estate market, controlling purchases of real estate as investment, encouraging the construction of ordinary commodity residence and economical housing, guiding on reasonable residential consumption, stabilizing the residence prices and promoting the health growth of real estate market, the State Council and its subordinated departments from time to time have promulgated a set of policies to control real estate market in recent years.

The General Office of State Council forwarded Notice on Stabilizing Residence Prices 《關於做好穩定住房價格工作意見的通知》 enacted jointly by Ministry of Construction and other departments on 9 May 2005, which provides that in the places where the residence prices increase too fast while the supply of lands for ordinary residence at medium or low price and economical housing is insufficient, the construction of residence shall focus on constructing the ordinary residence and economical housing aforementioned, in order to increase the supply of them. For regions with over-heating hike in residential land and housing prices, the proportion of residential land over land supply will be raised as appropriate, with an emphasis on beefing up the land supply for the construction of low-to-mid-priced ordinary commodity housing and affordable housing. There will be a continued suspension of the land supply for the construction of villas, in an effort to exercise strict control over the land supply for high-end housing. The preferential treatment with respect to planning permits, land supply, credits and taxes shall be granted to the low-to-mid priced, small-to-mid sized ordinary residences if they can satisfy the following requirements: (i) the plot ratio is over 1.0; (ii) the unit GFA is less than 120 sq.m.; and (iii) the actual purchase price is lower than 120% of the average price of the comparable residence in the comparable location. In addition, from 1 June 2005, a business tax shall be imposed on the individuals who transfer the residence within two years from purchase and shall be levied on the basis of the revenue from such transfer. If the individual transfers the residence after two years from purchase, the business tax may be exempted. For the transfer of a non-ordinary residence after two



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years from purchase, a business tax shall be levied on the basis of the difference between the purchase price and the revenue from transfer. A purchaser of pre-sold commodity residence shall not transfer such residence before it has been completed. Purchasers of residences shall buy the properties in their own official name.

On 24 May 2006, the General Office of the State Council forwarded Notice on Adjusting Residence Supply Structure and Stabilizing Residence Prices 《關於調整住房供應結構穩定住房價格意見的通知》 enacted by the Ministry of Construction, which provides that (i) the focus will be put on developing low-to-mid-priced, small-to-mid-sized ordinary commodity housing that meets the needs of local residents. The land supplied annually for the low-cost or small- and medium-sized ordinary residence and low-rent housing shall represent at least 70% of the total land supplied in the same year; (ii) for the residence construction project approved and commenced on or after 1 June 2006, the aggregated GFA of residential units with less than 90 sq.m. shall account for 70% of the total GFA. The residential construction projects approved before 1 June 2006 without construction work commencement permit, shall be adjusted to comply with the requirements aforementioned; (iii) From 1 June 2006, a business tax shall be imposed on the individuals who transfer the residence within five years from purchase and shall be levied on the basis of the revenue from such transfer. If the individual transfers the residence after five years from purchase, the business tax may be exempted. For the transfer of a non-ordinary residence after five years from purchase, a business tax shall be levied on the basis of the difference between the purchase price and the revenue from transfer; (iv) commercial banks may not grant loans to real estate enterprises failing to meet loan terms, such as project capital amount is less than 35% of the principal amount of the loan. In respect of development enterprises with relatively higher level of idle land and vacant commodity housing, commercial banks should strictly control revolving loans or any form of rolling credit with adherence to the principles of prudent management. Commodity housing remaining vacant for more than three years shall not be accepted as the collateral security for loans by commercial banks; (v) from 1 June 2006, the down payment ratio for the purchase of residential units shall not be less than 30%, but the down payment ratio of 20% shall remain applicable to the purchase of residential units for self-residence with GFA of no more than 90 sq.m. by taking into account of the housing needs of the group with income at low or medium level; (vi) for land pieces with postponed development beyond a year from the date of the commencement of works as scheduled under the contracts, they shall be subject to the levy of high idle land cost. For land pieces with postponed development beyond 2 years from the date of the commencement of works as scheduled under the contracts, the land use rights over these lands shall be taken back at nil consideration. For land pieces which have commenced works as scheduled under the contracts yet whose development and construction area is less than one third or investment amount is less than one fourth and whose development and construction have been suspending for a consecutive year without obtaining approval, they shall be treated as idle land.

