

Set out below is a summary of the principal PRC laws and regulations governing our operations.

## **LAWS AND REGULATIONS RELATING TO CONSTRUCTION**

Construction Law of the PRC (《中華人民共和國建築法》) (“**Construction Law**”) was issued by the Standing Committee of the National People’s Congress on November 1, 1997 and effective from March 1, 1998. It was the core regulatory law in this area, and its goal is to strengthen supervision and regulation of construction activities, maintain construction market order, ensure the quality and safety of construction projects and promote the healthy development of construction industry. The law provides comprehensive supervision and administration on the section of construction licensing, contract awarding and contracting of construction projects, supervision of construction projects, management of construction safety and operation management of construction project quality.

### **Establishment of Foreign-invested Construction Enterprises**

The Regulations on Administration of Foreign-invested Construction Enterprises (《外商投資建築業企業管理規定》) was promulgated by the Ministry of Construction and Ministry of Foreign Trade and Economic Cooperation on September 27, 2002 and effective from December 1, 2002. Under this rule, “foreign-funded construction enterprise” refers to a solely foreign-funded construction enterprise or a sino-foreign equity joint construction enterprise or a sino-foreign contractual joint construction enterprise established in PRC.

For a foreign investor to establish a foreign-invested construction enterprise and engage in construction business, it shall obtain an approval certificate for a foreign-funded enterprises issued by the competent administrative department of foreign trade and economics, register its record with the State Administration for Industries and Commerce or its authorized local branch, and obtain a qualification certificate for a construction enterprise issued by the competent construction authority. And the application and examination and approval of a foreign-funded construction enterprise’s establishment and qualifications shall be subject to level-to-level and categorized management.

Within the scope of the qualification grade, the business scope of a wholly foreign-invested construction enterprise is limited to a certain nature of projects, while a Sino-foreign (cooperative) joint venture construction enterprise can undertake all kinds of projects. Where a Sino-foreign (cooperative) joint venture is established, however, the contribution to the enterprise by the PRC investors shall be at least 25% of its registered capital.

### **Qualification of Construction Enterprises**

#### *General rules*

According to Construction Law and other relevant rules, the enterprise which engage in construction engineering, prospecting units, design units and project supervisory units shall pass the relevant required qualification examinations and obtain appropriate qualification certificates, and shall engage in such construction activities commensurate to the scope of their qualification classes.

According to the Regulations on the Administration of Qualification of Construction Enterprises (《建築業企業資質管理規定》) (“Qualification Regulations”) which was promulgated by the Ministry of Construction on June 26, 2007 and effective from September 1, 2007, an enterprise in construction industry shall apply for its qualification on the basis of its qualification conditions such as registered capital, specialized technicians, technical equipment and the construction projects completed, etc., and may only engage in construction activities within the scope of its qualification grade after passing the qualification examination and be granting with the appropriate qualification grade certificate. The term of validity for such qualification certificate is five years, and can be renewed for next five year upon certain requirement being satisfied.

Under the Qualification Regulations, the qualification of construction enterprises shall be classified into three categories: qualification for general contracting, qualification for specialized contracting and qualification for labor sub-contracting. Each category shall be classified into several qualification types according to the nature of the project and technical features, and each qualification type shall be divided into several grades according to the prescribed conditions.

The enterprise with the qualification for general contracting may undertake the whole of a construction project or a major part of a construction project. Such an enterprise may proceed with the construction of the whole of the project by itself, or subcontract a non-major part of the project or labour services to other enterprises in the construction industry which have the corresponding qualifications to undertake a specialized contract or to undertake a labor service by sub-contract; The enterprise with the qualification for specialised contracting may undertake a specialised project subcontracted by an enterprise which undertakes the whole of a construction project or which undertakes the contract of a specialised project subcontracted by the construction entity in accordance with the provisions. Such an enterprise may construct the whole of the undertaken project by itself, or subcontract the labor services to an enterprise that possesses the corresponding qualifications for undertaking labor service by subcontracts; The enterprise with the qualification for labor sub-contracting may undertake the labor services subcontracted by an enterprise that undertakes the whole of a construction project or which undertakes the contract of a specialised project. Such an enterprise may undertake the labor service subcontracted by an enterprise that undertakes the whole of a construction project or which undertakes the contract of a specialized project. The contractors are forbidden to sublet the project to any enterprises not having corresponding qualifications. The sub-contractor is forbidden to sublet its contracted work once again.

