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REGULATIONS FOR CHINA PROPERTY'S MARKET

Establishment of a Real Property Development Enterprise

According to (i) the PRC Law on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》, the “PRC Urban Real Estate Administration Law”) promulgated by the National People’s Congress, effective in January 1995, as amended in August 2007, (ii) the Regulations on Administration of Development of Urban Real Estate (《城市房地產開發經營管理條例》) promulgated by the State Council in July 1998, and (iii) the Notice on Relevant Issues Concerning Carrying out the Circular 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〉有關問題的通知》) promulgated by the Ministry of Commerce (商務部, the “MOFCOM”) in August 2006, a real estate developer is defined as an enterprise that engages in the development and operation of real properties for profit. A foreign-invested real estate developer must: (i) have a registered capital of at least RMB1 million; (ii) if its total investment exceeds US\$3 million, its registered capital must not be less than 50% of the total investment amount; (iii) if its total investment is less than or equal to US\$3 million, its registered capital must not be less than 70% of its total investment amount; and (iv) have at least four full-time professional real properties or construction technicians and two or more full-time accounting officers, each of whom must hold the relevant certificate.

A real estate developer must register with the administration for industry and commerce and it must also report to the relevant real estate authority within 30 days upon its establishment. A foreign-invested real estate developer must comply with additional requirements and apply for approvals relating to foreign investments in China.

According to the applicable PRC laws and regulations, including the Company Law (《公司法》), the Law of the People’s Republic of China on Chinese-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) and its implementing regulations, and the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and its implementing rules, the capital increase of a foreign-invested real estate developer is subject to the approvals from the relevant authorities in charge of commercial, corporate and foreign exchange matters.

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Qualifications of a Real Estate Developer

According to the Provisions on Administration of Qualifications of Real Estate Developers (《房地產開發企業資質管理規定》, the “Provisions on Administration of Qualifications”), a real estate developer must obtain a qualification certificate for real property development. Under the Provisions on Administration of Qualifications, real estate developers are classified into four classifications as below:

Classification	Competent approval authority	Eligibility
1	(i) preliminary examination by the construction authorities at the provincial level and final approval by the Ministry of Construction.	(i) undertaking projects of any scale and in any location in China.
2, 3 & 4	(i) construction administrative authorities at the provincial level.	(i) undertaking projects with a gross floor area (“GFA”) less than 250,000 sq.m. (ii) subject to confirmation by the construction administrative authorities at the provincial level.

In approving the applications for qualification certificates, the construction authorities will review the qualifications of professionals employed by a developer and its financial condition and operating results. A developer that passes the qualification examination will typically be issued a qualification certificate of the appropriate classification. A developer may only engage in real property development and sale within the scope permitted for the corresponding classification.

For a newly established real estate developer, the construction authority will typically issue a provisional qualification certificate, if it is an eligible developer, within 30 days of receipt by the authority of the application. The provisional qualification certificate will be effective for one year from its date of issue and may be extended for no more than two additional years with the approval of the construction authority. The real estate developer must apply for the renewal of the qualification classification within one month prior to the expiry of the provisional qualification certificate.

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Development of a Real Properties Project

According to the amended and restated Catalog of Guidance on Industries for Foreign Investment (《外商投資產業指導目錄》, the “MOFCOM Catalog”) promulgated by MOFCOM and the National Development and Reform Committee (國家發展改革委員會, the “NDRC”) in December 2011:

- the mass development of land lots (土地成片開發) falls within restricted category and is only permitted for Sino-foreign equity joint ventures or Sino-foreign contractual joint ventures;
- the construction and operation of villas by foreign investors is prohibited;
- the construction and operation by foreign investors of high-end hotels, high-end office buildings and international conference centers falls within restricted area; and
- foreign investment is generally permitted in all other real property development.

To the extent permitted under the MOFCOM Catalog, a foreign real estate developer may establish joint ventures or wholly foreign owned enterprises in accordance with the PRC laws and administrative regulations governing foreign-invested enterprises.

According to the Interim Provisions on Approving Foreign Investment Projects (《外商投資項目核准暫行管理辦法》) promulgated by NDRC in October 2004 and the Notice on Delegation of Power of Approval for Foreign Investment Projects (《關於做好外商投資項目下放核准權限工作的通知》), NDRC approval is required for foreign investment projects as below:

Approval level	Foreign Investment Projects
NDRC	(i) restricted projects with a total investment of at least US\$50 million, or (ii) encouraged or permitted projects with a total investment of at least US\$300 million.
the State Council	(i) restricted projects with a total investment of at least US\$100 million, or (ii) encouraged or permitted projects with a total investment of at least US\$500 million.
NDRC local counterparts	(i) restricted projects with a total investment less than US\$50 million, or (ii) encouraged or permitted projects with a total investment less than US\$300 million, except for those are subject to the approval of the relevant departments of the State Council as prescribed in the Catalogue of Investment Projects Authorized by the Government (《政府核准的投資項目目錄》).

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According to the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Construction in December 1992, the Notice on Strengthening the Planning Administration of Granting and Transferring Right to Use State-owned Land (《建設部關於加強國有土地使用權出讓規劃管理工作的通知》) promulgated by the Ministry of Construction in December 2002 and the Law of the PRC on Urban and Rural Planning (《中華人民共和國城鄉規劃法》, the “PRC Urban and Rural Planning Law”), promulgated by the National People’s Congress (the “NPC”) in October 2007 and became effective in January 2008, after concluding land use right grant contract, a real estate developer must apply for a construction land planning permit and a construction works planning permit from the relevant municipal planning authority.

When the land has been properly prepared and the developer is ready to commence the construction, unless the law does not require such application, it must apply for a construction permit to the construction authorities at or above the county level, according to the Measures for Administration of Granting Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Construction in October 1999, as amended in July 2001. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (《國務院辦公廳關於加強和規範新開工項目管理的通知》) promulgated by the General Office of the State Council in November 2007, before commencement of construction, all projects must fulfill certain conditions, including, among other, compliance with national industrial policy, the relevant development plan, land supply policy and market access standards, completion of all approval or registration procedures, compliance with the relevant zoning plan, completion of proper land use procedures and obtaining proper environmental protection approvals and construction permits or commencement reports.

The development of a real properties project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. The Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council in January 2000 set out respective quality responsibilities and liabilities for construction companies, reconnaissance companies, design companies, construction contractors and construction supervision companies. According to the Regulations on Energy Efficiency for Civil Buildings (《民用建築節能條例》) promulgated by the State Council in August 2008, civil buildings shall seek to reduce the energy consumption of buildings and make energy utilization more efficient.

After a building is completed, a real estate developer must organize an examination of completion by the relevant government authorities and experts, according to the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收暫行規定》) promulgated by the Ministry of Construction in June 2000. A developer must file certain documents with the relevant local construction authority at or above the county level within 15 days after the construction is qualified for the

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acceptance examination. A real property development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out upon completion of a certain phase.

Land for Property Development

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (《關於印發<限制用地項目目錄(2012年本)>和<禁止用地項目目錄(2012年本)>的通知》) promulgated by the Ministry of Land and Resources in May 2012, the transferred area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) 20 hectares for large cities and plot ratio which is not more than 1.0.