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The State Council promulgated the Notice on Restraining Excessive Growth of Residence Price in Certain Cities 《國務院關於堅決遏制部分城市房價過快上漲的通知》 on 17 April 2010 to adopt a stricter deferential housing loans policy. The loan granted to the family to buy the first residential unit with GFA of less than 90 sq.m. for self-residence shall be conditional upon that the down payment is not less than 30% of the purchase price. The loan granted to the family to buy the second residential unit shall be conditional upon that the down payment is not less than 50% and the loan interest rate is not less than 110% of the benchmark rate. For the purchase of the third and subsequent residence, the down payment ratio and interest rate should be substantially raised. The commercial bank can stop granting loans to the individuals who purchase third and subsequent residential unit in the regions where the residence price is too expensive and soaring and the supply of residence is insufficient. The housing loans shall not be granted to non-local resident who fails to provide the receipt of paying local taxes or social insurance for more than one year. The local government could adopt interim measures on restricting the quantity of residential units that could be purchased in a certain period.

According to the Notice on Further Implementing Control Measures on Real Estate Market 《關於進一步做好房地產市場調控工作有關問題的通知》 promulgated by the General Office of the State Council on 26 January 2011, the loan granted to the family to purchase the second residential unit shall be conditional upon that the down payment is not less than 60% and the loan interest rate is not less than 110% of the benchmark rate. In general, in municipalities directly under the Central Government, municipalities with independent planning status, provincial capital cities and the cities with high and soaring residence price, the purchase restriction policies shall be strictly implemented for a certain period, which in principle include: (i) the local family that has owned one residential unit and the non-local family that can provide the receipt of paying local taxes and social insurances for a required period, is limited to purchasing one residential unit; (ii) the local family that has owned two or above residential units and the non-local family that has owned one or above residential unit or cannot provide the receipt of paying local taxes or social insurances for a required period, shall be suspended from purchasing any residential in such administrative region.

On 26 February 2013, the General Office of the State Council promulgated the Notice on Continuous Implementing Control Measures on Real Estate Market 《關於繼續做好房地產市場調控工作的通知》, which stipulates six policies to control the real estate market, including: (i) improving the accountability system for stabilization of residence prices; (ii) strict control over purchasing residence for speculation; (iii) increasing the supply of ordinary residences and land supply for ordinary residences; (iv) accelerating the planning and construction of subsidized residence projects; (v) tightening the market regulation and forecast management; and (vi) accelerating the establishment of the guidance mechanism for the health growth of the real estate market. In addition, it provides that the bank or other financial institutions, subject to credit conditions, shall give priority to granting loans to commodity residence projects in which the small- and medium- sized units account for more than 70% of the total units.

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### III. Environmental Protection

Pursuant to the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》 promulgated by SCNPC on 26 December 1989 and amended on 24 April 2014, with its latest amendment effective from 1 January 2015, the local governments shall be responsible for the environmental quality in their administrative region, and the enterprises, institutions and other entities engaged in manufacturing or operating shall prevent and diminish the environmental pollution and ecological damage, and otherwise shall be liable for such damage they cause.

In accordance with the Environmental Impact Assessment Law of the PRC 《中華人民共和國環境影響評價法》 which was promulgated by SCNPC on 28 October 2002 and took effect from 1 September 2003, governmental authorities would administer the construction projects according to their impact on the environment. For the projects that have a significant impact on environment, the constructing entity shall write a report on the environmental impact to assess such impact thoroughly. For the projects that have a less significant impact on environment, the constructing entity shall write a report on the environmental impact to analyze or assess certain impact. For the projects having insignificant environmental impact and not required to conduct an assessment thereon, the constructing entity shall fill in an environmental impact registration form. The environment assessment documents shall be submitted to the environmental protection authorities for inspection and approval prior to the commencement of any construction work. The construction project shall not be approved or commenced until its environmental assessment documents has been inspected and approved by the environmental protection authorities.

### IV. Taxation

#### 1. Enterprise Income Tax

The Enterprise Income Tax Law of the PRC 《中華人民共和國企業所得稅法》 (“**EIT Law**”) was promulgated by the NPC on 16 March 2007 and took effect from 1 January 2008. The Implementation Rules of the Enterprise Income Tax Law (“**Implementation Rules of EIT**”) was promulgated by the State Council on 6 December 2007 and effective from 1 January 2008. Pursuant to the EIT Law and its Implementation Rules, resident enterprises (referring to enterprises which are legally established in the PRC or established in accordance with the laws of foreign countries (regions) but whose de facto management bodies are within the PRC) shall pay enterprise income tax for its revenue deriving both from PRC and abroad with a rate of 25%. The non-resident enterprises (referring to enterprises which are legally established in accordance with the laws of foreign countries (regions) and whose de facto management bodies are out of the PRC, yet with the setting up of institutions and establishments in the PRC or with the generation of revenue from the PRC where there are no institutions and establishments in the PRC) without branches and business place in PRC or the non-residence enterprises with branches and business place in PRC but the taxable revenue having no actual connection with such branches or business place, shall pay enterprise income tax for its revenue deriving from PRC at a reduced rate of 10% as prescribed in the Implementation Rules of EIT.