#### *Qualification of Curtain Wall Engineering*

Under the Criteria for Grading of Qualifications of Construction Enterprises (《建築業企業資質等級標準》) promulgated by the Ministry of Construction on April 20, 2001 and effective from July 1, 2001, the Criteria for Grading of Qualifications of Construction Enterprises (water conservancy and hydroelectricity section) (《建築業企業資質等級標準(水利水電施工企業部分)》) promulgated by the Ministry of Construction on May 22, 2001 and effective from July 1, 2001, and the Regulation on the Administration of Qualifications of Construction Enterprises (《建築業企業資質管理規定》) promulgated by the Ministry of Construction on June 6, 2007 and effective from September 1, 2007, the category of general contracting enterprises includes 12 types, the category of specialized contracting enterprises includes 60 types, and the category of labor subcontracting enterprises includes 13 types. The fourth type among all types for specialized contracting enterprises is set out for curtain wall engineering enterprises, which are divided into three grades.

An enterprise with a Grade One qualification could undertake all kinds of curtain wall engineering projects. An enterprise with a Grade Two qualification could undertake curtain wall engineering projects with the payment amount of a single project not exceeding the amount five times of its registered capital, the area of the single project not exceeding 8,000 sq.m. and its height not exceeding 80 meters. An enterprise with a Grade Three qualification could undertake curtain wall engineering projects with the payment amount of a single project not exceeding the amount five times of its registered capital, the area of the single project not exceeding 3,000 sq.m. and its height not exceeding 30 meters.

### **Construction Project Quality**

Under the Rules on Administration of Quality of Construction Projects (《建設工程質量管理條例》) (“**Construction Quality Rules**” promulgated by the PRC State Council on January 30, 2000 and took effect therefrom, the survey, design and construction of a project must meet the requirement of relevant state safety standards on construction projects. As to a construction project under a general contract, the general contractor is responsible for the quality of the project. If the general contractor jobbed out to subcontractors, the general contractor should assume responsibility with subcontractors for the quality of projects under subcontracts. Subcontractors shall subject themselves to the quality control of the general contractor.

The Construction Quality Rules also provides that the construction project owners, survey entities, design entities, construction entities and construction project supervision entities shall be responsible for the quality of construction projects. As to construction entities, it shall, 1) obtain the qualification certificate of the corresponding grade and shall undertake projects within the scope licensed by its qualification grade; 2) establish a quality responsibility system; 3) determine the project manager, technical manager and head of construction management of a construction project; 4) establish a sound construction quality inspection system, shall strictly follow the construction procedures and shall check the quality of the hidden parts and make records; and for a construction project with any quality problem during the process of construction or for a construction project that has not passed the completion-based check, the construction entity shall be responsible for repairing it.

### **Curtain Wall Engineering**

#### *Administration of Curtain Wall Engineering Projects*

On July 8, 1997, the Ministry of Construction promulgated and implemented the Provisional Regulations on Strengthening the Administration of Curtain Wall Engineering Projects (《加強建築幕牆工程管理的暫行規定》), providing, inter alia, for design management, invitation to tender and tendering management, raw material and product management, implementation of project and installation management as well as completion examination and acceptance management, requiring that curtain wall engineering enterprises (including wholly foreign-owned enterprises and Sino-foreign joint ventures) shall undergo the qualification examination by the competent construction authority, shall hold a qualification certificate for construction enterprises, and shall undertake curtain wall engineering projects within the scope determined by the qualification certificate. Contracting of curtain wall engineering projects without qualification or surpassing the scope of qualification is strictly prohibited.