According to the Regulations on the Grant of State-owned Construction Land Use Right Through 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》), the “Regulations on Grant of State-owned Land Use Right” promulgated by the Ministry of Land and Resources in May 2002, amended in September 2007 and effective in November 2007, the Urgent Notice for Further Strengthening the Administration of the Land (《關於當前進一步從嚴土地管理的緊急通知》), the “Urgent Notice on Land Administration” promulgated by the Ministry of Land and Resources in May 2006, land use right for real property development must be granted through public tender, auction or listing-for-sale. According to these regulations, the relevant land administration authority at the city or county level, or the grantor, is responsible for preparing the public tender or auction documents and must make an announcement 20 days prior to the day of public tender or auction with respect to the particulars of the land and the time and venue of the public tender or auction. The grantor must also verify the qualification of the bidding and auction applicants, accept an open public auction to identify the successful tender or hold an auction to identify a successful bidder. The grantor and the successful tender or bidder will then enter into a land use right grant contract in the forms of the “Model Template of the State-owned Land Use Right Granting Contract” (《國有土地使用權出讓合同示範文本》) and the “Model Template of the Supplementary Agreement to State-owned Land Use Right Granting Contract (for trial implementation)” (《國有土地使用權出讓合同補充協議示範文本(試行)》) according to the Urgent Notice on Land Administration.

According to the PRC Property Rights Law (《中華人民共和國物權法》), the “Property Rights Law” promulgated by the NPC in March 2007 and effective in October 2007, when the term of the land use right for residential construction (but not other) purposes expires, it will be renewed automatically. Unless it is otherwise prescribed by any law, the owner of such land use right has the right to transfer, exchange, and use these rights as equity contributions or collateral for financing. If the state appropriates the premises owned by entities or individuals, it must compensate the property owners and protect their rights and interests.

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According to the Notice on Strengthening the Disposing of Idle Land (《關於加大閒置土地處置力度的通知》) promulgated by the Ministry of Land and Resources in September 2007 and the Rules on Land Registration (《土地登記辦法》) promulgated by the Ministry of Land and Resources in December 2007 and effective in February 2008, the land use right ownership certificate must not be issued prior to full payment of the land grant consideration.

According to the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》) jointly promulgated by the Ministry of Finance, the Ministry of Land and Resources, The People's Bank of China ("PBOC"), the PRC Ministry of Supervision and the PRC National Audit Office in November 2009, the Notice on Issues Related to Strengthening Real Estate Supply and Supervision (《關於加強房地產用地供應和監管有關問題的通知》) promulgated by the Ministry of Land and Resources in March 2010 and the Urgent Notice on Further Tightening Management on Use of Land for Real Estate and Stabilizing the achievements of Macro-control on Real Estate Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》) jointly promulgated by the MOHURD and the Ministry of Land and Resources in July 2012, the deposit for bidding land use right shall not be less than 20% of the base prices. The real estate developers are required to execute the land use right grant contract within 10 working days upon the successful bidding and make the down payment of at least 50% of the total land grant consideration within one month with the remaining balance to be paid within one year from the execution of the land use right grant contract. Local government authorities are required to strictly enforce the penalties on real estate developers that have delayed in the payment for land grant consideration or the construction due to their fault and the restrictions on them from acquiring new land.

According to the Measures on Disposal of Idle Land (《閒置土地處置辦法》) promulgated by the Ministry of Land and Resources in April 1999, as amended in May 2012 and effective in July 2012, an idle land fee may be imposed on the land that has not been developed within one year from the commencement date set out in the relevant land use right grant contract. Land use right may be forfeited, without compensation, if the land has not been developed within two years from the commencement date set out in the relevant land use right grant contract.

According to the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》) jointly promulgated by the Ministry of Land and Resources and the MOHURD in September 2010, the Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets (《關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知》) promulgated by the Ministry of Land and Resources in December 2010 and the Urgent Notice on Further Tightening Management on Use of Land for Real Estate and Stabilizing the achievements of Macro-control on Real Estate Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》): (i) lands sold through auction at prices exceeding 50% of the base prices or the total prices or unit prices hit a highest record shall be promptly reported to the Ministry of Land and Resources and the provincial offices of the Ministry of Land and Resources with the Schedule of Abnormal Land Transactions (《房地產用地交易異常情況一覽表》) within 2 working

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days upon the signing of the successful bidding; (ii) if any land which has been designated for affordable housing is used for property development against relevant policies, the illegal income will be confiscated and the relevant land use right will be forfeited. In addition, changing the plot ratio without approval is strictly prohibited.

According to the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》) jointly promulgated by the Ministry of Land and Resources and the MOHURD in September 2010, the real estate developers and their controlling shareholders who hold idle land for more than one year due to their own fault are prohibited from participating in land bidding process until such activities have been rectified.

According to the Notice on Further Regulating the Real Estate Market (《國務院辦公廳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 State Council in January 2011, if a real estate developer fails to obtain the construction permits or commence the construction within two years from the date specified in the land use right grant contract, the relevant land use right will be forfeited and an idle land fee will be imposed. Further, a real estate developer is not allowed to transfer its land or real property development projects if its investment in the projects (excluding the land grant consideration) is less than 25% of the total investment amount.

According to the Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2011 (《關於切實做好2011年城市住房用地管理和調控重點工作的通知》) promulgated by the Ministry of Land and Resources in February 2011, construction land for 10 million units of affordable housing units shall be implemented in 2011. It also requires that the target total supply of urban housing land shall not be lower than the annual average supply for the preceding 2 years.

According to the Notice on Implementation Measures on Urban Housing Land Management and Regulation in 2012 (《關於做好2012年房地產用地管理和調控重點工作的通知》) promulgated by the Ministry of Land and Resources in February 2012, the target total supply of urban housing land shall not be lower than the annual average supply for the preceding 5 years.

According to the Notice on Strictly Implementing the Land Use Standards and Vigorously Promoting the Saving and Intensification of Use of Land (《關於嚴格執行土地使用標準大力促進節約集約用地的通知》) promulgated by the MLR in September 2012, the developers are restricted from obtaining approvals for the use of the parcels of land that: (i) fall under the Catalog for Prohibited Land Use Projects, (ii) do not comply with the conditions set out in the Catalog for Restricted Land Use Projects, (iii) do not meet the requirements with respect to the investment intensity, plot ratio, building coefficient, proportion of administrative, office and living service facilities and rate of green space set out in the Industrial Project Control Indicators, (iv) total area of the land or that of several function zones exceeds the land use indicators, (v) the land area and plot ratio do not comply with the land supply conditions. For the land which exceeds the land use indicators but has passed the evaluation and obtained

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approvals from the local government, all relevant documents including land supply plans, allocation decisions, land use right grant contracts, expert assessment opinions as well as official governmental approvals shall be filed with the relevant land authorities at the provincial level through land market dynamics monitoring system.

As advised by our PRC legal advisors, Jun He Law Offices, “affordable housing” generally refers to those provided by the government or enterprises authorized by the government at a rental or selling price lower than the market price to households who have difficulties in meeting their basic accommodation needs. Our residential properties do not fall under the scope of “affordable housing”. Our PRC legal advisors further advised that, according to the respective local regulations of Nanjing, Yangzhou and Zhuzhou, “small to medium-sized ordinary commodity houses” refers to residential properties with a GFA of not more than 144 sq.m. As of 30 September 2012, approximately 29,347 sq.m., or 81%, of the total saleable GFA of our residential properties (completed and under development) are categorized as small to medium-sized ordinary commodity houses under the relevant PRC laws and regulations, which will remain as our focus for residential property development.

Pre-sale of Commodity Houses

State Level

According to the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area (《城市商品房預售管理辦法》) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and July 2004, a commodity building may be sold before completion only if all of the following requirements are satisfied: (i) the land use right grant consideration has been paid in full and a land use right ownership certificate has been obtained; (ii) both the construction planning permit and the construction permit have been obtained; (iii) funds invested in the development of the commodity buildings for pre-sale represent 25% or more of the total investment in the project and the construction progress as well as the completion and delivery dates have been ascertained; and (iv) the pre-sale permit has been obtained.

