

SCHEDULE IV**RMB-denominated Account Disclosures**

China Merchants Bank, New York Branch (the **Branch**) makes the following important disclosures in respect of the Customer's captioned RMB-denominated account with the Branch (the **Account**).

The RMB is not freely convertible; there are significant restrictions on remittance of RMB into and outside the PRC.

The RMB is not freely convertible. The government of the People's Republic of China (the **PRC**) continues to heavily regulate conversion between the RMB and foreign currencies. The PRC has implemented various pilot programs permitting the settlement of trade transactions in RMB between certain designated cities and provinces in the PRC and any location outside of China. These transactions are, however, limited to current account activities.

Subject to limited exceptions, there is currently no specific PRC regulation on the remittance of RMB into the PRC for settlement of capital account items. Foreign investors may only remit offshore RMB into the PRC for capital account purposes such as shareholders' loans or capital contributions upon obtaining specific approvals from the relevant authorities on a case by case basis.

The scope and limits of cross-border settlement of current account and capital account items is more fully described in Appendix 1 below.

There is only limited availability of RMB outside the PRC.

As a result of the restrictions by the PRC government on cross-border RMB fund flows, the availability of RMB outside the PRC is limited. It is expected that the offshore RMB market will continue to grow in depth and size; however, its growth is subject to many constraints as a result of global and PRC political and economic conditions and PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated in the future which will have the effect of restricting availability of RMB offshore. To the extent the Branch is required to source RMB in the offshore market to pay interest on the Account, there is no assurance that the Branch will be able to source such RMB on satisfactory terms, if at all.

RMB-denominated accounts are subject to exchange rate risks.

The value of the RMB against foreign currencies (including the U.S. dollar) fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The Branch will make all settlements (including payment of interest and withdrawals) with respect to the Account in RMB. As a result, the value of the Account may vary with the prevailing exchange rates in the marketplace. If the value of the RMB depreciates against foreign currencies (including the U.S. dollar), the value of the Customer's funds in foreign currency terms will decline.

The Customer acknowledges that it has carefully reviewed and understood the disclosure set forth above. The Customer further represents, warrants and agrees that:

- (a) none of the funds to be deposited in the Account, now or in the future, have been or will be obtained, directly or indirectly, in contravention of any applicable laws and regulations, including PRC laws in respect of its currency;

SCHEDULE IV

- (b) in accordance with Section II of the Customer Account Agreement between the Customer and the Branch (the **Account Agreement**), the Branch may request evidence of the source of any funds to be deposited in the account, and all information provided in connection with such requests shall be true, correct and complete as of the date it is provided to the Branch;
- (c) it shall at all times act in accordance with all applicable laws and regulations, including PRC laws in respect of its currency, in connection with any transactions conducted with or through the Branch;
- (d) it shall obtain all necessary approvals for any foreign currency transaction, including any RMB transaction, and agrees that the Branch's performance of its obligations is at all times subject to compliance, in such manner as the Branch sees fit, with any exchange controls or other restrictions or rules in force at the time of, or otherwise affecting, any transaction; and
- (e) as further set forth in Sections VII.B and X.D of the Account Agreement, the Branch reserves the right to limit the scope of withdrawals and fund transfers and to refuse to accept for deposit or collection a check, draft or other item that is payable in foreign currency or that is drawn on a bank or branch outside the United States.

APPENDIX 1

REMITTANCE OF RMB INTO AND OUTSIDE THE PRC

RMB is not a freely convertible currency. The remittance of RMB into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the People's Republic of China (**PRC**).

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which RMB may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On June 17, 2010, the PRC government promulgated the *Circular on Issues Concerning the Expansion of the Scope of the Pilot Program of RMB Settlement of Cross-Border Trades (Yin Fa (2010) No. 186)* (the **Circular**), pursuant to which (i) RMB settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces including Guangdong, and (iii) the restriction on designated offshore districts has been lifted. Accordingly, any enterprises in the designated pilot districts and any offshore enterprises are entitled to use RMB to settle any current account items between them. In particular, any foreign invested enterprises located in the designated pilot districts may remit all lawful dividends and distribution payments in RMB to its foreign investors outside the PRC.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

There are currently no PRC rules that expressly permit the cross-border remittance of RMB for capital account payments. Instead, capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares and reduction of capital to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make capital contributions to a foreign invested enterprise with RMB lawfully obtained by it outside the PRC on a trial basis.

As there is currently no specific PRC regulation on the remittance of RMB for settlement of transactions categorized as capital account items, there is no assurance that approval of such remittances will continue to be granted. Further, if any new PRC regulations are promulgated in the future which have the effect of



permitting or restricting (as the case may be) the remittance of RMB for payment of transactions categorized as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.