*Qualification for Design of Curtain Wall Engineering*

According to the Provisional Measures on Administration of Qualification for Design of Curtain Wall Engineering (《建築幕牆工程設計專項資質管理暫行辦法》) promulgated on by the Ministry of Construction and effective from June 30, 2000, the qualifications for specific design work in curtain wall engineering projects shall be divided into Grade A and Grade B, without Grade C in principal.

An enterprise with a Grade A qualification may undertake specific design works for curtain wall engineering projects with all kinds of types and heights in the PRC. An enterprise with a Grade B qualification may undertake specific design work for curtain wall engineering projects with all kinds of types and with its height below 80 meters in the PRC. The Ministry of Construction shall be responsible for the unified administration and approval of the Grade A and Grade B qualifications. If it is necessary for remote and economically under-developed areas to set up a Grade C qualification, it shall only be set up upon reporting by the competent provincial construction administrative departments to the Ministry of Construction for its approval. The scope of business undertaken by a Grade C enterprise shall be limited to the location of the enterprise.

**Overseas Construction and Overseas Labor Cooperation Arrangements**

According to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) (“**Foreign Trade Law**”), which was promulgated by Standing Committee of the National People's Congress on May 12, 1994 and amended on April 6, 2004, Administrative Regulation on Contracting Foreign Projects (《對外承包工程管理條例》) promulgated by the PRC State Council on July 21, 2008, and took effect on September 1, 2008 and other relevant rules, an entity must in advance apply for the foreign project contracting qualification to the competent commerce department in order to engage in the business of contracting an overseas construction project. The authority in turn would issue a foreign project contracting qualification certificate for such enterprise possess specific qualifications or satisfy specific requirements.

Further, under Foreign Trade Law and Measures for the Administration of Operational Qualifications for Labor Service Cooperation with Foreign Parties (《對外勞務合作經營資格管理辦法》) promulgated jointly by MOFCOM and SAIC on July 26, 2004 and took effect on August 26, 2004, An enterprise may not carry out business activities of labor service cooperation with foreign parties until permitted by the competent commerce department and having obtained the operational qualification for labor service cooperation with foreign parties, as well as having obtained the Operational Qualification Certificate for Labor Service Cooperation with Foreign Parties.

**Tendering and bidding for contracting of construction projects**

Under Construction law, the tendering and bidding activities for contracting of construction projects shall follow the principle of openness, justice and equal competition, and contractors should be selected based on their merits. The Bidding Law of PRC (《中華人民共和國招標投標法》) was promulgated by the Standing Committee of the National People's Congress on August 30, 1999 and effective from January 1, 2000. Based on it, bidding shall be carried out for certain construction projects, including the survey, design, construction, supervision of the project, and the procurement of the important equipment, materials relevant to the construction of the project, including 1) large projects of infrastructure facility, public utility or the projects have a bearing on the social public interest and the safety of the general public; 2) projects entirely or partially using state-owned funds or loans by the state;

3) projects using loans or aid-funds of international organizations and foreign governments. The procedure of bidding consists of five stages, i.e invitation to bid, bidding, opening, evaluation and winning of bids.

An Invitation to Bid shall be made through either public notices or special requests. The tenderer shall be capable of undertaking the bidding project and shall satisfy the qualifications as provided by state regulations or the Bid-invitation documents concerning the qualifications of the tenderer. “Public Invitation to Bid” refers to that the tenderee putting forth an invitation to unspecified legal persons or other organization to tender bids. “Invitation to Bid by Request” refers to that the tenderee requesting specified legal persons or other organizations to tender bids.