According to the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area (《城市商品房預售管理辦法》) and the Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (《關於進一步加強房地產市場監管完善商品房預售制度有關問題的通知》) promulgated by the MOHURD in April 2010, without the pre-sale approval, the commodity properties are not permitted to be pre-sold, the real estate developer are not allowed to charge the buyer any deposit, pre-payment or other payments, and the real estate developer shall not participate in any exhibition or sales activities.

The Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses (《關於進一步加強房地產市場監管完善商品房預售制度有關問題的通知》) requires a developer to make public the information of all

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houses permitted for sale and prices within 10 days, clearly mark the prices, and sell the houses in strict accordance with the published prices. According to the Measures for Administration of Pre-sale of Commodity Buildings in Urban Area (《城市商品房預售管理辦法》), the pre-sale incomes must only be used to the relevant project.

According to the Opinions on Stabilizing Housing Prices (《關於做好穩定住房價格工作的意見》) jointly promulgated by the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and Resources, PBOC, the State Administration of Taxation and the China Banking Regulatory Commission (“CBRC”) in April 2005, the transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden. In addition, purchasers are required to buy properties in their real names. Any pre-sale contract must also be filed electronically online immediately after its execution.

Local Level

According to the Several Opinions of Zhuzhou Municipal People’s Government on Promoting the Steady and Healthy Development of the Real Estate Market (《株洲市人民政府關於促進房地產市場穩定健康發展的若干意見》) promulgated by Zhuzhou Municipal People’s Government in March 2009, the additional requirements for a project to pre-sale in Zhuzhou are: (i) the outward project progress of a multi-storey building shall not be less than 1/3; (ii) the outward project progress of a high-rise building shall not be less than 1/5.

The places where our Group’s other construction projects are located, such as Nanjing and Yangzhou, currently have not promulgated local implementation rules for the regulation of commercial housing pre-sale funds. As advised by our PRC legal advisors, Jun He Law Offices, even though there have not been any recent material changes to PRC laws and regulations governing the pre-sale activities of property developers either at state level or in Nanjing, Yangzhou and Zhuzhou, the local authorities have adopted a more prudent and stringent approach when reviewing the applications and granting permits for pre-sale activities in the recent two years.

Sale of Commodity Houses

According to the Measures for Administration of Sale of Commodity Houses (《商品房銷售管理辦法》) promulgated by the Ministry of Construction in April 2001, the conditions for a post-completion sale are that: (i) the developer has obtained its own business license and the real estate development qualification certificate; (ii) the developer has obtained the land use right ownership certificate or other documents evidencing the legal grant of land use right; (iii) the developer has obtained the construction works planning permit and construction permit; (iv) the commodity properties have passed the final examination and acceptance of completion; (v) the relocation of the original residents (if any) has been completed; (vi) the ancillary infrastructure facilities for supplying water, electricity, heating, gas, communication, etc. and other public facilities have been arranged and are ready for use and hand over; and (vii) the property management proposal has been concluded.

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According to the Regulation on Clear Pricing of Commercial Property (《商品房銷售明碼標價規定》) promulgated by NDRC in March 2011 and effective in May 2011, the real estate developers shall clearly mark the sales prices of houses.

Civil Defense Property

According to the PRC Law on National Defense (《中華人民共和國國防法》) promulgated by the NPC in March 1997, as amended in August 2009, national defense assets are owned by the state. According to the PRC Law on Civil Air Defense (《中華人民共和國人民防空法》, the “Civil Defense Law”) promulgated by the NPC in October 1996, as amended in August 2009, civil defense is an integral part of national defense. The Civil Defense Law encourages the public to invest in the construction of civil defense property. Investors in civil defense are permitted to use (including lease), manage the civil defense property in time of peace and profit therefrom.

Transfer of Real Property

According to the PRC laws and the Provisions on Administration of Transfer of Urban Real Estate (《城市房地產轉讓管理規定》) promulgated by the Ministry of Construction in August 1995, as amended in August 2001, a real estate owner may sell, gift or otherwise legally transfer the property to another individual or legal entity. When transferring a building, the titles to the building and the underlying land use right are transferred together. The parties to a transfer must enter into a written real property transfer contract and register the transfer with the relevant real estate authority within 90 days upon the execution.

The real property may only be transferred the granted land use right on the condition that: (i) the land grant consideration has been paid in full and a land use right ownership certificate has been properly obtained; and (ii) in the case of a project under development, development representing more than 25% of the total investment has been completed; or (iii) in case of a whole land lot development project, construction works have been carried out as planned, the civil infrastructure and public facilities have been made available, and the land has been leveled and is ready for industrial or other construction purposes.

Lease of Buildings

According to the Measures for the Administration of Commodity House Leasing (《商品房租賃管理辦法》) promulgated by MOHURD in December 2010 and effective in February 2011, the parties to a leasehold arrangement of a property must enter into a written lease contract. When a lease contract is signed, amended or terminated, the parties must register the details with the construction (real estate) administrative department of the people’s government of the municipality directly under the Central Government, city or county at the place where the leased house is located within 30 days after the execution for the purpose of protecting the tenant’s interest, failing which the parties will be ordered to rectify and subject to fine.

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Mortgage of Real Properties

According to the Procedures for Property Registration (《房屋登記辦法》) promulgated by the Ministry of Construction in February 2008 and effective in July 2008, a registered owner of housing property rights must also own the underlying land use right.

According to the PRC Urban Real Estate Administration Law, the PRC Security Law (《中華人民共和國擔保法》) promulgated by the NPC in June 1995, and the Measures for Administration of Mortgages of Urban Real Estate (《城市房地產抵押管理辦法》) promulgated by the Ministry of Construction in May 1997, as amended in August 2001, when a mortgage is created over a building, it must be simultaneously created over the underlying land use right. The mortgage contract must be in writing. After the contract has been signed, the parties must register the mortgage with the relevant real estate authority. A mortgage contract will become effective on its date of registration.

Commercial Bank Loans

On 5 June 2003, the PBOC promulgated the Circular on Further Strengthening the Management of Loans for Property Business (《關於進一步加強房地產信貸業務管理的通知》). According to this notice, commercial banks shall focus their business on supporting real estate projects targeted at mid-to lower-income households and appropriately restrict the granting of real estate loans to projects for the construction of luxury apartments and houses. The notice provides that when applying for bank loans, a real estate development company must contribute at least 30% of the total investment of the project from its own funds, and prohibits banks from advancing funds to real estate developers as working capital or for payment of land premiums.

On 12 August 2003, the State Council published the Notice by the State Council on Facilitating Sustained and Healthy Development of the Real Estate Market (《國務院關於促進房地產市場持續健康發展的通知》), which provides a series of measures to control the real estate market, including but not limited to enhancing the gathering and granting of public housing fund (住房公積金), perfecting the security of the residential loan and strengthening the supervision of real estate loans. The purpose of the notice is to create a positive influence on the long-term development of the real estate market in China.

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

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On 16 March 2005, the PBOC promulgated a Notice on Adjusting the Housing Loan Policy and Deposit Rate of Excess Reserves for Commercial Banks (《關於調整商業銀行住房信貸政策和超額準備金存款利率的通知》) which cancelled the preferential mortgage lending interest rate for individuals and restricted on the minimum mortgage loan rate to 0.9 times the benchmark rate. The PBOC also increased the public housing fund loan rate (住房公積金貸款利率) by 0.18% and permitted commercial banks to decrease the mortgage loan rate from 80% to 70% of the value of the property if it is located in a city where property prices are increasing too rapidly.

