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### OVERVIEW

We are an integrated commercial and residential property developer, owner and operator with a proven track record in China. We focus on developing projects in Jiangsu and Hunan provinces that are physically connected or in close proximity to metro stations or other transportation hubs. Examples of such projects are our Golden Wheel International Plaza, Golden Wheel Time Square, Golden Wheel New Metro and Golden Wheel Star Plaza, which, together, accounted for approximately 55.1% of the total GFA of all of our completed properties and properties under development as of 30 September 2012.

We were founded in 1994 by our chairman, Mr. Wong Yam Yin, a prominent overseas Chinese with over 30 years of business experience in Asia including China, and we have a well-established operating history in China under the leadership of our chief executive officer, Mr. Wong Kam Fai, since the inception of the business. Mr. Wong Kam Fai graduated in 1993 from the University of New South Wales in Australia and holds senior membership positions in various real estate and business associations in China and Hong Kong.

We believe that our prudent strategy is instrumental to our long-term business growth, which is attributable to our focus on a business model comprising property development and leasing and operational management, in-house expertise in operation and management of centrally located commercial developments, and a disciplined financial management strategy.

Our business model comprises (i) the sale of our commercial and residential properties and (ii) the leasing and operational management of commercial properties owned by us or third-parties. We strategically retain long-term ownership of selected shopping malls for recurring rental income and long-term financial strength and sell a mix of offices, residential properties and hotel-style apartments for capital growth. In terms of the total GFA of our completed properties and properties under development as of 30 June 2012, our property development business and property leasing and operational management business accounted for 55.2% and 44.8%, respectively. In terms of our total revenue for the six months ended 30 June 2012, our property development business and property leasing and operational management business accounted for 92.8% and 7.2%, respectively.

Our flagship project, Golden Wheel International Plaza, situated on top of the Xinjiekou metro station on Hanzhong Road in Nanjing with a total GFA of 98,031 sq.m., has become a well-recognized commercial development of shopping malls and office in Nanjing. During the Track Record Period, we sold the office premises and we also leased the shopping mall units to international and domestic brands such as H&M, Sephora and Dou Lao Fang (豆捞坊) as major tenants. We also sold and leased two other shopping malls and integrated commercial and residential developments, namely Golden Wheel Waltz in Nanjing and Golden Wheel Time Square in Zhuzhou.

The residential units within our integrated commercial projects are positioned for mass market home buyers in Jiangsu and Hunan provinces. As of 30 September 2012, approximately 29,347 sq.m., or 81%, of the total GFA available for sale of our residential properties (completed and under development) are categorized as small to medium-sized

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ordinary commodity houses under the relevant PRC laws and regulations, which will remain as our focus for residential property development. We believe this particular residential market segment has more stable and consistent demand, higher affordability attributable to a lower purchase price in our target markets as compared to luxury residential developments which target higher income households and property investors in these markets. We believe that our focus on commercial developments and this particular residential segment will limit our exposure to the austerity measures introduced by the PRC government in the property sector.

In addition to leasing our own properties, we are also engaged in the leasing and operational management of shopping malls owned by third parties. We have successfully leveraged our experience and engaged in the leasing and operational management of the Xinjiekou Metro Mall owned by Nanjing Metro, which we then sub-lease, operate and manage on a project basis. According to Savills, we are a first mover in Nanjing in the niche market of leasing metro mall space from Nanjing Metro for sub-leasing, operation and management. There are currently 12 cities in China with metro systems and we expect that there will be more cities in China with metro systems in the near future. As a result, we believe that the continuing development of metro systems in second-and third-tier cities will create significant opportunities for developing and operating metro-linked malls in these cities. We will, through a joint venture company, lease and manage another commercial complex close to transportation hub and owned by Nanjing Qin Huai River Construction and Development Company Limited (南京秦淮河建設開發有限公司), which is expected to be completed in 2014. We will continue to engage in such leasing and operational management business with respect to shopping malls owned by third parties.

Our land bank includes property projects which are (i) completed but unsold, (ii) completed and held for investment, (iii) under developments for sale, and (iv) under development to be held for investment. As of 30 September 2012, we had a land bank with a total GFA of approximately 284,064 sq.m. with a total appraised value of approximately RMB5,183.2 million, comprising (i) completed but unsold properties of a total GFA of 66,717 sq.m. with a total appraised value of approximately RMB702.3 million, (ii) completed investment properties of a total GFA of 63,942 sq.m. with a total appraised value of approximately RMB2,977.9 million, (iii) unsold properties under developments of 134,968 sq.m. with a total appraised value of approximately RMB1,243.0 million, and (iv) properties under development to be held for investment of a total GFA of 18,437 sq.m. with a total appraised value of approximately RMB260.0 million. In addition to our existing property development projects, we are actively exploring opportunities to increase our land bank for additional property development projects in China. We had entered into letters of intent with certain local governmental authorities or third parties in relation to several potential projects in Nanjing and Zhuzhou. Subject to the formal agreements, which we cannot assure with any level of certainty, these projects are expected to have a total planned GFA of approximately 616,709 sq.m.

We had maintained a profitable operation during the Track Record Period. In 2011, our net profit was RMB513.2 million, representing an increase of 74.9% from RMB293.4 million in 2010. We also had a prudent net debt to equity ratio of 15.0% as of 30 June 2012 as a result of our strict financial discipline over all aspects of our operations from land acquisition to

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construction. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our revenue and profit were primarily derived from sales of residential and/or commercial property units at Golden Wheel International Plaza, Golden Wheel Star City, Golden Wheel Waltz and Golden Wheel Time Square.

### OUR COMPETITIVE STRENGTHS

**We have a proven track record and reputation of developing and operating integrated commercial projects, with a focus on life-style shopping malls which are situated in prime locations**

We have a proven track record of developing and operating shopping malls and integrated commercial projects in Jiangsu and Hunan provinces, both of which have strong historical economic development and potential for future growth. We commenced our operations in 1994 and the majority of our completed projects are located in well-established business and residential areas. Our integrated commercial developments are usually connected or in close proximity to local metro stations or other transportation hubs, which provide high pedestrian walk-through traffic flow. Our integrated commercial projects normally incorporate features such as walkways with shops on both sides to facilitate high traffic flow, which create a more convenient and comfortable shopping environment. We believe that our projects have become well-recognized developments in their respective city due to their prime commercial locations, easy accesses to well-developed local transportation networks and distinctive project design.

In particular, our flagship project, Golden Wheel International Plaza, situated above the Nanjing Xinjiekou metro station on Hanzhong Road, has received various real estate awards in recognition of its aesthetic appeal and commercial value. The shopping mall in this project has achieved an occupancy rate of over 95% as of 31 December 2009, 2010 and 2011 and 30 June 2012. We take an active asset management approach by optimizing our tenant mix from time to time and improving our operation efficiency. Our major tenants located in Golden Wheel International Plaza include major international and domestic brands such as H&M, Sephora and Dou Lao Fang (豆撈坊).

We are currently engaged in the development of our second metro-linked shopping mall in Nanjing, Golden Wheel New Metro, which will be connected to the Hedingqiao (河定橋) metro station and is expected to be completed in 2013. In May 2012, we entered into a letter of intent with Nanjing Metro in connection with the proposed development of a commercial and residential project above the China Pharmaceutical University metro station. We have a proven track record and have been recognized by Nanjing Metro as a long-term partner in its commercial property projects due to our strong commercial property operational capabilities with a dedicated operational team.

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**We have a business model where we strategically retain long-term ownership of selected shopping malls for recurring rental income and long-term financial strength and sell a mix of office and residential properties for capital growth**

Our business model is designed to balance short-term capital need and long-term financial strength. We retain a majority of our shopping malls for recurring income and long-term financial strength while we sell a mix of our offices, residential properties and hotel-style apartments for capital growth.

The fair value of our investment properties had increased substantially during the Track Record Period, which was primarily due to the addition of new investment properties and the overall value appreciation of commercial properties in Jiangsu and Hunan provinces. We believe that this has substantially enhanced our financial position.

**We have a strong balance sheet as a result of our strict financial discipline**

We exercise strict financial discipline over all aspects of our operations from land acquisition to construction. As a result, we had a prudent net debt to equity ratio of 13.1%, 9.6%, 12.4% and 15.0% as of 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, respectively. Moreover, we believe that we have recorded strong pre-sales attributable to the strong demand of our quality developments in prime locations, which provide us with substantial cash flow and liquidity. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our return on equity was 20.6%, 17.9%, 24.7% and 7.8%, respectively.

We believe that our strong balance sheet also enables us to access financing for potential acquisition opportunities notwithstanding market volatility.

**We have a proven land acquisition track record based on quality and we have maintained a land bank of efficient size**

We believe that a quality land bank acquired at competitive costs is crucial to our long term success. In view of our long-term growth strategy, we focus on building a land bank based on quality. Due to the substantial amount of capital expenditure involved and the volatility of the PRC real estate market, we prudently acquired one piece of land per year since 2007 to ensure efficient capital deployment and enhance investment return. During the Track Record Period, our GFA sold was 28,152 sq.m., 67,305 sq.m., 62,561 sq.m. and 73,456 sq.m. in 2009, 2010, 2011 and the six months ended 30 June 2012, respectively, and our GFA leased was 27,095 sq.m., 29,530 sq.m., 51,887 sq.m. and 59,706 sq.m. in the respective period. We have maintained a mix of developments for sale and developments for investment purposes. To retain sufficient land bank for future development, we will continue to acquire land as and when appropriate and may acquire more than one piece of land in a year taking into account our then financial resources including the proceeds from the Global Offering. Taking into account the potential development projects under the letters of intent, we expect to acquire three pieces of land in 2013 and two pieces of land in 2014. We do not believe in acquiring and retaining a substantial land bank without a specific development plan due to the high capital expenditure

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involved and the volatility of the PRC property market. We have a proven track record in demonstrating our ability to build a quality land bank at competitive costs. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, our average land acquisition costs as a percentage of average selling price remained relatively stable at 14.5%, 18.0%, 14.6% and 14.1%, respectively. We also leverage our established brand name and reputation in developing and managing integrated commercial and residential projects to identify and secure land in government tenders.

### OUR BUSINESS STRATEGY

We intend to become a leading integrated commercial property developer with a focus on metro-linked life-style shopping malls. To achieve this, we intend to focus on the following strategies:

**We will continue to develop, operate and lease life-style shopping malls and integrated commercial developments which are directly linked or close to transportation hubs in China**

By leveraging our proven track record, strong local knowledge and brand recognition, we intend to further penetrate into Jiangsu and Hunan provinces which we believe will continue to be fast growing provinces in terms of economic development. We intend to continue to focus primarily on the development and operation of life-style shopping malls and commercial projects in these provinces. We also plan to leverage our experience in Jiangsu and Hunan provinces in the short term to expand our business operations to other provinces.

We also intend to further expand our property leasing and operational management business of third party owners by leveraging our first mover advantage and successful project development experience. We will work closely with other metro authorities to lease their commercial developments that are connected to metro stations and transportation hubs for our operations and property managements.

**We will continue to optimize tenant mix and increase recurring rental income for completed investment properties**

As we grow our portfolio of investment properties, we intend to continue to optimize our tenant mix in order to increase our recurring rental income and reduce our operating risks. We aim to take a flexible and proactive leasing strategy with existing and potential major tenants, who we believe will add value to our shopping malls and commercial development. We plan to continue to work with our major tenants, such as H&M, Sephora and Dou Lao Fang (豆捞坊), to expand their presence across our other shopping malls and commercial projects by offering preferential leasing terms and providing value-added supporting services.

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We believe that securing high quality major tenants will increase the stability of our tenant base, improve the profile and reputation of our shopping malls and commercial developments, as well as increase pedestrian traffic flow within these developments, therefore enhancing the status of our projects and enabling us to improve rental rates and sales prices for our projects.

### **We will maintain a mix of developments for sale and developments for investment purposes**

We intend to maintain a mix of commercial properties to generate recurring income and enhance our long-term financial strength, as well as income from property sales. We intend to strategically balance the amount of GFA for sale and for investment in our existing projects in order to strengthen our financial position and to finance the growth of our business. We strategically retain long-term ownership of selected shopping malls for recurring rental income and long-term financial strength and sell a mix of offices, residential properties and hotel-style apartments for capital growth.

### **We will continue to maintain a disciplined financial strategy**

We will continue to maintain a disciplined financial strategy in our business operations. We have maintained a strong balance sheet in terms of a prudent net gearing ratio and our strong pre-sales have provided steady operational cash flow and liquidity. We intend to continue to maintain such strong balance sheet in order to achieve sustainable growth in the middle to long term. We intend to continue to actively manage our project construction process to ensure sufficient internal cash for our ongoing capital needs. We will also exercise prudent financial management in our capital commitment and deploy our capital resources effectively to maximize return for shareholders and to ensure our continued growth.

## **OUR PROPERTY PROJECTS**

We classify our property projects into three categories according to the stage of development:

- completed properties, comprising property projects that we have completed, with a certificate of completion issued by the relevant governmental authorities;
- properties under development, comprising property projects with a land use right certificate issued by the relevant governmental authorities and the construction having commenced but a certificate of completion of which has not been obtained; and

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- properties planned for future development, representing<sup>(Note)</sup> (i) properties for which we have received a land use right certificate but have not yet commenced construction; and/or (ii) properties for which we have entered into master, cooperation or investment agreements with the relevant governmental authorities regarding future development and we are in the process of carrying out the necessary PRC regulatory procedures to obtain the relevant land use right certificate.

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*Note:* We currently do not hold any property for future development.

**Property Classification.** Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each property project may require multiple land use right certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and other permits and certificates which are issued at different stages throughout the development process. Our classification of properties is not directly comparable with the classification of properties in the Property Valuation Report contained in Appendix IV to this prospectus and the Accountants' Report contained in Appendix I to this prospectus. These classifications, however, share similarities in the treatment of properties for which we have obtained a land use right certificate. While we categorize properties with land use right certificates as properties under development, the Property Valuation Report contained in Appendix IV to this prospectus assigns a fair market value to such properties and the Accountants' Report contained in Appendix I to this prospectus includes them on our balance sheet as our assets.