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According to the Arrangements between the Mainland of PRC and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income 《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》 effective from 1 January 2007, subject to the approval from the relevant tax authority, a tax rate of 5% applies to dividends paid by a PRC company to a Hong Kong company if the dividend recipient directly holds at least 25% of the capital of such PRC company. If a Hong Kong company directly owns less than 25% of the capital of a mainland company, dividend income received by the Hong Kong company from the mainland company shall be subject to a tax rate of 10%.

2. *Business Tax*

According to the Interim Ordinance on Business Tax of the PRC 《中華人民共和國營業稅暫行條例》 promulgated by the State Council on 13 December 1993, effective from 1 January 1994 and amended on 10 November 2008, the business tax rate applicable to sale of real property is 5%.

3. *Land Appreciation Tax*

The Interim Ordinance on Land Appreciation Tax of the PRC 《中華人民共和國土地增值稅暫行條例》 (“**LAT Ordinance**”) was promulgated on 13 December 1993 and come into effect from 1 January 1994. Pursuant to the LAT Ordinance, the transferor of the land use right or real property, whether an entity or individual shall pay land appreciation tax (“**LAT**”) for the appreciation value derived from the transfer revenue after deducting the stipulated deductible items. The land appreciation tax is subject to a regime with four level progressive rates, according to which the land appreciation tax rate is (i) 30% for the portion of the appreciation value not exceeding 50% of the amount of deductible items; (ii) 40% for the portion over 50% of but not exceeding the amount of deductible items; (iii) 50% for the portion over 100% but not exceeding 200% of the amount of deductible items; and (iv) 60% for the portion over 200% of the amount of deductible items. The transferor could be exempted from land appreciation value if (i) it constructs and sells the ordinary residence and the appreciation value of which is not more than 20% of the amount of the deductible items, or (ii) the real estate is requisitioned or repossessed by the government. The transferor shall file the LAT declaration with the tax authority in the place where the real estate is situated within 7 days after signing the real estate transfer agreement, and shall pay such tax within the period prescribed by the tax authority.

According to the Implementation Rules of Interim Ordinance on Land Appreciation Tax of PRC 《中華人民共和國土地增值稅暫行條例實施細則》 (“**Implementation Rules of LAT Ordinance**”) promulgated by the Ministry of Finance on 27 January 1995, the deductible items include (i) consideration paid for acquiring the land use rights; (ii) costs of developing the land and constructing the buildings and facilities; (iii) sales, administrative and financing expenses on developing the land and constructing the buildings and facilities; (iv) assessed value of the old buildings and facilities; (v) tax payable for transferring the real estate; and (iv) another 20% of the sum of (i) and (ii) if the transferor is a real estate developer. Pursuant to the Implementation Rules of LAT

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Ordinance, if the real estate developer acquired use rights over land lots and develop such lands in phases, the deductible items could be ascertained on the basis of the proportion of the developed area to the total area or by other ways confirmed by tax authorities.

The State Administration of Taxation promulgated the Notice on Administration of Settlement of Land Appreciation Tax of Real Estate Developer 《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》 (“**Settlement Notice**”) was promulgated on 28 December 2006 and effective from 1 February 2007. Pursuant to the Settlement Notice, real estate developers shall settle the land appreciation tax payable with the tax authority if their real estate projects satisfy the prescribed conditions. The land appreciation tax shall be settled in each phase if the land is developed in phases. The real estate developers shall settle the land appreciation tax if the real estate project has satisfied one of the following conditions: (i) the project has been completed and has been sold out, (ii) the project as a whole has been sold before it is completed, or (iii) the land use right relating to the project has been transferred. In addition, the tax authority is entitled to require the real estate developer to settle the land appreciation tax, if (i) the area sold is over 85% of the total area saleable in a completed real estate, or such proportion is less than 85% but the rest of area has been leased or kept for the developer’s own use; (ii) the property has not been sold out upon the expiration of three years commencing from the grant of sales permit or pre-sales permit; (iii) the real estate developer apply for the revocation of tax registration without pay up the land appreciation tax; or (iv) other situations specified by provincial tax authorities have incurred.