### **Import or Export of Products**

The Foreign Trade Law and the Measures for the Archival Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the Ministry of Commerce on June 25, 2004 and took effect on July 1, 2004, require that foreign trade operators who engage in the import or export of goods or technologies must register with the Ministry of Commerce or another institution authorised by the Ministry of Commerce. In addition, if the Company imports or exports goods as consignee and consignor, it must register with local Customs authority and obtain the PRC Customs Declaration Registration Certificate for Consignors and Consignees pursuant to the Provisions for the Registration of Customs Declaration Agents (《中華人民共和國海關對報關單位註冊登記管理規定》).

## **LAWS AND REGULATIONS RELATING TO ENVIRONMENT AND SAFETY ISSUES**

### **Environmental Law**

Our operations are subject to PRC environmental laws and regulations, which include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Law on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), PRC Law on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the PRC Law on the Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the PRC Law on the Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》) the Administrative Regulations on Environmental Protection for Construction Project (《建設項目環境保護管理條例》), and the Administrative Regulations on Levy and Utilisation of Sewage Charge (《排污費徵收使用管理條例》) (collectively as the “**Environmental Laws**”). The Environmental Laws govern a broad range of environmental matters, including air pollution, noise emissions, sewage, and waste discharge.

According to the Environmental Laws, all business operations that may cause environmental pollution and other public hazards are required to incorporate environmental protection measures into their plans and establish a reliable system for environmental protection. These operations must adopt effective measures to prevent and control pollution levels and harm caused to the environment in the form of waste gas, liquid and solid waste, dust, malodorous gas, radioactive substances, noise, vibration, and electromagnetic radiation generated in the course of production, construction, or other activities.

According to the Environmental Laws, companies are also required to carry out an environmental impact assessment before commencing construction of production facilities and also must install pollution treatment facilities that meet the relevant environmental standards to treat pollutants before discharge.

If a company fails to report and/or register in respect of any environmental pollution caused by it, it will be warned or subject to penalties. If the company then fails to restore the environment to its original state or improve the environment as affected by the pollution within the time limit, it will be penalized, and its business licence may be suspended. Companies or enterprises causing environmental pollutions and hazards are responsible for taking actions to remedy the hazards and consequences caused by the pollutions, and compensation for any loss or damages caused by the environmental pollutions.

Enterprises are required to comply with the applicable national and local environmental laws and regulations.

### **Labour and Safety Law**

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was promulgated on June 29, 2002 by the Standing Committee of the National People's Congress and became effective on November 1, 2002, companies carrying out production activities shall have safe production conditions as required by relevant laws and regulations. The mines and construction entities as well as those engaged in the production, selling and storage of hazardous substances shall establish an administrative organ for production safety or have full-time personnel for the administration of production safety, and other production and business operation companies having more than 300 employees shall form a management department to carry out the functions of production safety or appoint personnel solely responsible for production safety. Companies shall display warning signs at the location and on equipment with high potential risks. Companies shall purchase job-related injury insurance according to relevant laws and regulations.

According to the Fire Control Law of the PRC (《中華人民共和國消防法》) promulgated on September 1, 1998 and amended on October 28, 2008, we are required to submit the design and drawings of a construction project to the relevant fire control bureau for approval before commencement of the construction. Also upon completion of a construction project, fire prevention mechanisms of the construction project should be evaluated and approved by the relevant fire control bureau before commencement of operation.

In addition, we are also subject to other labour and safety laws and regulations in the PRC including the PRC Labour Law (《中華人民共和國勞動法》), the PRC Labour Contract Law (《中華人民共和國勞動合同法》), the Regulation of Insurance for Labour Injury (《工傷保險條例》), the Unemployment Insurance Law (《失業保險條例》), the Provisional Insurance Measures for Maternity of Employees (《企業職工生育保險試行辦法》), Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》). According to the PRC Labour Law and the PRC Labour Contract Law, labour contracts in written form must be executed to establish labour relationships between employers and employees. Wages cannot be lower than the local minimum wage. Companies must establish a system for labour safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