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

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

On 25 May 2009, the State Council issued the Notice on Adjusting the Proportion of Capital in Fixed Asset Investment Projects (《國務院關於調整固定資產投資項目資本金比例的通知》). The Notice provides that the minimum capital requirement for affordable housing and ordinary commodity apartments are 20%, and the minimum capital requirement for other real estate development projects is 30%. These regulations apply to both domestic and foreign investment projects.

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

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On 29 July 2008, PBOC and CBRC issued the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》), which among other things,

- restrict PRC commercial banks from granting loans to property developers for the purpose of paying land premiums;
- regulate the secured loans for land reserve in various respects including to obtain land use certificate, to secure up to 70% value of security's appraised valuation, and to limit the length of maturity in no more than two years;
- prudently grant or extend loans to the property developer who (i) delay the commencement of development date specified in the land transfer agreement more than one year, (ii) has not finished one-third of the intended project, or (iii) has not invested the quarter of the intended total project investment;
- restrict granting loans to the property developer, the land of which is idle for two years; and
- restrict taking idle land as a security for loans.

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

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

On 31 December 2009, the China Banking Association issued the Self-regulation Consensus on the Regulation of Real Estate Mortgage Loan Business for Individuals and Maintain Market Order (《關於規範做好個人房地產按揭貸款業務維護市場秩序的自律共識》), pursuant to which, (1) all members of the China Banking Association are required to strengthen their business operations with respect to real estate mortgage loans for individuals, and (2) commencing from 1 January 2010, all members of the China Banking Association are prohibited from paying commissions to real estate brokers or other intermediaries for pure business solicitation and introduction purposes that are not in proportion to the services rendered by such persons.

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The PBOC raised the Renminbi deposit reserve ratio for large-scale financial institutions by 0.5% as of 18 January 2010 to 16%. The adjustment of the deposit reserve ratio is intended to slow the growth of money supply, which may adversely affect demand for property in China.

The PBOC decided to raise the Renminbi deposit reserve ratio of the deposit financial institutions (存款類金融機構) by 0.5% as of 25 February 2010 to 16.5%. The deposit reserve ratio of the small-scale financial institutions such as the rural credit cooperatives will temporarily remained.

The PBOC decided to raise the Renminbi deposit reserve ratio of the deposit financial institutions (存款類金融機構) by 0.5% as of 10 May 2010 to 17.0%. The deposit reserve ratio of the small-scale financial institutions such as the rural credit cooperatives will temporarily remained.

On 17 April 2010, the State Council issued the Notice on Firmly Preventing Property Price from Increasing too Fast 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》), according to which a stricter differential housing credit policy shall be enforced. It provides that, among other things, (1) for first-time family buyer (including the borrower, his/her spouse and his/her underage children, similarly hereinafter) of the apartment larger than 90 sq.m., a minimum 30% down payment must be paid; (2) the down payment requirement on second-home mortgages was raised to at least 50% from 40% and also reiterated that an extra 10% should be adopted on interest rates for such buyers; and (3) for those who buy three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks can suspend housing loans to third or more home buyers in places where house prices rise too rapidly and too high and home supply is insufficient.

On 7 October 2010, Shanghai Municipal Government approved the Several Opinions on Further Strengthening the Control of Real Estate Market and Speeding up Housing-Security Programs of Shanghai (《關於進一步加強本市房地產市場調控加快推進住房保障工作的若干意見》), according to which:

- On the basis of the Notice on Firmly Preventing Property Price from Increasing too Fast 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》), it further prohibited all commercial banks from making loans to the family buyers who buy three or more apartments in Shanghai.
- For the family who buy its first property with a GFA larger than 90 sq.m. and apply for housing fund loans, a minimum 30% of down payment is required, and the ceilings of the housing fund loan shall be RMB600,000; for the family who buy its second property for improving its living condition, a minimum 50% of down payment is required and the ceilings of the housing fund loan is RMB400,000; all the Housing Fund Management Centers shall suspend making loans to the family who apply for its second property, which could not be defined as a living-condition-improving property; the family who buy its three or more properties, the making of housing fund loans is prohibited.

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- Since the date that this Opinion being issued, any family (including both the husband and wife, and their underaged children) of Shanghai or other provinces can buy only one property in Shanghai.
- Land appreciation tax shall be levied according to the ratio of the average price of house sold (A) by the company to the average price of all newly built house (B) in the whole area of last year: when A is lower than B, the land value appreciation tax shall be levied at the rate of 2%; when A does not exceed 2B, the tax rate shall be 3.5%; when A exceeds 2B, the tax rate shall be 5%.
- As to any real estate project which has obtained its Construction Licence after 1 July 2010, the requirements for it to apply for Pre-sale Permits shall be adjusted. The real estate project aforesaid can only apply for their pre-sale permits after its completion of capping main structure and passing the inspection.
- Relevant authorities are required to strengthen their managements on approval of planning, construction and pre-sale. Separately applying for limits of planning, construction and pre-sale are restricted. The scale of construction and pre-sale of a real estate project shall be no less than 30,000 sq.m. GFA. Real estate project with less than 30,000 sq.m. GFA is required to get Construction Planning Permit, Construction Licence and Pre-sale Permit at a single time.
- Real Estate Enterprises should strictly price its products according to the price it declared to relevant authorities. Whenever the actual price is higher than the declared one, it is required to file the new price to relevant authorities in timely fashion.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》), which (i) raised the minimum down payment to 30% for all first home purchases with mortgage loans; (ii) required commercial banks in China to suspend mortgage loans to: (1) customers for their third or more residential property purchase, and (2) to non-local residents who cannot provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) restricted the grant of new project bank loans or extension of credit facilities for all property companies with non-compliance records regarding, among other things, holding idle land, changing the land use to that outside the scope of the designated purpose, postponing construction commencement or completion, or hoarding properties.

Property Management

According to the Regulation on Property Management (《物業管理條例》) promulgated by the State Council in June 2003 and effective in September 2003, and as amended in August 2007, the government implements a qualification scheme system in monitoring the property service providers.

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According to the Measures for the Administration of Qualifications of Property Service Enterprises (《物業管理企業資質管理辦法》) promulgated by the Ministry of Construction in March 2004, as amended in November 2007, a property service provider must apply for an assessment of its qualification by the relevant qualification approval authority. A service provider that passes such a qualification assessment will typically be issued a qualification certificate. No enterprise may engage in the provision of property management services without the qualification certificate.

According to the Regulation on Property Management, “property management” includes security, property maintenance, cleaning and so forth. The marketing and operations management of the shopping malls carried out by our Group focused on the overall management of the operation of shopping malls, including identifying the target customers and creating the image of the shopping malls, organizing the marketing campaigns and overseeing the overall operation. As such, the operational management carried out by our Group does not fall under the scope of the “property management” as defined under the Regulation on Property Management and we are not required to obtain any qualification certificate for our operational management business.

According to the MOFCOM Catalog, foreign investors are allowed to incorporate property management enterprises in the nature of equity joint ventures, contractual joint ventures or wholly foreign owned enterprises. Before the registration with the relevant SAIC, the foreign-invested property management enterprises must obtain a certificate of approval issued by relevant branches of MOFCOM.

Insurance

There is no mandatory provision under the PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real property developments. According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non-performance of contract in the course of construction and other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks typically ceases immediately after the completion and acceptance of construction.