*4. Deed Tax*

Pursuant to the Interim Ordinance on Deed Tax of the PRC 《中華人民共和國契稅暫行條例》 promulgated by the State Council on 7 July 1997 and effective from 1 October 1997, the transferee of the title to land or real property in the PRC, whether an entity or individual, is obliged to pay deed tax. The deed tax rate ranges from 3% to 5%. The government at provincial level shall prescribe the deed tax rate applicable in its administrative region within the prescribed range and file the rate it prescribed to the Ministry of Finance and the State Administration of Taxation.

On 29 September 2010, the Ministry of Finance, the State Administration of Taxation and MOHURD issued the Notice on the Adjustment of Preferential Policies on Real Estate Transactions Deed Tax and Individual Income Tax 《關於調整房地產交易環節契稅個人所得稅優惠政策的通知》, pursuant to which, for the purchase of ordinary residence by individuals as the only housing for their families, individuals shall be entitled to the exemption of 50% of deed tax levy. For the purchase of ordinary residence of area of 90 sq.m. or below as the only housing for their families, individuals shall be entitled to a reduced rate of 1% deed tax.

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### 5. *Urban Land Use Tax*

Pursuant to the Interim Ordinance on Urban Land Use Tax of the PRC 《中華人民共和國城鎮土地使用稅暫行條例》 promulgated by the State Council on 27 September 1988, effective from 1 November 1988, and amended on 31 December 2006, 8 January 2011 and 7 December 2013 respectively, the urban land use tax shall be levied on the basis of the area of the land actually used by the taxpayer and the prescribed range as below. The annual urban land use tax per sq.m. ranges (i) from RMB1.5 to RMB30 for the land in the large cities, (ii) from RMB1.2 to RMB24 for the land in medium cities, (iii) from RMB0.9 to RMB18 for the land in small cities, and (iv) from RMB0.6 to RMB12 for the land in counties, towns or industrial and mining districts. The land use tax shall be calculated annually and paid on installments. According to such Interim Ordinance, the urban land use tax is also applicable to foreign-invested enterprises.

### 6. *Real Property Tax*

The Interim Ordinance on Real Property Tax 《中華人民共和國房產稅暫行條例》 (“**Real Property Tax Ordinance**”) was promulgated by the State Council on 15 September 1986, came into effect from 1 October 1986 and amended on 8 January 2011. Pursuant to the Real Property Tax Ordinance, the owner of the real property is obliged to pay real property tax, the rate of which is 1.2% if it is levied on the basis of the residual value of such property, or 12% if it is levied on the basis of the rent of such property.

According to the Notice on Imposition of Real Property Tax on Foreign-invested Enterprise and Foreign Individual 《關於對外資企業及外籍個人徵收房產稅有關問題的通知》 promulgated by the Ministry of Finance and the State Administration of Taxation on 12 January 2009, foreign-invested enterprises and foreign individuals shall pay the real property tax in compliance with the Real Property Tax Ordinance from 1 January 2009.

### 7. *Stamp Duty*

Under the Interim Ordinance on Stamp Duty of PRC 《中華人民共和國印花稅暫行條例》 promulgated by the State Council on 6 August 1988 and effective from 1 October 1988, the stamp duty would be levied at a fixed rate or on item-by-item basis according to the type of taxable instruments. For construction contract and ownership transfer instrument, the stamp duty shall be 0.05% of the amount thereunder. For the certificates of rights, including real property title certificates and land use right certificates, the stamp duty is RMB5 per item.

### 8. *Municipal Maintenance Tax*

According to the Interim Ordinance on Municipal Maintenance Tax of PRC 《中華人民共和國城市維護建設稅暫行條例》 promulgated by the State Council on 8 February 1985 and amended on 8 January 2011, the taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax, shall pay municipal maintenance tax.

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The rate of municipal maintenance tax is 7% for taxpayer with a domicile in a city, 5% for the taxpayer with a domicile in a county or town, 1% for the taxpayer without a domicile in a city, county or town.