The table below sets forth our classification of properties, and the corresponding classification of properties in the Property Valuation Report and the Accountants' Report:

This prospectus	Property Valuation Report	Accountants' Report
<ul style="list-style-type: none"> <li>• Completed properties, comprising properties with a certificate of completion (including completed properties that have been sold)</li> </ul>	<ul style="list-style-type: none"> <li>• Group I — Property interests held by the Group for Investment</li> <li>• Group II — Property interests held by the Group for sale and occupation (excluding completed properties whose titles have been transferred)</li> </ul>	<ul style="list-style-type: none"> <li>• Completed properties held for sale (excluding completed properties that have been sold)</li> <li>• Completed investment properties</li> </ul>



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This prospectus	Property Valuation Report	Accountants' Report
<ul style="list-style-type: none"> <li>Properties under development, comprising properties for which we have obtained a land use right certificate but not yet a certificate of completion</li> </ul>	<ul style="list-style-type: none"> <li>Group III — Property interests held by the Group for development</li> </ul>	<ul style="list-style-type: none"> <li>Properties under development for sale</li> <li>Investment properties under development</li> </ul>
<ul style="list-style-type: none"> <li>Properties planned for future development, representing (i) properties for which we have received the land use right certificate but have not yet commenced construction; or (ii) properties for which we have entered into master, cooperation or investment agreements with the relevant governmental authorities and we are in the process of carrying out the necessary PRC regulatory procedures to obtain the land use right certificate</li> </ul>	N/A	<ul style="list-style-type: none"> <li>Leasehold land held for development for sale</li> </ul>

Our business primarily comprises property development and property leasing and operational management. The land bank information refers to the aggregate of GFA pre-sold, GFA available for sale and GFA held for investment of all of our property projects as of 30 September 2012.



The following table sets forth an overview of our property projects as of 30 September 2012:

Project	City	Site area sq. m.	Actual/estimated construction commencement date <sup>(1)</sup> month/year	Actual/estimate pre-sale commencement date month/year	Actual/estimated construction completion date <sup>(2)</sup> month/year	Percentage of completion <sup>(3)</sup>	Total GFA/Total planned GFA <sup>(4)</sup> sq. m.	GFA with construction permits sq. m.	GFA held for Company's own use sq. m.	Non-Saleable GFA <sup>(5)</sup> sq. m.
<b>Completed properties</b>										
Golden Wheel International Plaza	Nanjing	11,341	Jul-04	Dec-06	Jan-09	100%	98,031	98,031	1,716	20,656
Golden Wheel Waltz	Nanjing	2,046	Jan-08	Oct-09	Feb-10	100%	7,995	7,995	56	—
Golden Wheel Building	Nanjing	4,918	May-01	Jan-02	Feb-03	100%	27,000	27,000	—	2,509
Golden Wheel Green Garden	Nanjing	10,334	Aug-01	Oct-01	Sep-02	100%	24,147	24,147	—	—
Golden Wheel Star City (Phase I)	Yangzhou	42,803	Aug-08	Oct-08	Mar-12 <sup>(7)</sup>	100%	88,933	88,933	—	5,455
Golden Wheel Star City (Phase II Building No. 11, 12, 13, 15, 16 and 17)	Yangzhou	27,423	Oct-09	Oct-09	Aug-12	100%	84,288	84,288	—	4,272
Golden Wheel Time Square	Zhuzhou	13,501	May-09	Oct-09	Apr-12	100%	134,096	134,096	—	1,925
<b>Subtotal/Average</b>		<b>112,366</b>				<b>100%<sup>(8)</sup></b>	<b>464,490</b>	<b>464,490</b>	<b>1,772</b>	<b>34,817</b>
<b>Properties under development</b>										
Nanjing Jade Garden	Nanjing	7,212	Jan-11	Jul-12	Jun-13	96%	29,976	29,976	—	7,240
Golden Wheel Star Plaza	Nanjing	29,540	Nov-11	Jan-13	Sep-13	60%	70,396	70,396	—	14,644
Golden Wheel New Metro	Nanjing	9,218	Aug-11	Nov-12	Jun-13	69%	59,912	59,912	—	12,416
Golden Wheel Star City (Phase II Building No. 10 and 18)	Yangzhou	11,389	Jun-10	Nov-12	Dec-13	57%	33,084	33,084	—	5,663
<b>Subtotal/Average</b>		<b>57,359</b>				<b>69%<sup>(8)</sup></b>	<b>193,368</b>	<b>193,368</b>	<b>—</b>	<b>39,963</b>
<b>Total</b>		<b>169,725</b>					<b>657,858</b>	<b>657,858</b>	<b>1,772</b>	<b>74,780</b>
<b>Attributable GFA (sq.m.)</b>		<b>169,725</b>					<b>657,858</b>	<b>657,858</b>	<b>1,772</b>	<b>74,780</b>

Saleable GFA																				
Project	GFA sold <sup>(a)</sup>						GFA pre-sold <sup>(a)</sup>						GFA held for investment <sup>(a)</sup>				Future development costs to be incurred <sup>(a)</sup>	Interest to the Property Group	Reference to Valuation Report	
	Hotel-style						Hotel-style						costs incurred	sq.m.	sq.m.	sq.m.				sq.m.
	Residential	Retail	Office	apartment	Carpark	Total	Residential	Total	Residential	Office	apartment	Carpark								
	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	sq.m.	RMB millions			
Completed properties																				
Golden Wheel International Plaza	—	—	28,956	10,298	367	39,621	—	—	—	4,435	—	3,547	7,982	28,056	28,056	678.9	—	100%	1,67	
Golden Wheel Waltz	—	—	—	5,495	—	5,495	—	—	—	—	—	—	—	2,444	2,444	113.9	—	100%	2.8	
Golden Wheel Building	14,308	6,849	1,420	—	460	23,037	—	—	—	—	—	238	238	1,216	1,216	120.0	—	100%	3	
Golden Wheel Green Garden	23,126	—	—	—	—	23,126	—	—	—	—	—	—	—	1,021	1,021	49.0	—	100%	5	
Golden Wheel Star City (Phase I)	72,128	—	—	—	2,649	74,777	—	—	694	299	—	1,403	6,305	8,701	—	281.6	—	100%	9	
Golden Wheel Star City (Phase II																				
Buildings No. 11, 12, 13, 15, 16 and 17)	57,835	—	—	—	—	57,835	1,155	1,155	21,026	—	—	—	—	21,026 <sup>(a)</sup>	—	300.2	—	100%	9	
Golden Wheel Time Square	59,333	14,018	—	—	—	73,351	4,252	4,252	8,760	1,937	—	12,666	23,363	31,205	31,205	525.0	—	100%	4,10	
Subtotal	226,730	20,867	30,376	15,793	3,476	297,242	5,407	5,407	30,480	2,236	4,435	1,403	22,756 <sup>(a)</sup>	61,310	63,942	2,068.6	—			
Properties under development																				
Nanjing Jade Garden	—	—	—	—	—	—	10,314	10,314	5,775	4,968	—	1,679	12,422	—	—	176.2	8.0	100%	11	
Golden Wheel Star Plaza	—	—	—	—	—	—	—	—	—	13,135	21,435	18,600	2,582	55,752	—	233.1	154.1	100%	13	
Golden Wheel New Metro	—	—	—	—	—	—	—	—	—	—	11,719	15,139	2,201	29,059	18,437	270.9	119.4	100%	12	
Golden Wheel Star City (Phase II																				
Buildings No. 10 and 18)	—	—	—	—	—	—	—	—	—	4,972	—	22,449	—	27,421	—	75.0	57.3	100%	14	
Subtotal	—	—	—	—	—	—	10,314	10,314	5,775	23,075	33,154	56,188	6,462	124,654	18,437	755.2	338.8			
Total	226,730	20,867	30,376	15,793	3,476	297,242	15,721	15,721	36,255	25,311	37,589	57,591	29,218	185,964	82,379	2,823.8	338.8			
Attributable GFA (sq.m.)	226,730	20,867	30,376	15,793	3,476	297,242	15,721	15,721	36,255	25,311	37,589	57,591	29,218	185,964	82,379	82,379				

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*Notes:*

- (1) The actual construction commencement date refers to the date on which construction commenced on the first building of the project.
- (2) The actual construction completion date refers to the date of the proof of examination and acceptance of completion for each property or each phase of a multi-phase project. For properties under development, the estimated construction completion date of a property or phase reflects our best estimate based on our current development plan.
- (3) Calculated based on incurred development costs and the total estimated development costs.
- (4) "Total GFA" of completed properties represents the GFA provided in surveying reports or the proof of examination and acceptance of completion by the relevant governmental authorities; "Total GFA" of properties under development is based on land surveyor's estimates and/or planning permits.
- (5) "Non-saleable GFA" of properties includes the GFA of certain underground civil defense area used as car parking spaces and other ancillary facilities.
- (6) The following information is based on our internal records: (a) GFA sold, (b) GFA pre-sold, (c) GFA available for sale, (d) GFA held for investment.
- (7) Phase I of the Golden Wheel Star City comprises a total of nine buildings, of which Buildings No. 4, 5, 7 and 8 were completed in May 2010. We have started to deliver the completed properties of these four buildings to the purchasers since June 2010. The construction of the entire Phase I of the Golden Wheel Star City (including the remaining five buildings) was completed in March 2012.
- (8) Represents incurred development costs of completed properties and properties under development divided by the total estimated development costs of completed properties and properties under development (subject to finalization).
- (9) The information is based on our internal records or estimates: (a) development costs (including both land acquisition costs and the construction costs) incurred and (b) estimated future development costs (including both land acquisition costs and the construction costs).
- (10) Such unsold carparks were offered for sale together with the other carparks in early 2011. However, we did not actively promote the sales of the carparks as our Directors believe that these carparks are all at good locations and we plan to sell these carparks at better prices in anticipation of rising prices at a later stage. As of 31 December 2011, the total carrying value of the unsold carparks was approximately RMB87.3 million. The unsold carparks are made available as short-stay carparks for fees charged on an hourly basis. For the year ended 31 December 2011, rental income from the lease of such carparks amounted to approximately RMB1.5 million.
- (11) We have obtained the pre-sale permits for Buildings No. 16 and 17 of Phase II of Golden Wheel Star City comprising a total GFA of approximately 36,328 sq.m. in December 2010. The sales of a total GFA of approximately 17,444 sq.m. recorded for the Golden Wheel Star City as of 30 September 2012 were attributable to the sales of Buildings No. 16 and 17 of Phase II of Golden Wheel Star City. As of 30 September 2012, a total GFA of 17,174 sq.m. of Buildings No. 16 and 17 of Phase II of Golden Wheel Star City remained unsold. Such units were offered for sale together with the other units of Buildings No. 16 and 17 after we obtained the pre-sale permit in December 2010. However, in view of subsequent substantial increase and in anticipation of further increase in the selling price, we reserved such units for sale together with Buildings No. 10 and 18. We obtained the pre-sale permit for Building No. 18 comprising a total GFA of approximately 29,133 sq.m. in July 2012. As of 30 September 2012, we had yet to obtain the pre-sale permit for Building No. 10 which will comprise a total GFA of approximately 920 sq.m.

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The following table sets forth an overview of our completed investment properties:

Project	Total GFA held for investment	Leasable area as of 30 June 2012	Effective leased area as of 30 June 2012	Occupancy rate as of 30 June 2012 <sup>(1)</sup>	Land certificate expiry date	Completion date	Attributable independent valuation as of 30 September 2012	Weighted average lease expiry term as of 30 September 2012	Total rental income for the six months ended 30 June 2012 <sup>(2)</sup>	Effective average rental price for the six months ended 30 June 2012 <sup>(3)</sup>	Operating lease commitment as of 30 June 2012 <sup>(4)</sup>		
											Within one year	In the second to the fifth year (inclusive)	After the fifth year
	sq.m.	sq.m.	sq.m.	%	month/year	month/year	RMB million	years	RMB million	RMB/sq.m. per month	RMB million		
Golden Wheel International Plaza	28,056	18,308	18,128	99%	Oct-2044	Jan-2009	1,740.0	4.3	24.0	221	43.8	89.3	31.4
Golden Wheel Waltz	2,444	2,203	2,203	100%	Feb-2046	Feb-2010	156.0	2.8	3.7	279	5.3	9.2	0.4
Golden Wheel Building <sup>(5)</sup>	1,216	1,216	1,216	100%	Dec-2040	Feb-2003	18.9	8.3	0.2	28 <sup>(6)</sup>	0.3	1.3	1.2
Golden Wheel Green Garden <sup>(5)</sup>	1,021	1,021	1,021	100%	Apr-2041	Sep-2002	34.0	1.5	0.4	68 <sup>(7)</sup>	0.6	0.5	—
Golden Wheel Time Square	31,205	18,858	15,877	84%	Feb-2048	Apr-2012	1,029.0	4.0	15.6	164	12.1	47.8	1.0
<b>Total</b>	<b>63,942</b>	<b>41,606</b>	<b>38,445</b>				<b>2,977.9</b>		<b>43.9</b>		<b>62.1</b>	<b>148.1</b>	<b>34.0</b>

### Notes:

- (1) Occupancy rate is calculated by dividing the effective leased area (which is the leasable area of a project subject to the relevant lease agreements) by the total leasable area (which is determined by us to be leasable and does not include the public or service areas used in common as a whole or those areas used for ancillary purposes) of the project.
- (2) Xinjiekou Metro Mall was not included in the table above as it is not owned by our Group. We generated property leasing and operational management-related revenue of RMB4.56 million from Xinjiekou Metro Mall for the six months ended 30 June 2012.
- (3) Effective average rental price is calculated by dividing the rental income of a project by its effective leased area.
- (4) Xinjiekou Metro Mall is not included in the table above as it is not owned by our Group. The operating lease commitment of the Xinjiekou Metro Mall as of 30 June 2012 was approximately RMB8.9 million (within one year) and RMB7.8 million (in the second to fifth year (inclusive)), respectively.
- (5) The results of operations of Golden Wheel Building and Golden Wheel Green Garden were not included in our financial statements during the Track Record Period.
- (6) The effective average rental of Golden Wheel Building was relatively lower due to the reason that this project was completed in 2003 and all the leasable area of this project has been leased by one tenant with a term of ten years.
- (7) The effective average rental of Golden Wheel Green Garden was relatively lower due to the reason that this project was completed in 2002 and it is located in less popular area as compared to our other projects.