Impact of the PRC Governmental Austerity Measures

Land supply

The Opinions on Housing Supply Structure and Stabilization of Property Prices (《關於調整住房供應結構穩定住房價格的意見》) jointly promulgated by the Ministry of Construction, NDRC, PBOC and other relevant PRC government authorities in May 2006, the Notice on Implementation of the State Council’s Certain Opinions on Resolving Difficulties of Urban Low-income Families in Housing and Further Strengthening Macro-control of Land Supply (《關

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於認真貫徹國務院〈關於解決城市低收入家庭住房困難的若干意見〉進一步加強土地供應調控的通知》) promulgated by the Ministry of Land and Resource in September 2007 reiterate existing measures and introduced additional measures to further curb rapid increases in property prices in large cities and to promote healthy development of the PRC property market. These measures include:

- requires that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to-medium-cost and small-to-medium-size units and low-cost rental properties;
- requires that at least 70% of residential projects approved or constructed on or after 1 June 2006 must consist of units with a GFA of less than 90 sq.m. per unit.

The Urgent Notice on Further Tightening Management on Use of Land for Real Estate and Stabilizing the achievements of Macro-control on Real Estate Market (《關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》) requires to further increase the land supply for common commodity housing.

Purchase limitations and financing policies of residential properties

The Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》) promulgated by the General Office of the State Council in January 2010, the Notice on Firmly Preventing Property Price from Increasing too Fast in Certain Cities (《關於堅決遏制部分城市房價過快上漲的通知》) promulgated by the State Council in April 2010, the Notice on the Relevant Issues regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) jointly promulgated by the PBOC and the CBRC in September 2010, the Notice on Promoting Housing Financial Services and Strengthening Risk Management (《關於做好住房金融服務加強風險管理的通知》) promulgated by the CBRC in March 2011, the Notice on Further Strengthening the Market Control of Real Estate (《關於進一步做好房地產市場調控工作的通知》) promulgated by the General Office of Nanjing Municipal People's Government in February 2011 and the Notice on Reducing Benchmark Interest Rates of RMB Deposits and Loans of Financial Institutions and Adjusting the Floating Range for Interest Rates of Deposits and Loans (《關於下調金融機構人民幣存貸款基準利率和調整存貸款利率浮動區間的通知》) promulgated by PBOC in June 2012 adopt a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculation of properties, and strengthen risk prevention and market supervision as follows:

- for the first-time home buyer, a down payment of at least 30% of the purchase price for an ordinary housing with a GFA above 90 sq.m. and the interest rate shall not be lower than 70% of the relevant PBOC benchmark rate;

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- for the second-time home buyer, a down payment of at least 60% of the purchase price and the interest rate shall not be lower than 110% of the relevant PBOC benchmark rate.

According to the Circular on Regulating the Criteria for Identifying the Second Housing Unit in Connection with Commercial Mortgage Loans (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》) jointly promulgated by the MOHURD, the PBOC and the CBRC in May 2010, in identifying the second housing unit owned by an individual purchaser who is applying for a mortgage loan, the number of household housing units shall be determined by taking into account all housing units owned by the family members of such purchaser (including the purchaser and such purchaser's spouse and children under the age of 18).

The Notice on the Relevant Issues regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) jointly promulgated by the PBOC and the CBRC in September 2010 requires commercial banks to suspend the grant of loans to individuals for their purchase of third or more residential properties. The notice further requires that all commercial banks to suspend the grant of loans for the purchase of residential properties by non-residents who cannot provide evidence of payment of local taxes or contribution to social insurance funds for more than one year.

On 11 March 2011, the people's governments of 34 cities, including Beijing, Shanghai, Guangzhou, Tianjin, Nanjing, Chengdu, Wuxi, Qingdao, Hangzhou, Xi'an, Changzhou, Shenyang and Dalian, have promulgated local measures for restriction of housing purchases to implement the Notice on Further Strengthening the Market Control of Real Estate.

Taxes on sale of residential properties

According to the Notice on the Adjustment of Policy of Business Tax on Re-sale of Personal Residential Properties (《財政部、國家稅務總局關於調整個人住房轉讓營業稅政策的通知》) promulgated by the Ministry of Finance and the State Administration of Taxation jointly in January 2011, the business tax is charged at a higher rate on residential properties which are sold within five years from the purchase date while a lower rate is charged on residential properties which are sold after five years from the purchase date (including the fifth year). The notice requires that the transfer of residential properties by individuals within five years of purchase is subject to business tax based on the sales income. The business tax levied on the transfer of non-ordinary residential properties by individuals after five years of purchase (including the fifth year) is based on the difference between the sales income and the purchase price. In the case of an ordinary residence, the business tax is exempted if the transfer occurs after five years from the purchase date (including the fifth year).

According to Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies (《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》), promulgated by the Ministry of Finance, the State Administration of Taxation and the MOHURD jointly in September 2010, the deed tax rate is reduced to 1.0% for individuals who purchase ordinary residential properties with a GFA not more than 90 sq.m. as the family's sole property.

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Purchase limitations of foreign investors

According to the Opinion on Standardizing the Access and Administration of Foreign Investment in the Real Estate Market (《關於規範房地產市場外資准入和管理的意見》, the “Opinion 171”) jointly promulgated by the Ministry of Construction, MOFCOM, NDRC, PBOC, State Administration for Industry and Commerce (國家工商總局, the “SAIC”) and State Administration of Foreign Exchange (國家外匯管理局, the “SAFE”) in July 2006 and the Notice in Respect of Foreign Exchange Issues in the Real Estate Market (《關於規範房地產市場外匯管理有關問題的通知》) (“Notice 47”) promulgated by SAFE and the Ministry of Construction in September 2006, an overseas entity or individual investing in real properties in China which are not for its own use must apply for the establishment of a foreign-invested real properties enterprise (the “FIREE”) and may only conduct operations within the authorized business scope. The Opinion 171 attempts to impose additional restrictions on the establishment and operation of FIREE by regulating the amount of registered capital as a certain percentage of total investment, limiting the tenure of approval certificates and business licenses to one year period, restricting the transfer of equity interests in a FIREE or its projects and prohibiting the borrowing of money from domestic and foreign lenders where its registered capital is not paid up or the land use right ownership certificate has not been obtained.

Impact of the PRC Governmental Austerity Measures

The austerity measures imposed by the PRC government on the PRC property market to stabilize the property price as described above, based on their nature, can be categorized as follows:

Restrictions on speculation activities of real estate developers

These policies mainly include the Notice on Financially Promoting the Saving and Intensification of Use of Land (《關於金融促進節約集約用地的通知》) promulgated by the PBOC and the CBRC in July 2008, the Circular on Facilitating the Stable and Healthy Development of Property Market (《關於促進房地產市場平穩健康發展的通知》) promulgated by the General Office of the State Council in January 2010, the Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development (《關於進一步加強房地產用地和建設管理調控的通知》) promulgated by the Ministry of Land and Resources and the MOHURD in September 2010, the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) promulgated by the PBOC and the CBRC in September 2010 and the Notice on Further Regulating the Real Estate Market (《國務院辦公廳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 State Council in January 2011.

According to the *Several Opinions on Further Expanding Domestic Demand and Stimulating Consumption* (《南京市人民政府關於進一步擴大內需拉動消費的若干意見》) promulgated by the Nanjing Municipal Government in July 2012, the market supply of residential properties shall be increased and housing prices shall be effectively stabilized in Nanjing.

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According to the news report released by Xinhua News Agency, the PRC official press agency, during the period from late July to mid-August in 2012, the State Council has dispatched eight inspection teams to investigate the implementation of the austerity measures of 16 provinces including Jiangsu and Hunan provinces. The inspection teams were satisfied with the practices of Jiangsu and Hunan provinces, and Nanjing, the capital of Jiangsu province, was singled out for compliment.