According to the Notice on Unifying Application of Municipal Maintenance Tan and Education Surcharge to Domestic and Foreign-invested Enterprises and Individuals 《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》 (“**Unifying Notice**”) promulgated by State Council on 18 October 2010 and implemented on 1 December 2010, the Interim Ordinance on Municipal Maintenance Tax shall also be applicable to foreign-invested enterprises.

*9. Education Surcharge*

Pursuant to the Interim Provisions on Imposition of Education Surcharge 《徵收教育費附加的暫行規定》 promulgated by the State Council on 28 April 1986, effective from 1 July 1986 and subsequently amended on 7 June 1990, 20 August 2005 and 8 January 2011, the taxpayer, whether an entity or individual, of consumption tax, value-added tax or business tax, is obliged to pay education surcharge levied at the rate of 3% of the tax amount actually paid. The education surcharge shall be paid with the value-added tax, business tax or consumption tax. According to the Unifying Notice, the Interim Provisions on Imposition of Education Surcharge shall also be applicable to foreign-invested enterprises.

**V. Foreign Exchange**

Pursuant to the Administrative Ordinance on Foreign Exchange of the PRC 《中華人民共和國外匯管理條例》 promulgated by the State Council on 29 January 1996, effective from 1 April 1996 and amended on 1 August 2008, and the Provisions on Administration of Settlement, Sale of and Payment in Foreign Exchange 《結匯、售匯及付匯管理規定》 promulgated by PBOC on 20 June 1996 and effective from 1 July 1996, the RMB paid under the current accounts may be exchanged into foreign currencies freely, while exchange of RMB into foreign currencies under the capital accounts shall be approved by SAFE or its local administrative authorities in advance.

Pursuant to the Notices of SAFE's General Department on Improving Practices of Administration of Payment and Settlement of Foreign Currency Capital Foreign-invested Enterprises 《國家外匯管理局綜合司關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》 promulgated by SAFE on 29 August 2008, the foreign-invested enterprises shall use the RMB exchanged from foreign currency capital within the business scope approved by the government authorities, and the RMB exchanged from foreign currency capital may not be used for the domestic equity investment except as otherwise stipulated. Save and except for foreign-invested real estate enterprises, foreign-invested enterprises may not purchase real estate for the purposes other than self-use within the PRC with RMB funds derived from settlement exchange of capital funds.

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According to Administrative Measures on Foreign Exchanges in Domestic Direct Investments of Foreign Investors, the foreign entities and individuals involved in domestic direct investments shall be registered with SAFE or its branches. Banks shall settle the domestic direct investments in accordance with the registration information from the foreign exchanges bureaus. The foreign exchanges bureaus supervise and inspect the registration, opening and change of the account, payment and receipt of funds and settlement of foreign exchanges in relation to domestic direct investment by foreign investors.

### VI. Labour

The Labour Law of the PRC 《中華人民共和國勞動法》 (“**Labour Law**”) was promulgated by SCNPC on 5 July 1994, effective from 1 January 1995 and amended on 27 August 2009. The Labour Law contains provisions in respect of promoting employment, employment contract, working hours, rest days and leave, wages, occupational safety and health, special protection for female employees and minor employees under 18 years old, vocational training and social insurance and welfare.

The Employment Contract Law of the PRC 《中華人民共和國勞動合同法》 (“**Employment Contract Law**”) was promulgated by SCNPC on 29 June 2007, effective from 1 January 2008 and amended on 28 December 2012. The Employment Contract Law contains provisions relating to the formation, execution, modification, termination or expiration of employment contract, collective contract, employee dispatch and part-time employment. In accordance with the Employment Contract Law, except as otherwise stipulated therein, the employer shall pay economic compensation to the employee if it cancels or terminates the employment contract illegally.

In accordance with the Employee Paid Annual Leave Ordinance 《職工帶薪年休假條例》 promulgated by the State Council on 14 December 2007 and effective from 1 January 2008, an employee is entitled to annual leave with a pay after having been working continuously for more than one year. The employer shall ensure the employee’s right to take paid annual leave. The daily rate of annual leave pay is a sum equivalent to the average daily wages of the employee. In the event the employees agree to waive the annual leave at the employer’s request, such employees shall be compensated in three times of their daily wages for each day they waive to take annual leave.