## BUSINESS

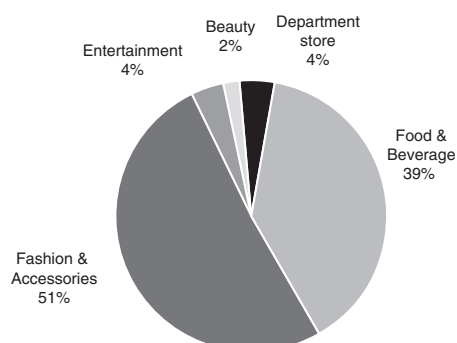
The following table sets forth an overview of our investment properties under development as of 30 September 2012:

Project	Total planned GFA held for investment	Land certificate expiry date	Construction commencement date	Expected completion date	Estimated <sup>(1)</sup> total development costs	Total <sup>(2)</sup> development costs incurred	Land costs incurred	Other construction costs incurred	Estimated future development costs	Attributable Independent Valuation
	sq.m.	month/year	month/year	month/year	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Golden Wheel New Metro	18,437	Jul-2049	Aug 2011	Jun 2013	156.1	98.6	62.4	36.2	57.5	260.0

Notes:

- (1) “Estimated total development costs” represents the sum of “total development costs incurred” and “estimated future development costs”.
- (2) “Total development costs incurred” represents the sum of “land costs incurred” and “other construction costs incurred”.

The following chart shows the percentage of the effective leased area of Golden Wheel International Plaza, Golden Wheel Waltz, Golden Wheel Building, Golden Wheel Green Garden and Golden Wheel Time Square in total as of 30 June 2012 in each of the business sub-sectors based on our classification:



The following table sets forth the respective subsidiary holding our property projects as of the Latest Practicable Date:

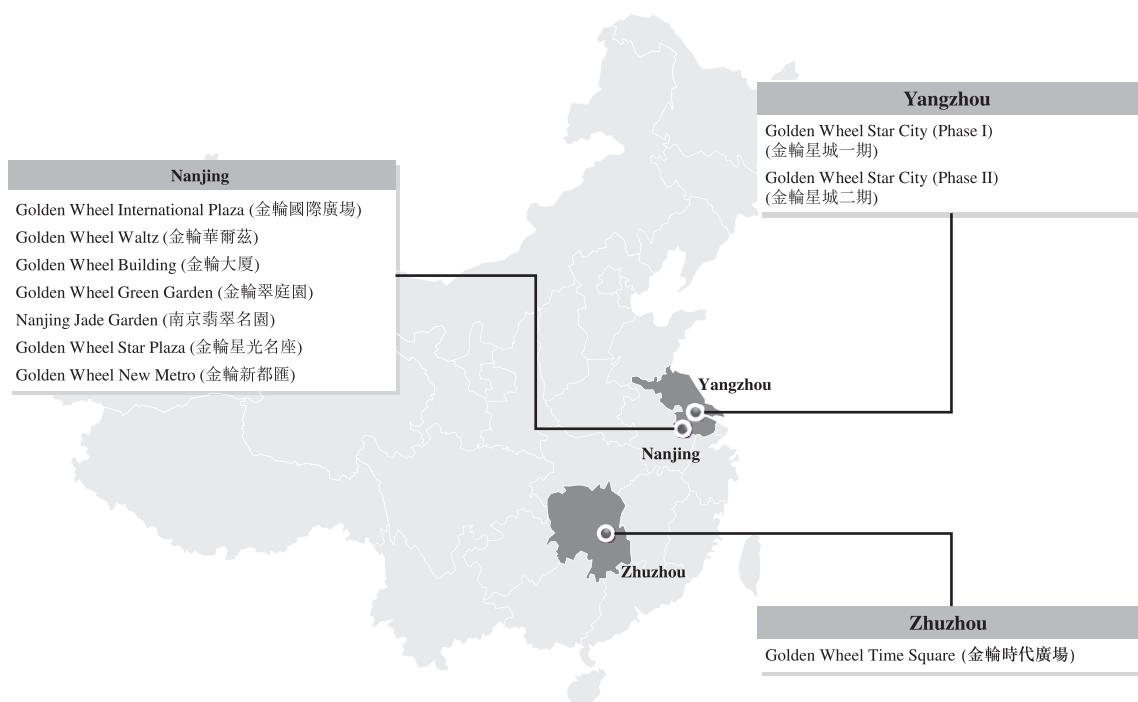
Name of Subsidiary	Property Project(s)
Nanjing Jade Golden Wheel	Golden Wheel International Plaza; Golden Wheel Waltz; Golden Wheel Star Plaza; and Nanjing Jade Garden
Nanjing Golden Wheel Real Estate	Golden Wheel Building; Golden Wheel Green Garden; and Golden Wheel New Metro

## BUSINESS

Name of Subsidiary	Property Project(s)
Yangzhou Golden Wheel Real Estate	Golden Wheel Star City (Phase I and II)
Zhuzhou Golden Wheel Real Estate	Golden Wheel Time Square

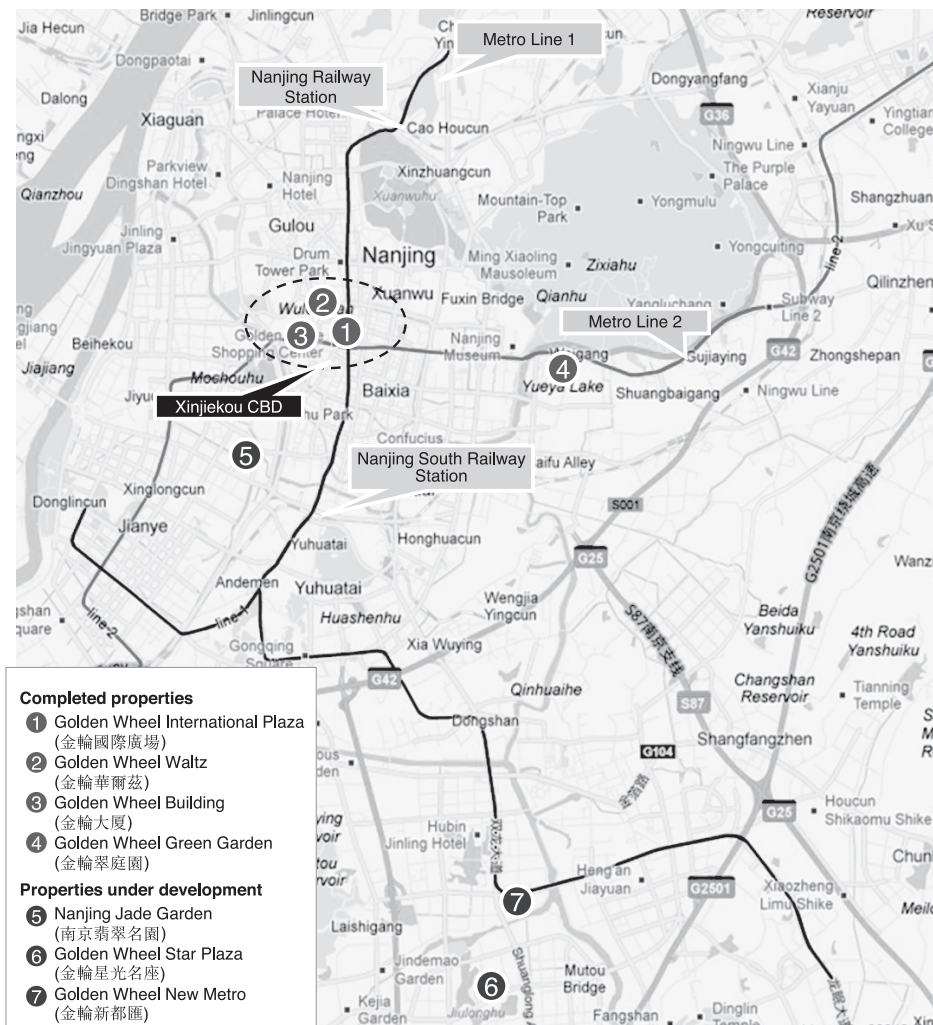
The following are detailed descriptions of each of our projects. The commencement date relating to each project or each phase of a project refers to the date on which construction commenced in respect of the first building of the project or phase. The completion date set out in the descriptions of our completed projects or phases refers to the date on which the construction completion examination report was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date of a project or phase reflects our best estimate based on our current development plans.

The following map indicates the locations of our nine projects in China as of the Latest Practicable Date:



## BUSINESS

### Our Property Projects in Nanjing





## Our Property Projects in Yangzhou



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## BUSINESS

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### Our Property Project in Zhuzhou



Details of our property projects as of 30 September 2012 are set out below.

#### Completed Projects

*Golden Wheel International Plaza (金輪國際廣場)*



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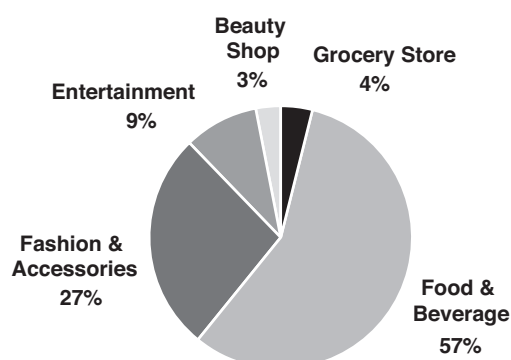
## BUSINESS

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Golden Wheel International Plaza is located at Xinjiekou (新街口) in Nanjing, Jiangsu province. This project benefits from the high pedestrian traffic flow attributed to our prime location on Hanzhong Road in Xinjiekou, which is the main commercial center and a major tourist destination of Nanjing with convenient access to the public transportation system, particularly the local metro network.

Golden Wheel International Plaza is a large-scale, integrated commercial and office complex with a site area of approximately 11,341 sq.m. and a total GFA of approximately 98,031 sq.m. The project is comprised of a 30-storey main building and a 5-storey podium building with a direct physical connection to the metro station through an underground walkway. The main building consists of prime office space and hotel-style apartments, and our Golden Wheel Xintiandi Mall is located in the podium building. We incorporate features such as walkways with shops on both sides to facilitate high traffic flow, which create a more convenient and comfortable shopping environment. The construction of the project commenced in July 2004 and was completed in January 2009. We had sold most of the office space and retained only a small portion for our own use, and we had sold all of the hotel-style apartments. We have retained all of its commercial space for investment. Major tenants of the mall include international and domestic well-known retailers such as H&M, Sephora and Dou Lao Fang (豆捞坊).

As of 30 June 2012, our top five tenants of Golden Wheel Xintiandi Mall in aggregate occupied an effective leased area of approximately 7,944 sq.m., representing approximately 44% of the total leasable area of this property. The following chart shows the percentage of the effective leased area of this property as of 30 June 2012 in each of the business sub-sectors based on our classification:



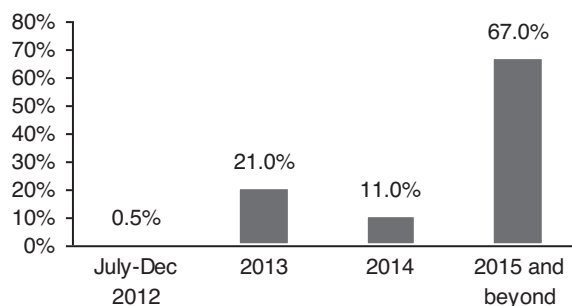
## BUSINESS

The table below sets forth the revenue and the effective average annual rental in connection with property investment of this project for the periods indicated:

	Year ended 31 December			Six months ended 30 June	Nine months ended 30 September
	2009	2010	2011	2012	
Revenue from property investment (RMB'000)	35,223	37,336	45,488	24,014	37,308
Effective average annual rental price (RMB/sq.m.)	2,178	2,202	2,532	2,649	2,717

The business of property investment had maintained a high occupancy rate over 95% as of 31 December 2009, 2010 and 2011 and 30 June 2012. As of 30 September 2012, the weighted average lease term was approximately 4.3 years. The chart below sets forth the percentage of the effective leased area occupied as of 30 June 2012 expiring in the periods indicated:

**Lease expiry (by effective leased area)**



## BUSINESS

The table below sets forth the revenue, average selling price, cost of sales, average cost of sale and the gross profit margin in connection with the property sales of this project for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2009	2010	2011	2012
Revenue from sales (RMB'000)	458,577	114,400	84,952	73,464
Average selling price (RMB/sq.m.)	16,289	18,002	25,366	29,280
Cost of sales (RMB'000)	284,047	59,324	33,744	23,683
- Land cost	66,579	13,905	7,909	5,551
- Construction cost	193,913	40,499	23,036	16,168
- others	23,555	4,920	2,799	1,964
Average cost of sales (RMB/sq.m.)	10,090	9,335	10,076	9,466
Gross profit margin (%)	38	48	60	68

The project was awarded the title of “2007 Most Valuable Office Building (2007最具財富價值寫字樓)” by Jinling Evening News (金陵晚報) in 2008, “2009 Nanjing Model for High-end — Most Valuable Investment Building (2009南京高端代言 — 最具投資價值樓盤)” by Modern Express Newspaper (現代快報) in 2010, “2009 Best Office Building” (2009最佳寫字樓), “2010 Best Office Building” (2010最佳寫字樓) by Yangtze Evening News (揚子晚報), and the “Yangtze Cup Superior Quality Project Award” (“揚子杯”優質工程獎) by the Housing and Construction Bureau of Jiangsu province (江蘇省住房和城鄉建設廳) in 2011.