As advised by our PRC legal advisors, Jun He Law Offices, these policies aim to control the speculation activities of the real estate developers by limiting their access to bank facilities, participation in land bidding, as well as forfeiting their idle land.

During the Track Record Period and up to the Latest Practicable Date, we had not been deemed by authorities as holding any idle land and we have fully paid the land grant consideration in a timely manner according to the land use right grant contracts. Based on the above, our Directors are of the view that we are not subject to the restrictive measures set out under such policies.

Limitations on financing land grant consideration payment

These policies mainly include the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (《關於進一步加強土地出讓收支管理的通知》) promulgated by the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office in November 2009 and the Notice on Issues Related to Strengthening Real Estate Supply and Supervision (《關於加強房地產用地供應和監管有關問題的通知》) promulgated by the Ministry of Land and Resources in March 2010.

As advised by our PRC legal advisors, Jun He Law Offices, these policies require real estate developers to fulfill their obligations within a shorter period of time, which, in turn, impose a heavier financial burden on them for the payments of land grant consideration to finance their existing projects or future land acquisition.

During the Track Record Period and up to the Latest Practicable Date, we had not been deemed by authorities as delaying in the payment of land grant consideration. Furthermore, apart from banking facilities, we have various other sources of funding for our development projects include pre-sale/sale proceeds from our projects and other internal funds. Based on the above, the Directors are of the view that, despite the unforeseeable circumstance and based on the current development plan, we can obtain sufficient working capital to support our existing projects and future land acquisition.

Restrictions on speculation activities of residential properties buyers

These policies mainly include the Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (《關於調整個人住房轉讓營業稅政策的通知》) promulgated by the Ministry of Finance and State Administration of Taxation in December 2009, The Circular on Facilitating the Stable and Healthy Development of Property Market

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(《關於促進房地產市場平穩健康發展的通知》) promulgated by the General Office of the State Council in January 2010, the Notice of Firmly Curbing Housing 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》) promulgated by the State Council in April 2010, the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (《關於完善差別化住房信貸政策有關問題的通知》) promulgated by the PBOC and the CBRC in September 2010 and the Notice on Adjustment of Policy of Business Tax on Re-sale of Personal Residential Properties (《財政部、國家稅務局關於調整個人住房轉讓營業稅政策的通知》) promulgated by the Ministry of Finance and State Administration of Taxation in January 2011.

Furthermore, according to the Implementation Opinion of Further Promoting the Adjustment and Control of Real Estate Market (《關於進一步做好房地產市場調控工作的通知》) promulgated by the General Office of the Nanjing Municipal Government in February 2011, each family, who already has one property, with its registered permanent resident status in Nanjing is only allowed to purchase one more property. However, there is no policy in restricting the number of properties which each family can purchase in Yangzhou and Zhuzhou during the Track Record Period and up to the Latest Practicable Date.

According to the Implementation Opinion of Further Promoting the Adjustment and Control of Real Estate Market (《關於進一步做好房地產市場調控工作的通知》), the “Notice 17” promulgated by the General Office of the Nanjing Municipal Government in February 2011, a developer shall: (i) file the selling price for each residential property in the project when applying for the pre-sale permit for the project; (ii) pre-sell the residential properties in strict accordance with the filed prices without any increase in the selling prices within 3 months from the commencement of the pre-sale (but there is no restriction on any price reduction); and (iii) re-file the selling prices when increasing the filed prices after 3 months from the commencement of the pre-sale.

To further implement Notice 17, the General Office of Nanjing Municipal People’s Government promulgated the Notice on the Announcement of Nanjing 2011 Annual New Housing Price Control Target (《關於公佈本市2011年度新建住房價格控制目標的通知》, the “Notice Y2011”) in March 2011, setting out the principles of price control target for Nanjing in 2011 as follows: the increase in selling price shall be significantly lower than the increase in the per capita disposable income in 2011, and shall be lower than the increase in the selling prices of new properties in 2010. To be specific, in any case, such increase in 2011 shall be lower than 10.4%.

Our PRC legal advisors, Jun He Law Offices, have consulted with the relevant local authorities (namely, Nanjing Commodity Prices Bureau (南京市物價局) and Nanjing Municipal Commission of Housing and Urban-Rural Development (南京市住房和城鄉建設委員會)) on a no-name basis and understood that: (i) the local government has not promulgated a new notice similar to Notice Y2011 in 2012; (ii) the principles of Notice Y2011 shall be followed in 2012; (iii) the specific price control target in 2012 has not been released by the local government and the relevant local authorities will not refer to the target for 2011 when reviewing the pre-sale applications; and (iv) if the selling price for each residential property in the project set by the developer for filing is considered to be too high by the relevant authorities, such selling price

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will not be properly filed and then the pre-sale permit for the project will not be granted. To determine whether the selling price set by the developer is too high, the relevant authorities will compare such price with the average selling price of: (a) the residential properties already sold or pre-sold (if the project is sold or pre-sold in phases); (b) the projects in the surrounding area; and (c) the comparable projects.

As advised by our PRC legal advisors, Jun He Law Offices, these policies intend to curb the rapidly increasing property price in the PRC by limiting the number of properties which each family can hold, restricting the banking facilities available to the purchasers for speculation purpose and charging higher tax rate on property transactions. Our PRC legal advisors, Jun He Law Offices, advised that such policy would only have impact on our residential projects.

We believe that the majority of our target customers are purchasers for necessity purpose. As such, we do not expect these policies to have any material impacts on our major potential customers. In addition, the purchasers have access to other sources of funding, including housing provident fund loan. As a result, we do not expect that our business and financial performance will be materially and adversely affected by these policies. Our Directors further confirm that we did not encounter any material decrease in the selling prices of our properties due to the implementation of these policies during the Track Record Period.

Furthermore, according to our market consultant, Savills, Nanjing, Yangzhou and Zhuzhou are developing cities with further urbanization. Our Directors believe that these property markets are not saturated yet and there is growth potential for us in the property markets in these cities.

Encouragement of the PRC Government in the purchase of small size units and construction of affordable housing

These policies mainly include the Notice of Deed Tax on the Adjustment of Real Estate Transactions and Personal Income Tax Preferential Policies (《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》) promulgated by the Ministry of Finance, the State Administration of Taxation and the MOHURD in September 2010.

As advised by our PRC legal advisors, Jun He Law Offices, these policies intend to encourage buyers to purchase real properties of smaller size. On the other hand, in order to ensure the living standard of the Chinese people, the PRC government plans to construct more residential properties affordable by families with low income, which would lead to an increase in the supply of such properties.

In view of such policies, we have designated and will designate a portion of our residential property development projects for the development of residential properties with a unit floor area less than 90 sq.m.

The average contract prices for the pre-sale of our residential properties at Golden Wheel Star City during the year ended 31 December 2011 and the six months ended 30 June 2012

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remained relatively stable as compared to the average selling prices of Golden Wheel Star City during the same periods. The average contract prices for the pre-sale of our commercial properties at Golden Wheel Time Square during the year ended 31 December 2011 and the six months ended 30 June 2012 were higher as compared to the average selling prices of Golden Wheel Time Square during the same periods. In addition, we had not encountered any difficulty in obtaining bank loans during the year ended 31 December 2011 and the six months ended 30 June 2012. For our residential property development, we will continue to focus on small to medium-sized ordinary commodity houses, which tends to be encouraged by the PRC government. On these basis, our Directors are of the view that these policies did not and would not have any material adverse impact on our business operations. However, it is difficult to ascertain the full extent of the impact of these measures on the performance of our Group or to accurately estimate the sales volume and turnover of our Group have been as if such measures had not been introduced. Our Directors confirm that we had not experienced any material cancellation of sales during the Track Record Period and up to the Latest Practicable Date.