**OTHER LAWS AND REGULATIONS****Tax Law**

On January 1, 2008, the Foreign-funded Enterprise and Foreign Enterprise Income Tax Law of the PRC (《中華人民共和國外商投資企業和外國企業所得稅法》) was abolished, and the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), promulgated on March 16, 2007, became effective. Pursuant to the Enterprise Income Tax Law of the PRC, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

Pursuant to the Notice on the Implementation of the Enterprise Income Tax Transition Preferential Policy (《國務院關於實施企業所得稅過渡優惠政策的通知》), enacted by the State Council of the PRC on December 26, 2007, the preferential tax rate enjoyed by enterprises established prior to the issuance of the new tax law pursuant to relevant tax laws, regulations and documents, will gradually be increased to the statutory tax rate within a transitional period of 5 years from the effective date of the new tax law. The fixed-term preferential tax policies enjoyed by certain enterprises, such as the “two-year exemption and three-year half rate” and the “five-year exemption and five-year half rate”, shall continue to be effective after the implementation of the new tax law in the manner and for the period as specified in relevant tax laws, regulations and documents until the expiration of the preferential period. Enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make a profit will enjoy the aforesaid preferential policy from 2008. In addition, the preferential tax policies for certain enterprises in western regions as set out in the Circular on Issues Concerning Preferential Tax Policies for the Development of Western Regions (《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》) jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, shall continue to apply.

The “Provisional Regulation on VAT of the PRC” (《中華人民共和國增值稅暫行條例》) (“**VAT Regulation**”) was promulgated on December 13, 1993, effective from January 1, 1994 and amended on November 5, 2008. The VAT Regulation is applicable on domestic and foreign invested enterprises selling commodities in the PRC, provision of processing or reparation labour or imports of commodities. Except for the sales or imports of specific categories of commodities which are entitled to a VAT rate of 13%, sales or imports, provision of processing, reparation labour are subject to a tax rate of 17%.

Pursuant to the “Provisional Regulation on Business Tax of the PRC” (《中華人民共和國營業稅暫行條例》) and its implementation rules promulgated on December 13, 1993 and effective from January 1, 1994, enterprises providing various taxable labour services and transfer of intangible assets and sale of fixed assets are subject to Business Tax at a rate ranging from 3% to 20%, depending on the categories of taxable items.

**Trademark Law**

The PRC Trademark Law (《中華人民共和國商標法》) which was promulgated on August 23, 1982, amended on February 22, 1993 and on October 27, 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers and of producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be imposed a fine, ordered to stop the infringement acts immediately, and give the infringed party compensation.

### **Patent Law**

According to the PRC Patent Law (《中華人民共和國專利法》) last amended on August 25, 2000, patent protection is divided into three categories: invention patent, utility patent and design patent. Invention patent is intended to protect new technology or measures for a product, method or its improvement. Utility patent is intended to protect new technology or measures to increase the utility of a product shape, structure or its combination. Design patent is intended to protect new designs by combination of product shape, graphic or color with aesthetic and industrial application value.

### **Regulations on Dividend Distribution**

Under applicable PRC laws and regulations, wholly foreign-owned enterprises and joint ventures in China may pay dividends only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, wholly foreign-invested enterprises in China are required to allocate at least 10% of their accumulated after-tax profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprise. These reserves are not distributable as cash dividends.

According to the Enterprise Income Tax Law and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign investors will be subject to a 10% withholding tax if the foreign investors are considered as non-resident enterprises that are without any establishment or premise of business within China or if the dividends payable to such foreign investors do not have any connection with the establishment or premises of business of the foreign investors within China, to the extent that the dividends are deemed China-sourced income, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement.

**Foreign Exchange**

Pursuant to the Regulation of Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》), which was promulgated on January 19, 1996, as amended on January 14, 1997 and on August 1, 2008 by the State Council, Renminbi are freely convertible for current account items, such as trade-related receipts and payments, interest and dividends. However, conversion of Renminbi and remittance of the foreign currency outside the PRC for capital account items, such as direct equity investments, loans and repatriation of investment, are subject to prior approval from SAFE or its local counterpart.