Details of Golden Wheel International Plaza with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Retail	Office	Hotel-style apartments	Carpark
Total saleable GFA (sq.m.)	—	33,391	10,298	3,914
GFA sold (sq.m.)	—	28,956	10,298	367
GFA available for sale (sq.m.)	—	4,435	—	3,547
GFA held for investment (sq.m.)	28,056	—	—	—
GFA held for company's own use (sq.m.)	—	1,716	—	—

During the Track Record Period, we sold approximately 83.2% of the total saleable GFA of this project. We expect to sell out most of the remaining GFA available for sale of this project by the end of December 2013.

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## BUSINESS

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### *Golden Wheel Building (金輪大廈)*



Golden Wheel Building is a 25-storey residential and commercial building located at Xinjiekou (新街口) in Nanjing, Jiangsu province. The result of operations of this project were not included in our financial statements during the years ended 31 December 2009, 2010 and 2011 because Nanjing Golden Wheel Real Estate, which developed this project, was not our subsidiary during the same periods until it became our subsidiary in June 2012 as a result of the Reorganization. This project has easy access to the public transportation system and is in close proximity to shopping areas, restaurants and entertainment areas. The project has a site area of approximately 4,918 sq.m. and a total GFA of approximately 27,000 sq.m. The construction of the project commenced in May 2001 and was completed in February 2003. We have retained a GFA of approximately 1,216 sq.m. of commercial space for investment. Golden Wheel Building was awarded the “Yangtze Superior Quality Project Award” (“揚子杯”優質工程獎) by the Housing and Construction Bureau of Jiangsu province (江蘇省住房和城鄉建設廳) in 2005.

Details of Golden Wheel Building with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Residential	Retail	Office	Carpark
Total saleable GFA (sq.m.)	14,308	6,849	1,420	698
GFA sold (sq.m.)	14,308	6,849	1,420	460
GFA available for sale (sq.m.)	—	—	—	238
GFA held for investment (sq.m.)	—	1,216	—	—

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## BUSINESS

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Substantial part of the GFA available for sale of Golden Wheel Building was sold out before it became our subsidiary in 2012.

As of 30 September 2012, the weighted average lease term was approximately 8.3 years. No lease agreement with our tenants of Golden Wheel Building will expire until after the year of 2015.

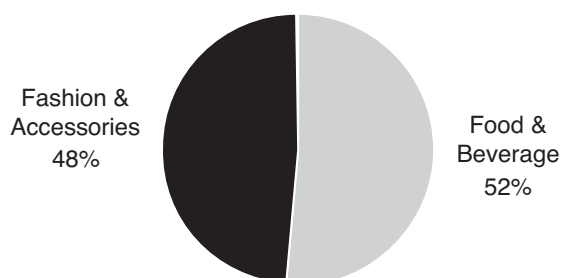
### *Golden Wheel Waltz (金輪華爾茲)*



Golden Wheel Waltz is a 8-storey integrated building located at Xinjiekou (新街口) in Nanjing, Jiangsu province. This property is located opposite to Golden Wheel International Plaza. Golden Wheel Waltz comprises retail shops, restaurants and hotel-style apartments. The property has a site area of approximately 2,046 sq.m. and a total GFA of approximately 7,995 sq.m. The construction of this project commenced in January 2008 and was completed in February 2010. We have sold most of the hotel-style apartments of this project, and retained all of the retail space in this project for investment purposes.

As of 30 June 2012, our top five tenants of Golden Wheel Waltz in aggregate occupied an effective leased area of approximately 1,780 sq.m., representing approximately 81% of the total leasable area of this project.

The following chart shows the percentage of the effective leased area of this property as of 30 June 2012 in each of the business sub-sectors based on our classification:





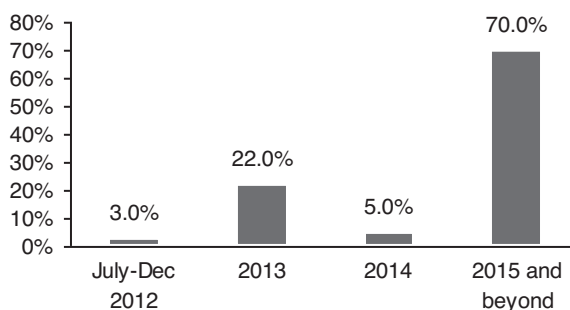
## BUSINESS

The table below sets forth the revenue and the effective average annual rental price in connection with the investment properties of this project for the periods indicated:

	Year ended 31 December		Six months ended 30 June	Nine months ended 30 September
	2010	2011	2012	
Revenue from investment properties (RMB'000)	4,920	7,245	3,682	5,113
Effective average annual rental price (RMB/sq.m.)	2,342	3,289	3,343	3,095

The effective average annual rentals per sq.m. of this project for the two years ended 31 December 2010 and 2011 and the six months ended 30 September 2012 were approximately RMB2,342, RMB3,289 and RMB3,095, respectively. The investment properties maintained a high occupancy rate over 95% as of 31 December 2010 and 2011 and 30 June 2012. As of 30 September 2012, the weighted average lease term was approximately 2.8 years. The chart below sets forth the percentage of the effective leased area occupied as of 30 June 2012 by our tenants expiring in the periods indicated:

**Lease expiry (by effective leased area)**



## BUSINESS

The table below sets forth the revenue, average selling price, cost of sales, average cost of sale and the gross profit margin in connection with the property sales of this project for the years indicated:

	Year ended 31 December	
	2010	2011
Revenue from sales (RMB'000)	88,134	7,041
Average selling price (RMB/sq.m.)	17,227	18,627
Cost of sales (RMB'000)	77,452	5,690
- Land cost	18,154	1,334
- Construction cost	52,875	3,884
- others	6,423	472
Average cost of sales (RMB/sq.m.)	15,139	15,053
Gross profit margin (%)	12	19

Save as an apartment held for our own use, we had sold out all of the hotel-style apartments by 31 December 2011. As a result, we did not record any sale for the six months ended 30 June 2012.

Details of Golden Wheel Waltz with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Retail	Hotel-style apartments
Total saleable GFA (sq.m.)	—	5,495
GFA sold (sq.m.)	—	5,495
GFA held for investment (sq.m.)	2,444	—
GFA held for our own use (sq.m.)	—	56

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## BUSINESS

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### *Golden Wheel Green Garden (金輪翠庭園)*



Golden Wheel Green Garden is located in the central area of Xuanwu District, Nanjing, Jiangsu province. The results of operations of this project were not included in our financial statements during the years ended 31 December 2009, 2010 and 2011 because Nanjing Golden Wheel Real Estate, which developed this project, was not our subsidiary during the same periods until it became our subsidiary in June 2012 as a result of the Reorganization.

Golden Wheel Green Garden is an integrated commercial and residential complex providing retail and catering facilities with a site area of approximately 10,334 sq.m. and a total GFA of approximately 24,147 sq.m. Commenced in August 2001, the construction of this project was completed in September 2002. This project is located in a well-established residential area, within walking distance to the metro station and with convenient access to other transportation networks, and is in close proximity to the Nanjing Agriculture University.

Details of Golden Wheel Green Garden as of 30 September 2012 are as follows:

	Residential	Retail
Total saleable GFA (sq.m.)	23,126	—
GFA sold (sq.m.)	23,126	—
GFA held for investment (sq.m.)	—	1,021

All of the GFA available for sale of Golden Wheel Green Garden was sold out before it became our subsidiary in 2012.

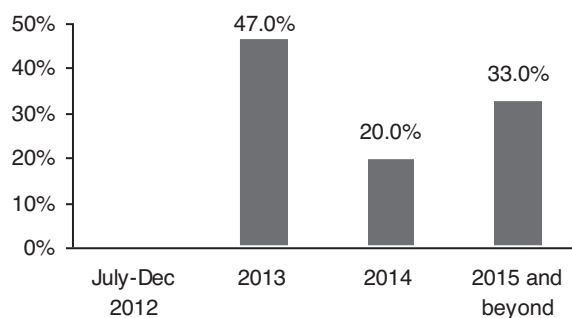
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## BUSINESS

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As of 30 September 2012, the weighted average lease term was approximately 1.5 years. The chart below sets forth the percentage of the effective leased area occupied as of 30 June 2012 by our tenants expiring in the periods indicated:

**Lease expiry (by effective leased area)**



*Golden Wheel Time Square (金輪時代廣場)*



Golden Wheel Time Square is located at Chezhan Road, Zhuzhou, Hunan province. Zhuzhou is the second largest city in Hunan province in terms of GDP per capita. Golden Wheel Time Square is situated in close proximity to Zhuzhou Railway Station and has convenient access to the public transportation network.

Golden Wheel Time Square is a large-scale, integrated commercial and residential complex which comprises two 24-storey main buildings and one 5-storey podium building. This project occupies a site area of approximately 13,501 sq.m. and a GFA of approximately 134,096 sq.m. Commenced in May 2009, the construction of this project was completed in April 2012. We delivered the properties in Golden Wheel Time Square to our customers in April

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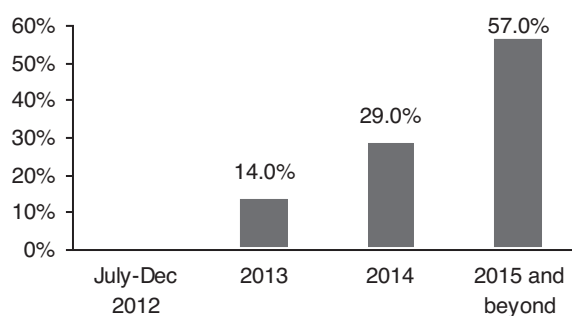
## BUSINESS

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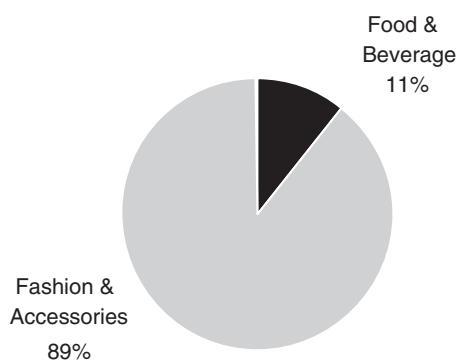
2011 before it passed the construction completion examination in December 2011 (the “**Delivery**”). As advised by Jun He Law Offices, our PRC legal advisors, according to the applicable PRC laws and regulations, we are not permitted to deliver the properties of a construction project before it passes the construction completion examination. As required by the relevant local authorities, we paid a fine of RMB100,000 on 23 September 2011 as a result of the Delivery. For details, please refer to the sub-section headed “— Regulatory Compliance — Delivery of Certain Property Units in Golden Wheel Time Square to our Purchasers before Passing the Construction Completion Examination” in this section. We have sold most of the residential units and approximately one third of the retail space and retained the remaining retail space for investment.

As of 30 June 2012, the top five tenants of the mall at Golden Wheel Time Square in aggregate occupied an effective leased area of approximately 2,385 sq.m., which represented 15% of the total leasable area of this project. The properties for rent maintained a high occupancy rate of approximately 85% as of 31 December 2011 and 30 June 2012. As of 30 September 2012, the weighted average lease expiry was approximately 4.0 years. The chart below sets forth the percentage of the effective leased area occupied as of 30 June 2012 expiring in the periods indicated:

**Lease expiry (by effective leased area)**



The following chart shows the percentage of the effective leased area of this property as of 30 June 2012 in each of the business sub-sectors based on our classification:



## BUSINESS

The table below sets forth the revenue and the effective average annual rental price in connection with the investment properties of this project for the year ended 31 December 2011, the six months ended 30 June 2012 and the nine months ended 30 September 2012:

	Year ended 31 December	Six months ended 30 June	Nine months ended 30 September
	2011	2012	
Revenue from investment properties (RMB'000)	22,191	15,606	24,481
Effective average annual rental price (RMB/sq.m.)	2,023	1,966	2,040

The table below sets forth the revenue, average selling price, cost of sales, average cost of sale and the gross profit margin in connection with the property sales of this project for the six months ended 30 June 2012:

	Six months ended 30 June
	2012
Revenue from sales (RMB'000)	526,294
Average selling price (RMB/sq.m.)	7,632
Cost of sales (RMB'000)	301,721
— Land cost	79,301
— Construction cost	211,699
— Others	10,721
Average cost of sale (RMB/sq.m.)	4,375
Gross profit margin (%)	43

Details of Golden Wheel Time Square with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Residential	Retail	Carpark
Total saleable GFA (sq.m.)	72,345	15,955	12,666
GFA sold (sq.m.)	59,333	14,018	—
GFA pre-sold (sq.m.)	4,252	—	—
GFA available for sale (sq.m.)	8,760	1,937	12,666
GFA held for investment (sq.m.)	—	31,205	—

During the Track Record Period, we sold approximately 72.6% of the total saleable GFA of this project. We expect to sell out most of the remaining GFA available for sale of this project by the end of June 2013.

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## BUSINESS

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### Projects under Development

#### *Golden Wheel New Metro (金輪新都匯)*

Golden Wheel New Metro is located in the central area of Jiangning District, Nanjing, Jiangsu province.

Golden Wheel New Metro is designed to be a large-scale retail and office complex with a site area of approximately 9,218 sq.m. and a planned total GFA of approximately 59,912 sq.m. It is connected to the Hedingqiao (河定橋) metro station and has easy access to other forms of public transportation. According to the relevant land use right contract and construction permit, the construction of this project should have commenced by January 2012 and be completed by September 2013. We commenced the construction of this project in August 2011 and we expect that it will be completed in June 2013. We expect to start the pre-sale of this project in November 2012. We expect to sell out most of the GFA available for sale of this project by the end of June 2014.