Environmental Protection

The laws and regulations governing environmental protection with respect to real property development in China include the PRC Environmental Protection Law (《中華人民共和國環境保護法》), the PRC Prevention and Control of Noise Pollution Law (《中華人民共和國環境噪聲污染防治法》), the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the PRC Administrative Regulations on Environmental Protection for Development Projects (《中華人民共和國建設項目環境保護管理條例》). According to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities grant approval for the commencement of construction. In addition, upon completion of the property development, the relevant environmental authorities will typically also inspect the property to ensure compliance with the applicable environmental protection standards and regulations before the property can be delivered to the purchasers.

PRC Taxation

As we are not incorporated in the PRC, your investment in our shares is largely exempt from PRC tax laws. However, because we carry out our PRC business operations through operating subsidiaries and joint ventures organized under the PRC law, our PRC operations and our operating subsidiaries and joint ventures in mainland China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares.

Dividends from Our PRC Operations

According to the PRC tax laws effective prior to 1 January 2008, dividends paid by our PRC subsidiaries or joint ventures to us were exempt from PRC income tax. However,

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according to the PRC Enterprise Income Tax Law and its implementation rules that became effective on 1 January 2008, dividends payable by foreign invested enterprises, such as subsidiaries and joint ventures in the PRC, to their foreign investors are subject to a withholding tax at a rate of 10% unless any lower treaty rate is applicable.

According to the new tax law and its implementation rules, enterprises established under the laws of foreign jurisdictions but whose “de facto management body” is located in the PRC are treated as “resident enterprises” for PRC tax purposes, and will be subject to PRC income tax on their worldwide income. For such PRC tax purposes, dividends from PRC subsidiaries to their foreign shareholders are excluded from such taxable worldwide income. According to the implementation rules of the new Enterprise Income Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Because this tax law is new and its implementation rules are newly promulgated, there is uncertainty as to how this new law and its implementation rules will be interpreted or implemented by relevant tax bureaus.

Our Operations in the PRC

Our subsidiaries through which we conduct our business operations in the PRC are subject to PRC tax laws and regulations.

Deed Tax

According to the PRC Interim Regulation on Deed Tax (《中華人民共和國契稅暫行條例》), a deed tax is chargeable to transferees of land use right and/or ownership in real properties within the PRC. These taxable transfers include: (i) grant of land use right; (ii) sale, gift and exchange of land use right, other than transfer of right to manage “rural collective land (i.e. the land located in rural area and collectively owned by farmers)”; (iii) sale, gift and exchange of real properties.

The deed tax rate is between 3% and 5% and is subject to determination by local governments at the provincial level in light of local conditions.

Corporate Income Tax

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》, the “EIT Law”) effective in January 2008, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises.

In addition, According to the EIT Law, enterprises established under the laws of jurisdictions outside China with their “de facto management bodies” located within mainland China may be considered PRC resident enterprises and therefore subject to PRC enterprises income tax at the rate of 25% on their worldwide income. The EIT Law and its implementation rules provide that “de facto management body” of an enterprise is the organization that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise.

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According to the Notice of the State Administration of Taxation on the Prepayment of Enterprise Income Tax of the Real Estate Development Enterprises (《關於房地產開發企業所得稅預繳問題的通知》) promulgated by the State Administration of Taxation in April 2008 and effective on 1 January 2008, where a real property development enterprise prepays the corporate income tax by quarter (or month) according to the current actual profit, for the incomes generated from the advance sale prior to the completion of such development projects as the dwelling houses, commodity houses and other buildings, fixtures, supporting establishments etc., which are developed and built by the real property development enterprise, the tax prepayment thereof shall be estimated profit and shall be adjusted according to the actual profit after the development projects are completed and the tax costs are settled.

The Notice on the Measure Dealing with Income Tax of Enterprise Engaged in Real Estate Development (《房地產開發經營業務企業所得稅處理辦法》) promulgated by the State Administration of Taxation promulgated in March 2009 and retroactively effective in January 2008 specifically stipulates the rules regarding tax treatment of income, cost deduction, verification of tax cost and certain item with respect to the real property development enterprise according to the EIT Law and its implementation rules.

According to the Notice Regarding the Publishing of the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (Trial) (《關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》) promulgated by the State Administration of Taxation in August 2009 and effective in October 2009, and its supplemental regulation promulgated and effective in June 2010, prior approvals from the relevant tax authorities are required before a non-resident taxpayer may enjoy benefits under the relevant taxation treaties.

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

Business Tax

According to the PRC Interim Regulation on Business Tax (《中華人民共和國營業稅暫行條例》) of 1994, as amended in November 2008 and effective on 1 January 2009 and the Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) promulgated by the Ministry of Finance and the State Administration of Taxation in December 2008 and effective in January 2009, services in the PRC are subject to business tax. Taxable services include the sale of real property in the PRC. The business tax rate is between 3% and 20%, depending on the type of services provided. Generally, the sale of real properties and other improvements on the land is subject to a business tax at the rate of 5% of the turnover of the selling enterprise payable to the relevant tax authorities.

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Land Appreciation Tax ("LAT")

According to the PRC Interim Regulation on LAT (《中華人民共和國土地增值稅暫行條例》) implemented in January 1994 and its implementation rules of 1995, the LAT applies to both domestic and foreign investors in real properties in the PRC. The tax is payable by a taxpayer on the capital gains from the transfer of land use right, buildings or other facilities on such land, after deducting "deductible items" that include the following:

- payments made to acquire land use right;
- costs and charges incurred in connection with land development;
- construction costs and charges in the case of newly constructed buildings and facilities;
- assessed value in the case of old buildings and facilities;
- taxes paid or payable in connection with the transfer of the land use right, buildings or other facilities on such land; and
- other items allowed by the Ministry of Finance.

Where the taxpayer is developing a project, the applicable tax is payable at the end of the project when either the whole project is sold or when all the land use right is sold.

The tax rate is progressive and ranges from 30% to 60% of the gain, as follows:

Appreciation Value	Tax Rate
Portion not exceeding 50% of deductible items	30%
Portion over 50% but not more than 100% of deductible items	40%
Portion over 100% but not more than 200% of deductible items	50%
Portion over 200% of deductible items	60%

An exemption from LAT is available in the following cases:

- Taxpayers constructing ordinary residential properties for sale (i.e. the residences built in accordance with the local standard for residential properties used by the general population, excluding deluxe apartments, villas, resorts and other high-end premises), where the appreciation amount does not exceed 20% of the sum of deductible items;
- Real properties taken over and repossessed according to laws due to the construction requirements of the state; and

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- Due to redeployment of work or improvement of living standards, transfers by individuals of residential properties for their own use, with a residency period for their own use of five years or longer and with tax authorities' approval.

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

- real properties transfer contracts executed before 1 January 1994; and
- first time transfers of land use right and/or premises and buildings during the five years commencing on 1 January 1994 if the land grant contracts were executed or the development projects were approved before 1 January 1994 and the capital has been injected for the development in compliance with the relevant regulations.

After the enactment of the LAT regulations and the implementation rules in 1994 and 1995 respectively, due to the long period typically required for real properties construction and transfers, many jurisdictions, while implementing these regulations and rules, did not require real property development enterprises to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau issued several notices to reiterate that, after the assignments are signed, taxpayers must declare the tax to the relevant local tax authorities and pay the LAT as calculated by these authorities and within the prescribed time period required. The real properties administration authority will not process title change procedures and will not issue the property ownership certificates to parties unable to provide evidence of paying LAT or an exemption from LAT.