The Social Insurance Law of the PRC 《中華人民共和國社會保險法》 (“**Social Insurance Law**”) was promulgated by SDNPC on 28 October 2010 and came into effect on 1 July 2011. According to the Social Insurance Law, a social insurance system, which includes basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, has been adopted in order to ensure the citizens’ right to obtain material support from the government and society when they are old, at sick, suffered from work-related injuries, unemployed or at maternity leave. The employer has a legal obligation to pay premium of the social insurances aforementioned in compliance with relevant laws and regulations. If the employer fails to pay such premium as requested, the social insurance administrative authorities are entitled to order such employer to pay or make up the



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premium within a prescribed period and pay a penalty at the daily rate of 0.05% of the amount payable as from the due date. If the employee fails to pay the premium within such a prescribed period, a fine of one to three times of the amount payable could be imposed.

According to the Administrative Ordinance on Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council, taking effect on 3 April 1999 and amended on 24 March 2002, all employers are required to register with the local administrative center of housing provident funds ("ACHPF"), and shall pay the funds for their employees in full amount before the due date. The employer that fails to do so might be ordered by ACHPF to pay the funds in full amount within a prescribed time limit. If the employer fails to make full payment within such prescribed time limit, ACHPF can apply to the courts for compulsory enforcement.

### VII. Real Property Management

According to the Guidance Catalogue promulgated in 2011, real estate property management belongs to permitted foreign-invested industry.

According to the Real Property Management Ordinance 《物業管理條例》 promulgated by State Council on 8 June 2003, effective from 1 September 2003 and amended on 26 August 2007. Prior to the engagement of a real property management enterprises by the owners or the owners meeting of the real properties, the constructing entity shall engage a real property management enterprise by bidding or by entering into an agreement subject to approval from real estate administrative authorities. The constructing entity shall enter into a written agreement with the real property management enterprises. The real property management enterprises shall be a legal person with a separate personality. A qualification system has been adopted for the purpose of regulating the real property management enterprises.

In accordance with the Measures on Qualification of Real Property Management Enterprises 《物業管理企業資質管理辦法》 which was promulgated by the Ministry of Construction on 17 March 2004, effective from 1 May 2004 and amended on 26 November 2007, the qualifications of real property management enterprises are divided into three levels, namely, level I, level II and level III. The real property management enterprises with level I qualification is entitled to undertake all types of real property management projects. The real property management enterprises with level II qualification could be engaged in the property management services of residence projects of less than 300,000 sq.m. and non-residence projects of less than 80,000 sq.m.. The real property management enterprises with level III qualification can undertake property management services of residence projects of less than 200,000 sq.m. and non-residence projects less than 50,000 sq.m.. The real property management enterprises shall apply to the local real estate administrative authority for qualification certificate within 30 days upon incorporation.

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**VIII. Lease of Real Estate**

The Contract Law of the PRC 《中華人民共和國合同法》 (“**Contract Law**”) promulgated by NPC on 15 March 1999 and effective from 1 October 1999, defines a lease as a contract under which the lessor, by a delivery of possession of its property, grant the lessee to use or accrue benefit from such property, and the lessee pays the rent in return. Pursuant to the Contract Law, the lease with a term exceeding 6 months shall be in writing, otherwise it would be deemed as a lease without a fixed term. The term of a lease shall not be more than 20 years, otherwise the portion of the term exceeding 20 years would be invalid. Upon the expiration of the term, the parties can renew the lease provided that the renewed term commencing from the date of such renewal is not more than 20 years.

In accordance with the Measures on Administration of Leases of Commodity Real Estate 《商品房屋租賃管理辦法》 promulgated by MOHURD on 1 December 2010 and effective from 1 February 2011, the parties to a leasing transaction as to commodity real estate must enter into a lease. In the event that such lease is signed, modified or terminated, the parties shall register it with the real estate administrative authority in the city or county where the real estate is situated.

**IX. Civil Air Defence Constructions**

Pursuant to the Regulations on Utilization of Civil Air Defence Construction 《關於平時使用人民防空工程的若干規定》 promulgated jointly by the Ministry of Finance and the National Civil Air Defence Commission on 20 March 1983, use of civil air defence construction in peacetime is subject to approval. The user of the civil air defence constructions shall maintain, manage, renew or repair the facilities therein to keep them in good condition.

In accordance with the Civil Air Defence Law of PRC 《中華人民共和國人民防空法》 promulgated by SCNPC on 29 October 1996, effective on 1 January 1997 and amended on 27 August 2009, all new urban buildings for civil use shall be constructed with a basement that can be used as air defense in wartime. The government encourages the use of civil air defence constructions for economic development and citizen’s daily life in the peacetime provided that such use would not impair their function as air defense.