Details of Golden Wheel New Metro as of 30 September 2012 are as follows:

	Retail	Office	Hotel-style apartments	Carpark
Total saleable GFA (sq.m.)	—	11,719	15,139	2,201
GFA available for sale (sq.m.)	—	11,719	15,139	2,201
GFA held for investment (sq.m.)	18,437	—	—	—

The total consideration for the land use right for this project was approximately RMB156.0 million, of which we had paid approximately RMB120.3 million as of 30 September 2012. The balance of RMB35.7 million will be settled by our delivery of properties of this project with equal value to the transferor of the land use right upon completion. According to the valuation conducted by Nanjing Tianhong Assets and Real Estate Assessment Co., Ltd. (南京天宏資產評估房地產估價有限公司), the then market value of such land use right was approximately RMB61.2 million. The total consideration for the land use right was further adjusted to RMB156.0 million due to increase in plot ratio from 2 to 4.84 as approved by the relevant authorities. Our PRC legal advisors, Jun He Law Offices, advised that the Nanjing Metro had the obligation to arrange for a valuation report for the increase in consideration. Our Directors confirmed that, as advised by Nanjing Metro, there was a valuation report prepared for such increase in consideration. We obtained the land use right for this project in 2011.

As of 30 September 2012, we had incurred approximately RMB270.9 million development cost for this project. We expect that the remaining development cost for this project will be approximately RMB119.4 million.

In 2011, we acquired the land use right (the “**Land**”) in relation to our Golden Wheel New Metro project from Nanjing Metro (the “**Transfer**”). Nanjing Metro invited us to bid for the Land as part of its open invitation to the public, but did not undergo a listing-for-sale process in connection with the Transfer as required by the relevant rules governing the transfers of



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## BUSINESS

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state-owned assets. As a result, as advised by our PRC legal advisors, Jun He Law Offices, the Nanjing State-owned Assets Supervision and Administration Committee (“**SASAC**”) has the right to require Nanjing Metro to rectify such non-compliance or seek a court order to nullify the Transfer. If SASAC seeks to nullify the transfer, our ownership title to the Land may be subject to challenge and be considered invalid or can be revoked by SASAC or other relevant authorities.

Our PRC legal advisors conducted an interview with Nanjing Metro on 20 April 2012 with respect to the Transfer, who advised that (i) Nanjing Metro published a bidding invitation in connection with the transfer of the Land on its website; (ii) the consideration paid by us was not less than the appraised value of the Land at the time of the Transfer; (iii) the relevant procedures required for the Transfer were completed under the supervision of SASAC and that Nanjing Metro had completed all the necessary procedures then required by SASAC; and (iv) SASAC had not raised any objection to the Transfer. Our PRC legal advisors further conducted an interview with the SASAC on a named-basis on 21 May 2012 and understood from SASAC that: (i) Nanjing Metro is under the direct supervision of SASAC; (ii) assuming the bidding process for the transfer of the Land was conducted by Nanjing Metro in an open and public manner, the Transfer would have complied with SASAC’s then requirements with respect to the transfer of state-owned assets; (iii) SASAC had not raised any objection to the Transfer; and (iv) SASAC had not challenged the legality, validity and enforceability of our ownership title to the Land. Our property valuer, CBRE, also advised that the consideration paid by us for the Land was reasonable as compared to other similar property transactions around the time of the Transfer. Furthermore, our PRC legal advisors, Jun He Law Offices, also advised that, if the Transfer is nullified by SASAC, as a matter of PRC law, we can claim reasonable damages against Nanjing Metro by means of litigation on the ground of a contractual breach of the land use right transfer agreement by Nanjing Metro. The basis of reasonable damages will be agreed upon by the parties by way of settlement. If a settlement cannot be reached, we will submit such basis of damages to the court for its final adjudication. As Nanjing Metro is under the direct supervision of SASAC, we believe that it would not be in the interest of SASAC if Nanjing Metro is required to pay damages to us. Based on the above, our PRC legal advisors are of the view that the risk of SASAC seeking to nullify the Transfer is remote. Our PRC legal advisors also advised that, our ownership title to the Land is legal, valid and enforceable under the applicable PRC laws and regulations.

Our PRC legal advisors further advised that it is the obligation of the transferor, Nanjing Metro, a state-owned company, to comply with the listing-for-sale procedure for the Transfer as required by the relevant rules governing the transfers of state-owned assets, and that we, as the transferee, would not be held responsible for such non-compliance.

Please see the section headed “Risk Factors — Any failure of third-party transferors to comply with the applicable PRC laws and regulations for transfers of state-owned assets may affect our business”.

For future projects or acquisition of land involving state-owned entities, we have reinforced our internal control system and established review and approval procedures to ensure that the relevant regulatory requirements will be complied with by such counterparties. We will also seek advice from external PRC legal advisors when required.

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## BUSINESS

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As of 30 June 2012, the book cost of Golden Wheel New Metro and the related land use right amounted to approximately RMB295.6 million. The total development costs of this project are expected to be approximately RMB390.3 million. As of 30 September 2012, the total planned GFA available for sale of Golden Wheel New Metro was approximately 29,059 sq.m., representing approximately 15.6% of our total GFA available for sale.

### *Golden Wheel Star Plaza (金輪星光名座)*

Golden Wheel Star Plaza is located in Jiangning District, Nanjing, Jiangsu province, and is within walking distance to the Jiulong Lake area, which is a popular business and commercial area featuring lake and mountain views. Golden Wheel Star Plaza has easy access to the public transportation network, and it is also within walking distance to the metro station. Golden Wheel Star Plaza is also in close proximity to hospitals, schools, supermarkets, a public library and a park.

Golden Wheel Star Plaza is being developed as a commercial complex which will comprise hotel-style apartments, offices and retail shops. This project has a site area of approximately 29,540 sq.m. and a planned GFA of approximately 70,396 sq.m. We believe that this project will become one of the largest integrated commercial complexes in this area. According to the land use right contract, the construction of this project should have commenced by January 2011 and be completed by December 2012. We commenced the construction work of this project in November 2011, which is after January 2011, the date specified under the land use right contract. As advised by our PRC legal advisors, Jun He Law Offices, as we had commenced the construction work within one year after the specified date, we will not be subject to any penalty due to such delay and the land would not be deemed as an idle land. We expect that this project will be completed by September 2013, which will be later than the deadline specified in the land use right contract. For details, please refer to the section headed “— Regulatory Compliance — Late Completion of Nanjing Jade Garden and Golden Wheel Star Plaza” in this section. We expect to start the pre-sale of this project in January 2013 and we expect to sell out most of the GFA available for sale of this project by the end of September 2014. If the pre-sale of Golden Wheel Star Plaza does not commence in January 2013, we will make a voluntary announcement after the Listing to provide our investors with the then updated information.

Details of Golden Wheel Star Plaza with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Retail	Office	Hotel-style apartments	Carpark
Total saleable GFA (sq.m.)	13,135	21,435	18,600	2,582
GFA available for sale (sq.m.)	13,135	21,435	18,600	2,582

As of 30 September 2012, we had incurred approximately RMB233.1 million development costs in connection with this project. We expect that the remaining development costs for this project will be approximately RMB154.1 million.

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### *Nanjing Jade Garden (南京翡翠名園)*

Nanjing Jade Garden is located in the central area of Jianye District, Nanjing, Jiangsu province. Nanjing Jade Garden is designed to be a residential community comprising two apartment buildings for residential use and one low-rise building for commercial use. Upon completion, the low-rise building is expected to contain a supermarket, retail stores and other supporting facilities.

Nanjing Jade Garden occupies a site area of approximately 7,212 sq.m. with a total planned GFA of approximately 29,976 sq.m. According to the land use right contract and the approval extending the completion date, the construction of this project should have been commenced by October 2010 and completed by June 2012. We commenced the construction work of this project in January 2011, later than the date specified under the land use right contract. As advised by our PRC legal advisors, Jun He Law Offices, as we have commenced the construction work within one year after the specified date, we are not subject to any penalty due to such delay and the land would not be deemed as idle land. We expect that this project will be completed in June 2013, which will be later than the date specified in the land use right contract and the extension approval. For details, please refer to the sub-section headed “— Regulatory Compliance — Late Completion of Nanjing Jade Garden and Golden Wheel Star Plaza” in this section. We started the pre-sale of this project in July 2012. We expect to sell out most of the GFA available for sale of this project by the end of December 2013.

Details of Nanjing Jade Garden with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	Residential	Commercial	Carpark
Total saleable GFA (sq.m.)	16,089	4,968	1,679
GFA sold (sq.m.)	—	—	—
GFA presold (sq.m.)	10,314	—	—
GFA available for sale (sq.m.)	5,775	4,968	1,679

As of 30 September 2012, we incurred approximately RMB176.2 million development cost in connection with this project. We expect that the remaining development costs for this project will be approximately RMB8.0 million.

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### *Golden Wheel Star City (金輪星城) (Phase I & II)*



Golden Wheel Star City is designed to be a residential project comprising 17 apartment buildings. This project is located at Yangtze River Middle Road, Yangzhou, Jiangsu province, within three kilometers from the historic downtown area of Yangzhou. This project provides all the benefits of a small township with easy access to public transportation, and is within walking distance to schools, supermarkets, a public park, and health-care facilities.

Golden Wheel Star City consists of two phases and has a total site area of approximately 81,616 sq.m. with a planned total GFA of approximately 206,305 sq.m. The project is defined by a river running through the community with several bridges spanning across the river, catering to the preferences of local residents to own water view apartments, which we believe will increase the sales value of this project.

Phase I of Golden Wheel Star City consists of nine apartment buildings with a site area of approximately 42,803 sq.m. and a GFA of approximately 88,933 sq.m. Commenced in August 2008, the construction of Phase I was completed in March 2012.

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Details of Phase I of Golden Wheel Star City with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	<u>Residential</u>	<u>Retail</u>	<u>Hotel-style apartments</u>	<u>Carpark</u>
Total saleable GFA (sq.m.)	72,822	299	1,403	8,954
GFA sold (sq.m.)	72,128	—	—	2,649
GFA available for sale (sq.m.)	694	299	1,403	6,305

During the Track Record Period, we sold approximately 89.6% of the total saleable GFA of Phase I. We expect to sell out most of the remaining GFA available for sale of Phase I by the end of June 2013.

Phase II of Golden Wheel Star City consists of eight apartment buildings with a site area of approximately 38,813 sq.m. and a total planned GFA of approximately 117,372 sq.m. Upon completion, Phase II will comprise residential units, retail shops and other ancillary facilities. According to the relevant land use right contract and construction permit, the construction of Phase II should have been commenced by June 2010, but the contract does not specify the deadline for its completion. We commenced the construction of Phase II in October 2009. As of 30 September 2012, the construction of six apartment buildings of Phase II had been completed. The construction of the remaining two apartment buildings is expected to be completed in December 2013.

Details of Phase II of Golden Wheel Star City with respect to total GFA sold and retained as of 30 September 2012 are as follows:

	<u>Residential</u>	<u>Retail</u>	<u>Hotel-style apartments</u>
Total saleable GFA (sq.m.)	80,016	4,972	22,449
GFA sold (sq.m.)	57,835	—	—
GFA pre-sold (sq.m.)	1,155	—	—
GFA available for sale (sq.m.)	21,026	4,972	22,449

During the Track Record Period, we sold approximately 53.8% of the total saleable GFA of Phase II. We expect to sell out most of the remaining GFA available for sale of the completed portion and the uncompleted portion of Phase II by the end of June 2013 and December 2014, respectively.

As of 30 September 2012, we incurred approximately RMB375.2 million development cost in connection with Phase II of Golden Wheel Star City. We expect that the remaining development costs for Phase II of Golden Wheel Star City will be approximately RMB57.3 million.

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The table below sets forth the revenue, average selling price, cost of sales, average cost of sale and the gross profit margin for this project for the periods indicated:

	Year ended 31 December		Six months ended 30 June
	2010	2011	2012
Revenue from sales (RMB'000)	238,734	352,959	14,728
Average selling price (RMB/sq.m.)	4,276	5,999	7,404
Cost of sales (RMB'000)	202,085	236,308	8,749
- Land cost	47,573	55,629	2,060
- Construction cost	148,766	173,959	6,441
- others	5,746	6,720	248
Average cost of sales (RMB/sq.m.)	3,619	4,017	4,399
Gross profit margin (%)	15	33	41

### Potential Development Projects

In addition to our existing property development projects, we are actively exploring opportunities for additional property development projects in China. In accordance with our acquisition strategy, we have entered into several non-binding letters of intent (the “**Letters of Intent**”) with certain local governmental authorities or third parties to demonstrate our early commitment to develop these projects. We are required to go through the public tender, auction, or listing-for-sale procedures (as the case may be) under the relevant PRC rules and/or obtain relevant government approvals before we can obtain the land use right with respect to the land parcels under these Letters of Intent. As such, there is no assurance that these Letters of Intent will lead to our acquisition of any land use right. For more details, please see the section headed “Risk Factors — We do not hold any other property for future development other than our existing property development projects, and we may not be able to locate or acquire suitable sites for our future projects at reasonable costs, or at all” in this prospectus.