According to the Notice regarding the Serious Handling of Administration Work in relation to the Collection of Land Value-added Tax (《關於認真做好土地增值稅徵收管理工作的通知》) promulgated by the State Administration of Taxation in July 2002, the preferential policy of LAT exemption has expired and, accordingly, such tax will be levied on the initial transfer of properties under property development contracts signed before 1 January 1994, or project proposals that have been approved where capital was injected for development.

The Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (《關於房地產開發企業土地增值稅清算管理有關問題通知》) promulgated by the State Administration of Taxation in December 2006 and effective in February 2007 requires settlement of LAT liabilities by real estate developers. Provincial tax authorities are authorized to formulate their implementation rules according to the notice and their local circumstances.

To further strengthen LAT collection, based on the Rules on the Administration of the Settlement of Land Appreciation Tax (《土地增值稅清算管理規程》) promulgated by the State Administration of Taxation in May 2009 and effective in June 2009, the State Administration of Taxation issued the Notice on Issues Regarding Land Appreciation Tax Settlement (《關於土地增值稅清算有關問題的通知》) in May 2010 to provide further clarifications and guidelines on LAT settlement, revenue recognition, deductible expenses, timing of assessment and other related issues.

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According to the Notice on Strengthening the Collection Land Appreciation Tax (《關於加強土地增值稅徵管工作的通知》) promulgated by the State Administration of Taxation in May 2010, it provides for a minimum LAT prepayment rate at 2% for provinces in eastern China region, 1.5% for provinces in the central and northeastern China regions, and 1% for provinces in the western China regions.

Urban Land Use Tax

According to the PRC Interim Regulations on Land Use Tax in respect of Urban Land (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council in September 1988, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on urban land was between RMB0.2 and RMB10 per sq.m. An amendment by the State Council in December 2006 changed the annual tax rate to between RMB0.6 and RMB30 per square meter of urban land.

Buildings Tax

According to the PRC Interim Regulations on Buildings Tax (《中華人民共和國房產稅暫行條例》) promulgated by the State Council in September 1986, a building tax applicable to domestic enterprises at a rate of 1.2% if it is calculated on the basis of the residual value of a building and 12% on the basis of the rent. The following categories of buildings are exempt from the building tax:

- buildings owned by governmental agencies, people's organizations and the armed forces for their own use;
- buildings of institutions funded by State finance departments, for an institution's own use;
- religious temples, shrines' parks and places of historic and scenic beauty;
- buildings owned by individuals for non-business use; and
- other buildings allowed by the Ministry of Finance.

According to the Notice on Issues Relating to Assessment of Buildings Tax against Foreign-invested Enterprises and Foreign Individuals (《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 in January 2009, the building tax on foreign-invested enterprises, foreign enterprises and foreign individuals at the same rate as for domestic enterprise.

Stamp Duty

According to the PRC Interim Regulations on Stamp Duty (《中華人民共和國印花稅暫行條例》) promulgated by the State Council in August 1988, property transfer instruments, including those in respect of property ownership transfers, are subject to stamp duty at a rate of 0.05% of the amount stated therein.

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Municipal Maintenance Tax

According to the PRC Interim Regulations on Municipal Maintenance Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the State Council in 1985, a taxpayer of product tax, value-added tax or business tax is required to pay a municipal maintenance tax calculated on the basis of product tax, value-added tax and business tax. The tax rate is 7% for a taxpayer in an urban area, 5% in a county or a town, and 1% for a taxpayer not in any urban area or county or town.

According to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises promulgated by the Ministry of Finance and the State Administration of Taxation (《財政部、國家稅務總局關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》) in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after 1 December 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before 1 December 2010.

Education Surcharge

According to the Interim Provisions on Imposition of Education Surcharge (《徵收教育費附加的暫行稅規定》) promulgated by the State Council in April 1986 and amended in 1990 and in August 2005, any taxpayer of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The Education Surcharge rate is 3% calculated on the basis of consumption tax, value-added tax and business tax. According to the Supplementary Circular Concerning Imposition of Education Surcharge promulgated by the State Council (《國務院關於教育費附加徵收問題的補充通知》) in October 1994, the education surcharge is currently not applicable to foreign-invested enterprises.

According to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises (《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》), foreign-invested enterprises must pay an education surcharge on any value-added tax, consumption tax and business tax incurred on or after 1 December 2010. However, foreign-invested enterprises are exempted from paying an education surcharge on any value-added tax, consumption tax or business tax incurred before 1 December 2010.

Surplus reserve

Our PRC subsidiaries are subject to different requirements regarding the allocation of funds to surplus reserve in accordance with the Company Law (《公司法》), the Law of the People's Republic of China on Equity Joint Ventures Using Chinese and Foreign Investment (《中華人民共和國中外合資經營企業法》) and its implementing regulations, the Law of the

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People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》) and its implementing regulations, and their respective articles of association of our PRC subsidiaries. Such requirements vary in accordance with the form of establishment of such subsidiaries.

1. Sino-foreign joint venture

Nanjing Jade Golden Wheel and Yangzhou Golden Wheel Real Estate which are established as sino-foreign joint ventures, may, at the discretion of their respective board of directors, allocate a portion of their profit after taxation reported in their statutory financial statements (prepared under the applicable PRC accounting standards) to their surplus reserve.

For the year ended 31 December 2011, the board of directors of Nanjing Jade Golden Wheel resolved to allocate approximately RMB10.5 million of profit after taxation reported in its statutory financial statements (prepared under the applicable PRC accounting standards) to its surplus reserve. For the six months beginning from 1 January 2012 and ended 30 June 2012, the board of directors of Nanjing Jade Golden Wheel resolved to allocate approximately RMB6.19 million of profit after taxation reported in its financial statements (prepared under the applicable PRC accounting standards) to its surplus reserve.

For the six months beginning from 1 January 2012 and ended 30 June 2012, the board of directors of Yangzhou Golden Wheel Real Estate resolved to allocate approximately RMB15.30 million of profit after taxation reported in its financial statements (prepared under the applicable PRC accounting standards) to its surplus reserve.

2. Wholly foreign-invested enterprise

Nanjing Golden Wheel Real Estate and Zhuzhou Golden Wheel Real Estate which are established as wholly foreign-invested enterprises are required to allocate at least 10% of their profit after taxation reported in their statutory financial statements (prepared under the applicable PRC accounting standards) to their surplus reserve.

For the six months beginning from 1 January 2012 and ended 30 June 2012, Nanjing Golden Wheel Real Estate did not allocate any amount to its surplus reserve.

Zhuzhou Golden Wheel Real Estate did not record any profit after taxation for each of the years ended 31 December 2009, 2010, 2011, as well as the six months beginning from 1 January 2012 and ended 30 June 2012, and accordingly, it is not required to allocate any amount to its surplus reserve.

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3. Domestic limited liability company

Zhuzhou Golden Wheel Business Management which is established as a domestic limited liability company, is required to transfer 10% of its profit after taxation reported in its statutory financial statements (prepared under the applicable PRC accounting standards) to its surplus reserve.

Zhuzhou Golden Wheel Business Management did not record any profit after taxation since the date of its establishment to 31 December 2010. For the year ended 31 December 2011, Zhuzhou Golden Wheel Business Management allocated approximately RMB0.4 million, namely, 10% of profit after taxation for the same period to its surplus reserve. For the six months beginning from 1 January 2012 and ended 30 June 2012, Zhuzhou Golden Wheel Business Management allocated approximately RMB0.61 million, namely, 15% of profit after taxation for the same period to its surplus reserve.