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The following table sets forth an overview of the potential property development projects under the Letters of Intent:

No.	Project	Counterparty to the letter of intent	Planned use	Site area	Planned GFA	Expected total investment	Payment made	Expected payment arrangement			Expected construction commencement date
							2012	2013 <sup>(1)</sup>	2014 <sup>(5)</sup>	2015 <sup>(2)</sup>	
				sq.m.	sq.m.	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
1	Shuanglong Road Project (雙龍大道項目) in Nanjing, Jiangsu province	Administration Committee of Jiangning Economic & Technological Development Zone (江寧經濟技術開發區管委會)	Commercial (shopping mall and hotel-style departments)	9,601	55,324	420,000	42,376	98,624	169,000	110,000	Third quarter of 2013
2	Shengtai Road Project (勝太路項目) in Nanjing, Jiangsu province	Administration Committee of Jiangning Economic & Technological Development Zone (江寧經濟技術開發區管委會)	Commercial (shopping mall) and residential	30,136	161,212	1,000,000	—	75,000	325,000 <sup>(3)</sup>	250,000	Second quarter of 2014
3	China Pharmaceutical University Metro Station Project (中國藥科大學地鐵站項目) in Nanjing, Jiangsu province	Nanjing Metro	Commercial (shopping mall) and residential	46,228	128,173	600,000	—	140,000	170,000 <sup>(4)</sup>	150,000	Second quarter of 2014
4	Nanjing Tuo Ban Qiao Project (南京拖板橋項目) in Nanjing, Jiangsu province	Nanjing Qinhuai Urban Development Company Limited (南京市秦淮城鎮建設綜合開發有限公司)	Residential	5,000	22,000	160,000	—	62,500	82,500	10,000	First quarter of 2014
5	Zhuzhou Yunlong Project (株洲雲龍項目) in Zhuzhou, Hunan province <sup>(6)</sup>	Administration Committee of Zhuzhou Yunlong Shifan District (株洲雲龍示範區管委會)	Commercial (retail shops) and residential	100,000	250,000	850,000	60,000	60,000	250,000	250,000	First quarter of 2014
<b>Total</b>				<b>190,993</b>	<b>616,709</b>	<b>3,030,000</b>	<b>102,376</b>	<b>436,124</b>	<b>996,500</b>	<b>770,000</b>	

**Notes:**

- (1) Represents expected land acquisition costs only.
- (2) Represents expected construction costs only.
- (3) Represents the sum of expected land acquisition costs of RMB275 million and expected construction costs of RMB50 million.
- (4) Represents the sum of expected land acquisition costs of RMB140 million and expected construction costs of RMB30 million.
- (5) Save for the expected land acquisition cost mentioned in notes (3) and (4) above, all of the other payments represent expected construction costs.



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- (6) We made a deposit of RMB60.0 million for the potential land acquisition for this project. According to the letter of intent, we are entitled to a full refund of such deposit if we fail to obtain the land use right. We expect to pay the remaining RMB60.0 million land acquisition costs in 2013 and to incur construction costs of approximately RMB250.0 million in 2014 and RMB250.0 million in 2015 for this project.

When we select potential development projects, we focus on developing commercial complexes which are either connected or in close proximity to local metro stations or other transportation hubs to benefit from high pedestrian walk-through traffic flow. We will formulate investment plans and conceptualize development targets based on our overall growth strategy and development plan. Once we have a preliminary concept of the properties that we intend to develop, we conduct further feasibility studies on the potential development target with thorough risk management and investment return analysis, including macro-social economic trends in China, government policies, regulations and other reports in relation to the development of the PRC property industry, economic development in the regions, local property market conditions, disposable income, urban planning, infrastructure and supporting facilities. In addition, our current strategy is to acquire land with a total planned GFA of not more than 300,000 sq.m. and a total expected investment amount of not more than RMB1.0 billion. As our Shuanglong Road Project is in close proximity to Golden Wheel New Metro, it may be developed as a new phase of Golden Wheel New Metro.

All these potential projects, if implemented, are expected to be developed and wholly owned by us. We plan to fund these potential development projects with our operating cash flow (including pre-sale proceeds from our existing projects under development and these potential development projects), proceeds from the Global Offering and, if necessary, bank loans.

Based on the information contained in the Letters of Intent, our PRC legal advisors, Jun He Law Offices, advised that, subject to the public tender, auction or listing-for-sale procedures (as the case may be) and the definitive terms and conditions to be determined and confirmed through further negotiation on the formal agreements, our PRC subsidiaries are permitted to undertake these projects (if implemented) under their respective qualification certificates.

### *Shuanglong Road Project*

We won the bid for the land acquisition of this project in late October 2012. We had not yet entered into the land use right grant contract as of the Latest Practicable Date, but we expect to enter into such land use right grant contract in the first quarter of 2013. We will make voluntary monthly announcements about the expected timing and progress of such land use right grant contract after the Listing. According to the relevant PRC laws and regulations, real property developers are generally required to execute a land use right grant contract within ten working days after winning the bid. However, according to the invitation for bidding and confirmation from the relevant land bureau, we are allowed to enter into the land use right grant contract in early May 2013 as our bidding entity for this project is our wholly-owned offshore subsidiary established in Hong Kong. As advised by our PRC legal advisors, after entering into the land use right grant contract, save for the payment for the land acquisition costs, there is no other condition that we are required to satisfy before we obtain the land use

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right certificate. We plan to commence the construction work for this project by the third quarter of 2013 and commence pre-sale by the second quarter of 2014. The expected total investment of RMB420 million for this project comprises land acquisition costs of RMB141 million and construction costs of RMB279 million. We currently expect to fund 50% of the total investment through our operating cash inflow (mainly pre-sale proceeds from our projects), 25% through our net proceeds from the Global Offering and the remaining 25% through bank loans. We had made a deposit of approximately RMB42.4 million for the land acquisition by 2012, and we expect to make a further payment of RMB28.1 million in the first quarter of 2013 before entering into the land use right grant contract (the deadline is early May 2013), and pay the remaining RMB70.5 million in accordance with the terms to be determined in the land use right grant contract and before our expected commencement of construction in the third quarter of 2013. We expect to finance the land acquisition costs by our operating cash inflow (mainly pre-sale proceeds from our projects). We expect to incur construction costs of approximately RMB169 million in 2014 and RMB110 million in 2015, which is expected to be financed by our operating cash inflow (mainly pre-sale proceeds from our projects), proceeds from the Global Offering and, if necessary, bank loans.

Upon completion, we plan to sell a portion of the hotel-style apartments with GFA of approximately 8,064 sq.m. and hold the remaining GFA for investment purposes. We expect to generate approximately RMB145 million from the sale of these hotel-style apartments, representing an average selling price of approximately RMB18,000 per sq.m. In order to cover the expected investment costs (after deducing the expected proceeds from the sale of part of the hotel-style apartments), we expect that, barring unforeseeable circumstances, the average annual rental price per sq.m. (based on expected GFA) for the retail shops and hotel-style apartments held for investment purposes will be approximately RMB1,440 per sq.m. and RMB200 per sq.m., respectively. The payback period for this project will be around six years taking into account the expected annual profitability.

### PROPERTY DEVELOPMENT

We endeavor to deliver high-quality products and provide satisfactory services to our customers. Our process for project development includes, among other things, city and site selection, land acquisition, project planning and design, construction, quality control, sales and marketing, delivery and after-sales services.

#### City and Site Selection

We believe that city and site selection and evaluation process is one of the most critical stages in property development and is the key to the success of a property development project. Consequently, we devote significant management resources to this process. For our commercial property projects, we typically select sites which are or will be connected, or in close proximity, to local metro stations and other transportation hub.

We consider the following factors in our city selection process, including:

- geographical size, population, and overall economic development;

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- zoning regulations and policies on real estate development, future land availability and transportation network development;
- the supply and demand for commercial and residential properties in the local market; and
- the competition landscape, including the identity, size and development plans of existing and potential competitors, pricing and other indicators of competing projects, and the marketing strategies of competitors and competing projects; and the land availability in the foreseeable future.

With respect to the site selection in a chosen city, we consider the following factors:

- site area and the location of the site, in particular, its proximity and accessibility to city centers or business districts;
- the site's position and level of importance in the city's future development plans;
- whether the site is connected to a robust transportation and supporting facilities infrastructure currently existing or planned by the local government; and
- overall cost structure of the potential development, including, among other things, whether the site is ready for development and will not require substantial demolition of existing structures.

After we have identified a potential site, we will then decide if we will acquire the relevant site after reviewing the feasibility report prepared by consulting companies.

### Land Acquisition

We acquire land use right primarily through direct acquisition from the PRC government by way of public tender, auction or listing-for-sale or in the secondary market through transfer agreements with the original grantees of the relevant land use right. Under PRC law, all land to be developed for commercial purposes, such as business, tourism, entertainment and commodity residential housing, must be granted by way of public tender, auction or listing-for-sale. Where land use right is granted by way of public tender, the relevant authorities will consider not only the tender price but also the credit history and qualifications of the developer and its tender proposal. Where land use right is granted by way of an auction, a public auction is held by the relevant local land bureau and the land use right is usually granted to the highest bidder. Where land use right is granted by way of listing-for-sale, the relevant local land bureau will announce the conditions for granting the land use right at designated land transaction centers and bids are then submitted by the interested parties. The land use right is usually granted to the bidder submitting the highest bid at the end of the listing-for-sale period. If two or more parties request a competitive bidding, an on-site competitive bidding will take place and the land use right will be granted to the highest bidder.

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Grantees of land use right may dispose of the land use right granted to them in private sales, subject to the terms and conditions of the land use right grant contracts and relevant regulations of the PRC. To the extent permitted by law, we may also choose to acquire land use right in the secondary market through negotiated transfers in addition to the public tender, auction or listing-for-sale process.

As a property developer focusing on development and operation of large-scale residential and commercial properties, we believe that acquiring land at competitive prices is critical to our overall success. Due to the substantial amount of capital expenditures involved and the volatility of the PRC real estate market, since 2007 and up to the Latest Practicable Date as part of our prudent measure, we strategically acquired one piece of land per year to ensure efficient capital deployment and enhance investment return. During the Track Record Period, our total GFA sold was 28,152 sq.m., 67,305 sq.m., 62,561 sq.m. and 73,456 sq.m. in 2009, 2010, 2011 and the six months ended 30 June 2012, respectively, and our total GFA leased was 27,095 sq.m., 29,530 sq.m., 51,887 sq.m. and 59,706 sq.m. in the respective period. We have maintained a mix of developments for sale and developments for investment purposes.

To retain sufficient land bank for future development, we will continue to acquire land as and when appropriate and we may acquire more than one piece of land in a year, taking into account our then available financial resources including proceeds from the Global Offering. Taking into account the potential development projects under the Letters of Intent and the on-going development of metro system in second and third-tier cities that creates opportunities for developing metro-linked shopping malls in such cities (details of which are set out in the section headed “Industry Overview” in this prospectus), we expect to acquire three pieces of land in 2013 (including the one for Shuanglong Road Project) and two pieces of land in 2014. Apart from the potential land acquisitions under the Letters of Intent, we will continue to explore other land acquisition opportunities, taking into account the macro-social economic trends and the development of metro systems in China, government policies and regulations relating to the development of the PRC property industry and our then available financial resources. We will maintain our strict financial discipline over all aspects of our operations including land acquisition. We had not experienced any difficulty in acquiring land during the Track Record Period and up to the Latest Practicable Date. As of 30 September 2012, we had a total GFA under development of approximately 193,368 sq.m.

The following table shows that we acquired one piece of land each year since 2007:

Date of land acquisition	Project	Total GFA/Total planned GFA as of 30 September 2012 (sq.m.)
February 2007	Golden Wheel Star City	206,305 sq.m.
February 2008	Golden Wheel Time Square	134,096 sq.m.
July 2009	Nanjing Jade Garden	29,976 sq.m.
April 2010	Golden Wheel Star Plaza	70,396 sq.m.
April 2011	Golden Wheel New Metro	59,912 sq.m.

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The table below sets forth a summary of our major sources of funding for our existing portfolio and potential development projects under the Letters of Intent:

	Existing portfolio <sup>(1)</sup>		Properties under development		Potential development projects	
	% of total development costs		% of total development costs to be incurred		% of total expected development costs	
	RMB billion	incurred	RMB billion	incurred	RMB billion	costs
Operating cash inflow (mainly pre-sale proceeds)	1.7	61%	0.13	38%	2.0	67%
Shareholders' capital <sup>(2)</sup>	0.7	25%	N/A	N/A	N/A	N/A
Debt financing <sup>(3)</sup>	0.4	14%	N/A	N/A	0.74	24%
IPO proceeds	N/A	N/A	0.21	62%	0.26 <sup>(4)</sup>	9%
<b>Total investment</b>	<b>2.8</b>	<b>100%</b>	<b>0.34</b>	<b>100%</b>	<b>3.0</b>	<b>100%</b>

*Note:*

- (1) Our existing properties comprise completed properties and properties under development as of the Latest Practicable Date.
- (2) We will consider equity fund raising if our other sources of financing will not be sufficient to fund the potential development projects.
- (3) Our Group has entered into a letter of intent with a bank in relation to a potential banking facility of RMB500 million, among which a banking facility of US\$5 million for general corporate purposes had been granted to and utilized by us and another banking facility of RMB50 million had been granted to us for the development of Golden Wheel New Metro (of which we had utilized RMB30 million). We may borrow the remaining potential banking facility of approximately RMB420 million when needs arises and subject to the bank's then approval. Given by our low gearing ratio and potentially improved credit rating after the Listing, we may be able to obtain other bank loans and offshore banking facilities. Apart from bank loans, following the Listing, we are also open to other types of debt financing. We will adjust our overall development plan and schedule taking into account our then financial circumstances and the available sources of funding.
- (4) This amount represents 50% of our net proceeds from the Global Offering, which is HK\$319.85 million, or equivalent to approximately RMB260 million by using the exchange rate of RMB1=HK\$1.23.

During the Track Record Period, we had not obtained any financing through trust-loan arrangements or other similar arrangement due to their high interest rates. We currently do not have any intention to obtain financing through trust-loan arrangements or other similar arrangements. For risks relating to our financial resources, please refer to the section headed "Risk Factors — We require substantial capital resources to acquire land and develop our projects, which may not be available on commercially reasonable terms, or at all, and are subject to market demand and policy changes" in this prospectus.

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### **Project Planning and Design**

We normally start to discuss our plans with the relevant local governmental authorities at an early stage of our property development process. To achieve our distinctive design and operating efficiency, we typically outsource the design work to third-party architectural and design firms, which are selected through a bidding process for each of our property projects. We normally take into account their proposed design concepts, reputation, their past cooperation experience with us and their fees before making a final decision.

### **Construction**

All of our construction work is outsourced to third-party construction contractors, which are selected through a bidding process. We have established a set of selection procedures in selecting our construction contractors to ensure that they meet our quality and workmanship standards. We typically take into account their professional qualifications, reputation, track records and past performance on our projects. Our tender and bidding committee evaluates the suitability of each potential contractor and makes final decisions.

Our contractors are generally responsible for procuring construction materials. However, for key construction materials such as steel and cement, we may specify the brands and our preferred suppliers in order to ensure that such materials meet our requirements. For construction materials procured by our contractors, the risk of price fluctuations may be borne by them so long as the fluctuations are within a certain percentage of the contract prices (such as 5%). In the event that the price fluctuates more than the agreed percentage, we may reimburse the contractors for any shortfall. We typically procure certain large equipment such as elevators and air-conditioning systems from the relevant suppliers through a bidding process.

### **Quality Control**

We emphasize on and enforce our quality control at each stage of our project development process from its initial planning and design to its final completion. In addition to our selection process in choosing our service providers and suppliers, we have formulated a series of internal quality assurance standards and procedures to regulate all major processes in our project development, including construction works, water and electricity systems, pipe networks, landscaping, fitting-out works, interior design and decoration, controls over construction materials and equipment supply.

In compliance with PRC laws and regulations, we also engage construction supervision companies to monitor certain aspects of our project construction as specified by the relevant laws and regulations. As of the Latest Practicable Date, we engaged three construction supervision companies to monitor our projects under development, respectively, and we had worked with each of these companies for more than one year. All three construction supervision companies have the relevant first class qualification for real property construction supervision with over ten years of operating history.

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According to our construction supervision contracts, these construction supervision companies are responsible for supervising the construction quality of our projects, and are required to report the progress and the quality conditions of the projects on a regular basis. If there is any quality problem with construction materials or workmanship, these supervision companies have the right to suspend the construction work with our consent. According to the construction supervision contracts, these supervision companies need to pay damages to us if there is any accident due to quality defects, delay in construction or unreasonable increase in construction costs due to their fault.

Our construction contracts generally provide for progressive payments based on milestones reached until an aggregate of approximately 80% of the total contract price has been paid. We will then settle an additional 15% after the project has passed the completion acceptance inspection and the certificate of completion has been issued. We normally withhold the remaining 5% of the total contract price as warranties for quality for a period of one to five years after the completion of construction. The unused portion of such warranties for quality will be returned to the contractors upon the expiration of the warranty period.

During the Track Record Period, we had not experienced any material quality defects in the quality of our property projects.

### **Sales and Marketing**

#### *Sales and Marketing*

As of 30 June 2012, we maintained an internal sales and marketing team of 39 employees. We have a sales and marketing department based in our headquarters and local sales and marketing personnel based in respective project companies in Jiangsu and Hunan provinces. Our sales and marketing team conducts market research, formulates our marketing and pricing strategies, and determines advertising and sales plans for our projects. We prefer training and using our in-house sales team rather than relying on third party agents, as we believe our own team is better positioned to serve our customers.

Our target rental customers group include retail, hospitality, recreation and entertainment service providers and other business entities seeking to lease quality premises in prime locations. We also sell some of our commercial properties if we believe such sales will generate a better return. Our sale of residential properties focuses on quality housing products for mass market home buyers.

Our marketing efforts include advertising through newspapers, magazines, brochures, television, radio, internet, signage posters and outdoor billboards, to market our projects. In order to provide our customer more details of our projects, we also set up on-site reception centers to display model unit of our projects and other detailed information.



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To promote the sales of our property projects, we may offer our customers with a discount of 1% to 3% on the selling prices on the first day of the pre-sale. During the Track Record Period and up to the Latest Practicable Date, we had not engaged in any unusual price-cutting marketing and selling strategies or efforts in selling our properties.

### *Pre-sale*

Consistent with market practice, we pre-sell some of our properties prior to the completion of their construction. Under the PRC laws and regulations, property developers must satisfy specific conditions before they may pre-sell their properties under construction, which, among others, include:

- the land premium must have been paid in full;
- the land use right certificate, the construction land planning permit, the construction works planning permit and the construction permit must have been obtained;
- at least 25% of the total project development investments must have been made;
- the progress and the expected completion and delivery date of the construction must be certain; and
- the pre-sale permit must have been obtained.

These mandatory conditions are predicated on substantial progress in project construction and in the capital expenditure plan. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared in collaboration with the local governmental authorities. Developers must file all pre-sale contracts with the local land bureau and local real estate administrative authorities within 30 days of entering into such contracts. Local governments often prescribe additional conditions which must be satisfied before property developers are permitted to commence the pre-sale of properties. During the Track Record Period, we had complied with all the relevant pre-sale rules and regulations imposed by the governmental authorities.

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. Our Directors have confirmed that our pre-sale activities and business operations have not been affected in any material aspect by such approach of the local authorities. Our PRC legal advisors also advised that during the Track Record Period, we commenced the pre-sale of our projects only



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after we had fulfilled all the requirements under the applicable laws and regulations. The following table sets forth the pre-sale progress of our three completed properties in the past and one property under development:

Project	Percentage of pre-sale Six months after the commencement of pre-sale in terms of revenue	Percentage of pre-sale One year after the commencement of pre-sale in terms of revenue
Golden Wheel International Plaza	70%	100%
Golden Wheel Waltz	70%	100%
Golden Wheel Star City	60%	100%
Nanjing Jade Garden (pre-sale commenced in July 2012)	60% (four months after the commencement of pre-sale)	N/A

### *Payment Arrangement*

We normally require our customers to pay a non-refundable deposit (e.g. RMB30,000) before the formal sale and purchase agreements. If the customers later defaults on the sale and purchase agreement, such deposit will be forfeited by us. Many of our customers purchase our residential properties using mortgage loans. Consistent with market practice in the property industry in China, we provide guarantees to the mortgagee banks in respect of the mortgage loans provided to the purchasers of our residential properties until the construction has been completed and the property ownership certificates have been delivered to the mortgagee banks. In line with the industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of 31 December 2009, 2010 and 2011 and 30 June 2012, our outstanding guarantees on such mortgage loans amounted to RMB137.4 million, RMB176.8 million, RMB185.1 million and RMB210.3 million, respectively. During the Track Record Period, we did not encounter any mortgage loan default with respect to which we were required by the mortgagee bank to perform our guarantee obligation.

### **Delivery and After-sales Services**

We endeavor to deliver property units to customers on a timely basis. We closely monitor the progress of construction of our property projects, and conduct pre-delivery inspections to ensure timely delivery. The time frame for delivery is typically set out in the sale and purchase agreements. Once a property project has passed the requisite inspections and a construction completion examination report has been jointly issued by the relevant parties including the project development company, the project design company, the construction company, the inspection company and the construction supervisory company, it is ready for delivery. Our sales and construction staff will inspect the properties prior to the delivery to ensure quality standards are met. Our customer service staff will then notify our customers to arrange for the delivery. When we deliver the completed properties to customers, we are also required to

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deliver the building quality guarantee certificate. After the delivery, we will assist our customers in obtaining their individual property ownership certificates by providing all requisite information to the local authorities for registration. The local authorities will then grant individual property ownership certificates for each property unit.

According to our accounting policies, revenue is recognized from the sale of our properties only after we have received the relevant proof of examination and acceptance of completion and the properties have been sold and delivered. The table below sets forth the dates when we received the relevant proof of examination and acceptance of completion for our projects:

Projects	Date of proof of examination and acceptance of completion
Golden Wheel International Plaza	January 2009
Golden Wheel Waltz	February 2010
Golden Wheel Building	February 2003
Golden Wheel Green Garden	September 2002
Golden Wheel Star City (Phase I)	
- Buildings No. 4, 5, 7 and 8	September 2010
- Buildings No. 1, 2, 3 and 6	March 2011
- Building No. 9	March 2012
Golden Wheel Star City (Phase II)	
- Buildings No. 11, 12, 13 and 15	December 2011
- Buildings No. 16 and 17	August 2012
Golden Wheel Time Square	April 2012

Our customer service department is responsible for managing our after-sales services. Our customers are able to provide their feedback or complaints about our products or services through telephone hotlines, on-site customer service centers or other means.

## PROPERTY LEASING AND OPERATIONAL MANAGEMENT

Some of our developed properties are held as investment properties, and our property investment objective is to achieve recurring rental income and enhance our long-term financial strength. Our policy is to maintain a portfolio of properties developed for sale, consisting of residential properties, and properties held for lease, consisting of commercial properties. As of the Latest Practicable Date, all our investment properties were located in Nanjing and Zhuzhou. As of 30 September 2012, we held an aggregate GFA of approximately 63,942 sq.m. as investment properties. We also leased the Xinjiekou Metro Mall from Nanjing Metro, which we operate and sub-lease to third parties.

In selecting our tenants, we generally consider factors such as their businesses, the attractiveness of such businesses to the residents or tenants of our properties, competing businesses in the surrounding areas and their business reputation. Our major tenants include international and domestic brands, such as H&M, Sephora and Dou Lao Fang (豆捞坊), which

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were among our top five tenants in terms of rental income throughout the Track Record Period. For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, the percentages of rental income attributable to our top five tenants were approximately 26.8%, 14.6%, 9.0% and 17.2%, respectively.

We usually require our tenants to pay security deposits of two months' rent for the properties in Nanjing. We typically require our tenants in Golden Wheel Time Square to prepay their rents for a relatively long period which, as advised by Savills, is a practice adopted by certain property developers in Zhuzhou. We require most of our tenants at Golden Wheel Time Square to prepay their rent for one year. For tenants who lease properties at the underground level of Golden Wheel Time Square, we require them to make a prepayment of rent for ten years. Such prepayment arrangements were made based on market prices at the time of the relevant lease agreements. We also took into account the advantages of collecting prepayments of rent for a long period, including the long-term lease arrangements and the availability of a substantial amount of cash.

Rents are typically determined based on the prevailing market rates. The rents payable by our retail tenants are mostly fixed but occasionally include a turnover component calculated by reference to a pre-determined percentage of our tenant's annual sales turnover (the "**Turnover Rental**"), which is usually determined by our tenants and us based on, among others, their leased GFA and reputation. Rental payments for these leases consist of a monthly base rent and a turnover component calculated annually in accordance with the revenue of a particular tenant for that particular year. During the Track Record Period, only a few lease agreements of certain tenants of Golden Wheel International Plaza included the Turnover Rental. We did not record any Turnover Rental for the year ended 31 December 2009, and the Turnover Rental recorded for the two years ended 31 December 2010 and 2011 was insignificant as compared to our total rental income. According to the lease agreements, our tenants are responsible for utility charges. Our tenants have the right to renew their leases by giving us a three-month prior written notice, and they have the right of first refusal according to the lease agreements. If our tenants terminate the lease without cause prior to the expiry of the lease term, we are entitled to retain the security deposit they have paid.

We typically locate and engage third party property management service providers at our own expenses to provide services such as security, property maintenance, cleaning and other ancillary services to our tenants. We generally enter into service agreements with these service providers with a term of one to three years. We usually renew such service agreements upon their expiration and we have never encountered any difficulty in finding such service providers in the past. We believe that such service providers are readily available in the market as the property management services industry is competitive. We communicate with our retail tenants to understand their business needs and take account of their requests to support their business operations. We also prepare overall advertising plans at our own expenses for the commercial properties we operate based on the business nature of our tenants in order to attract more customers for them.

### Co-operation with Nanjing Metro

We entered into a lease agreement with Nanjing Metro on 23 July 2008 (the “**Lease Agreement**”) to lease from Nanjing Metro the Xinjiekou Metro Mall with a total GFA of approximately 2,047.5 sq.m., which connects Golden Wheel International Plaza to the Xinjiekou metro station. Nanjing Metro agreed to lease the Xinjiekou Metro Mall to us for a term of 15 years starting May 2011. According to the Lease Agreement, we may sub-lease the Xinjiekou Metro Mall in units, but we are not allowed to sub-lease the mall as a whole. To ensure maximum functionality and space usage, we collaborated with Nanjing Metro on the project design of the Xinjiekou Metro Mall.

According to the Lease Agreement, we agreed to pay a fixed annual rent to Nanjing Metro, which is payable semi-annually, and the annual rent shall increase by 10% every four years till the expiry of the lease. The rent was determined based on arm's length negotiation with Nanjing Metro. According to the Lease Agreement, we are responsible for utility charges and the marketing and operational management of the Xinjiekou Metro Mall during the term of the Leasing Agreement. We were granted a five-month rent free period for interior decorations. We have the right to renew the lease with written notice six months prior to the expiry of the lease, and we have the right of first refusal according to the Leasing Agreement. Nanjing Metro also agreed to give us a three-month prior notice if it decides to transfer or mortgage the Xinjiekou Metro Mall to a third party. Nanjing Metro will ensure that the transferee or the mortgagee will accept all the obligations of Nanjing Metro under the Lease Agreement. Either party may terminate the Lease Agreement and claim for damages if the other party is in material breach of its obligations under the Lease Agreement. In addition, we are entitled to indemnification from Nanjing Metro if we are required pay damages to any third parties due to the fault of Nanjing Metro.

We commenced the operation of the Xinjiekou Metro Mall in May 2011. We generated property leasing and operational management-related revenue of RMB4.62 million and RMB4.56 million for the year ended 31 December 2011 and the six months ended 30 June 2012, respectively. For the year ended 31 December 2011, the total cost of sales was approximately RMB3.1 million, of which the rent paid to Nanjing Metro in accordance with the Lease Agreement was approximately RMB2.9 million, and other direct operational costs were approximately RMB0.2 million. For the six months ended 30 June 2012, the total cost of sales was approximately RMB2.9 million, mainly due to our payment of rent to Nanjing Metro. For each of the year ended 31 December 2011 and the six months ended 30 June 2012, the gross profit margin in connection with our sub-leasing and operation of the Xinjiekou Metro Mall was 32.9% and 36.4%, respectively. The Xinjiekou Metro Mall had an occupancy rate of 100% as of 30 June 2012. The effective average annual rental price of the mall for the year ended 31 December 2011 and the six months ended 30 June 2012 was approximately RMB6,637 per sq.m. and RMB7,650 per sq.m. respectively.

We have a proven track record and have been recognized by Nanjing Metro as a long-term partner in its commercial property projects due to our strong commercial property operational capabilities with a dedicated operational team. To the best knowledge of our Directors and based on the public information reviewed by Savills, Nanjing Metro also entered into similar cooperation arrangements with other property development companies.

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As advised by our PRC legal advisors, Jun He Law Offices, we are not required to obtain any licenses, certificates, approvals and/or permits from the relevant authorities for engaging in marketing related activities and the property sub-leasing business of metro-linked malls.

### Nanjing Changhong Road Project

On 27 September 2012, we entered into a cooperation agreement with Nanjing Qin Huai River Construction and Development Company Limited (南京秦淮河建設開發有限公司) (“**Qinhuai River Development Company**”) relating to the development of a commercial complex on a parcel of land with a site area of approximately 22,000 sq.m. on Changhong Road in Jianye District, Nanjing. The cooperation agreement has a term of 30 years starting from 10 October 2012. The land use right relating to this project is owned by Qinhuai River Development Company. A project company (the “**Project Company**”) with a registered capital of RMB10 million will be established, which will be owned as to 60% by our Group and 40% by Qinhuai River Development Company, to develop and operate this whole project. According to the cooperation agreement, we will bear the development costs of this project, which are expected to be approximately RMB70 million. Upon completion of the construction, the property will be owned by Qinhuai River Development Company. The Project Company will enter into a lease agreement with Qinhuai River Development Company in relation to the project and a total of RMB30 million will be payable by the Project Company to Qinhuai River Development Company by installments in the first seven years of the cooperation term. Our Group is entitled to receive all future profits of the Project Company (save for the aforesaid RMB30 million payable by the Project Company to Qinhuai River Development Company) for the first 17 years. Thereafter, the parties will share such profits according to their respective shareholding in the Project Company. According to this agreement, Qinhuai River Development Company is not allowed to transfer or mortgage the land use right and/or the fixed properties (the “**Properties**”) of this project within the first 17 years. Thereafter, Qinhuai River Development Company must obtain our prior written consent before transferring the Properties to any third party and we will have the right of first refusal. In the event of a transfer of the Properties to a third party, Qinhuai River Development Company must ensure that our interests will not be affected during the remaining term of the cooperation agreement by such transfer. We expect that the construction work of this project will be completed in 2014. We expect that, barring unforeseeable circumstances, the average annual rent per sq.m. of this project will be approximately RMB1,800 and the occupancy rate will be over 95% after completion. Based on the expected annual rent and occupancy rate, we estimate that the payback period of this project will be approximately five years. Our Directors believe that this project, if completed, will broaden our existing business of property leasing and operational management.

### SUPPLIERS AND CUSTOMERS

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, the percentage of cost attributable to our largest supplier was 15.9%, 10.8%, 12.6% and 26.1%, respectively, and the percentage of cost attributable to our five largest suppliers was 34.3%, 33.0%, 27.0% and 36.6%, respectively. During the Track Record Period, the majority of our five largest suppliers were construction companies or design companies.

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For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, we had engaged approximately 150, 190, 100 and 110 suppliers, respectively, to provide design and construction services to our Group. To the best knowledge of our Directors, none of our Directors, their associates or any of our shareholders holding more than 5% of our issued capital, had any interests in any of our five largest suppliers during the Track Record Period. We did not rely on any single supplier in our design, construction or construction supervision services during the Track Record Period.

For the years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012, the percentage of revenue attributable to our five largest customers was less than 30%. To the best knowledge of our Directors, none of our Directors, their associates or any of our shareholders who hold more than 5% of our issued capital, had any interests in any of our five largest customers during the Track Record Period. To the best knowledge of our Directors, none of our five largest customers during the Track Record Period had purchased or leased properties from us in bulk volume for immediate re-sale or sub-let.

### PROPERTIES OWNED AND USED BY US

As of 30 September 2012, we owned and used properties with a total GFA of approximately 1,772 sq.m. as our office facilities.

### COMPETITION

The PRC real estate industry is highly competitive. There are many property developers undertaking property development projects in Jiangsu and Hunan provinces. Our major competitors consist of national and regional property developers, including local property developers that focus on one or more cities in Jiangsu and Hunan provinces. We compete with other property developers on a broad range of factors, including location, facilities, pricing, service quality and brand recognition. We strive to further strengthen our leading position in these provinces. Our competitors, however, may have a better track record, greater financial, marketing and land resources, larger sales networks and stronger brand name. In addition, as advised by Savills, there appears to be an over-supply of real estate properties in Nanjing and Yangzhou, our principal markets, which may subject us to greater competition and potential price cuts.

We also face competition in the property leasing and operational management business from other real estate developers or operators. Compared with property development, the property leasing and operational management business requires smaller commitments of capital resources and has a relatively lower barrier of entry. As a result, we expect to see increasing competition in the property leasing and operational management business as city infrastructure continues to develop with an increasing number of properties being outsourced to third parties to operate and manage. Our competitors may have more experience and resources than us.



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For more information on competition, please also refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — The PRC real estate market is highly competitive, and the intense competition in our property development business and property leasing and operational management business may materially and adversely affect our business, financial condition and results of operations” in this prospectus.

### INSURANCE

We maintain third-party liability insurance with respect to our commercial malls located in Jiangsu and Hunan provinces. We do not, however, maintain other insurance coverage against liability from tortious acts or other personal injuries on our project sites. Our Directors believe that this practice is consistent with the customary practice in the PRC real estate industry. Our third party construction companies are responsible for quality and safety control during the course of the construction, and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

To help ensure construction quality and safety, we engage supervisory companies to oversee the construction process. Under PRC law, construction companies bear the primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents and deaths are caused by the construction companies. Property owners may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of such owner. As we have taken the above steps to prevent construction accidents and personal injuries, we believe that we will generally be able to demonstrate that we are not at fault as the property owner if a personal injury claim is brought against us. To date, we have not experienced any material destruction of or damage to our property developments nor has any personal injury-related claim been brought against us.

However, there are risks that we may not have sufficient insurance coverage for losses, damage and liabilities that may arise in our business operations. Please refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — We have limited insurance to cover all potential losses and claims” in this prospectus.

### INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had (i) registered one trademark in Hong Kong and six trademarks in the PRC and (ii) applied for the registration of six trademarks in the PRC under various categories. We are also the owner of two domain names. For further details, please see the section headed “Appendix VI — Statutory and General Information — Our Intellectual Property Rights” in this prospectus. We have not registered trademarks containing our “金輪 (Golden Wheel)” brand name in the PRC. Our Directors consider that it is not critical for our business to register such brand name in China and that the absence of such registration would not have any material adverse impact on our operations. Our Directors believe that we have taken all possible actions to register or secure the intellectual property rights that are material to our operations. During the Track Record Period, there was no claim

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or proceeding brought by or against us in relation to infringement of any intellectual property rights. Please see the section headed “Risk Factors — Risks Relating to Our Business and Our Industry — Any deterioration in our brand image could adversely affect our business” in this prospectus.

### ENVIRONMENTAL MATTERS

We are subject to PRC environmental laws and regulations as well as environmental regulations promulgated by local governments. As required by PRC laws and regulations, each project developed by a property developer is required to undergo an environmental impact assessment, and an environmental impact assessment report is required to be submitted to the relevant governmental authorities for approval before commencement of construction. When there is a material change in respect of the construction site, scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. As advised by our PRC legal advisors, Jun He Law Offices, we have secured the necessary environment assessment reports for all of our projects during the Track Record Period and up to the Latest Practicable Date in accordance with the relevant PRC laws and regulations. During the course of construction, property developers must take measures to prevent air pollution, noise emissions and water and waste discharge. In addition, as we outsource our construction work to independent third party contractors, pursuant to the terms of the construction contracts, contractors and subcontractors are required to comply with the environmental impact assessment and the conditions of the subsequent approval granted by the relevant governmental authority. For the years ended 31 December 2009, 2010 and 2011, we incurred approximately RMB141,013, RMB271,488 and RMB229,913, respectively, for compliance with applicable environmental laws and regulations, which was primarily related to environment impact assessment for construction of our properties and waste discharge. We expect that the costs to be incurred for compliance with applicable environmental laws and regulations will be approximately RMB250,000 and RMB250,000 for each of the years ending 31 December 2012 and 2013, respectively. Based on the confirmations from the competent governmental authorities, our PRC legal advisors, Jun He Law Offices, advised that we were in compliance with the relevant PRC environmental laws and regulations and no penalty had been imposed on us for any violation of environmental laws and regulations during the Track Record Period.



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### REGULATORY COMPLIANCE

#### Qualifications

The table below sets forth the details of the Qualification Certificate for Real Property Development Enterprise (房地產開發企業資質證書) obtained by our PRC subsidiaries for property development:

PRC subsidiary	Issuance date	Expiry date	Classification	Eligibility under applicable PRC rules
Nanjing Golden Wheel Real Estate	26 July 2012	26 July 2013	Three	Development of projects within Nanjing  Development of projects with GFA of no more than 150,000 sq.m.  Development of projects of no more than 16 stories
Nanjing Jade Golden Wheel	24 August 2012	23 August 2013	Two	Development of projects within Jiangsu province  Development of projects with GFA of no more than 250,000 sq.m.
Yangzhou Golden Wheel Real Estate	21 June 2012	15 May 2013	Two	Development of projects within Jiangsu province  Development of projects with GFA of no more than 250,000 sq.m.
Zhuzhou Golden Wheel Real Estate	23 May 2012	23 May 2015	Three	Development of projects with GFA of no more than 150,000 sq.m.

As advised by our PRC legal advisors, Jun He Law Offices, the above certificates obtained by our PRC subsidiaries are the only qualification certificates required for our property development business, and are of the appropriate level of classification in respect of both our completed properties and properties under construction. As all of our construction work is outsourced to third-party construction companies, it is not necessary for us to obtain the Qualification Certificate of Enterprise in Construction Industry (建築業企業資質證書).

Save as disclosed below, we have obtained all permits, licenses, qualifications and other government authorizations necessary to conduct our business and to use properties in the manner described in this prospectus and we are in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects. During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance that would have a material adverse effect on our business, financial condition and results of operations.

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The table below sets forth the summary of our major non-compliance incidents during the Track Record Period:

Non-compliance incident	Property project(s) involved	Subsidiary(ies) involved
Late completion of property projects	Nanjing Jade Garden Golden Wheel Star Plaza	Nanjing Jade Golden Wheel
Delivery of certain property units of Golden Wheel Time Square before passing the construction completion examination	Golden Wheel Time Square	Zhuzhou Golden Wheel Real Estate
Failure to complete lease registration for certain leased properties	Golden Wheel Time Square	Zhuzhou Golden Wheel Real Estate
Failure to make housing fund contributions for certain employees	N/A	Nanjing Golden Wheel Real Estate; Nanjing Jade Golden Wheel; Yangzhou Golden Wheel Real Estate; Zhuzhou Golden Wheel Real Estate; and Zhuzhou Golden Wheel Business Management
Loans to Nanjing Golden Wheel Real Estate	N/A	Nanjing Golden Wheel Real Estate; Nanjing Jade Golden Wheel; and Zhuzhou Golden Wheel Real Estate

Our Controlling Shareholders have provided an indemnity in favor of our Group from and against, among other things, all actions, claims, losses, liabilities, charges, costs, fines, damages or expenses which we may incur or suffer as a result of or in connection with the non-compliance matters mentioned above.

Except those set out above, our Directors have confirmed that, and our PRC legal advisors, Jun He Law Offices, based on the compliance letters issued by the relevant governmental authorities and the confirmation of our Directors, have advised that, our Group had complied with all relevant laws, rules and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors have further confirmed that for the purposes of calculating the profits test under Rule 8.05 of the Listing Rules, even if our Group had to

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deduct (i) the maximum potential penalties for the non-compliance matters mentioned above (the possibility of which, according to our PRC legal advisors, is remote) and (ii) the rental income generated from the leased properties of Golden Wheel Time Square before passing the construction completion examination and receiving the property ownership certificate (which, according to our PRC legal advisors, will not be subject to confiscation or any other penalty), our Group would still be able to fulfill the profits test under Rule 8.05 of the Listing Rules.

Please see below for details of the above non-compliance incidents.

### **Late Completion of Nanjing Jade Garden and Golden Wheel Star Plaza**

We did not complete the construction work of Nanjing Jade Garden, and expect that we will not be able to complete the construction work of Golden Wheel Star Plaza before the respective deadline of each project (the **“Late Completion”**) stipulated under the relevant land use right grant contracts and the extension approval for Nanjing Jade Garden (together, the **“Land Contracts”**). As advised by our Directors, the Late Completion was due to the following reasons: (i) we were only allowed to conduct a detailed on-site inspection of the geographical conditions of the land after the execution of the land use right contracts (in which the completion deadlines were agreed); (ii) during the on-site inspection, we needed more time to complete the preparation work before we could commence the foundation construction work due to unforeseeable complexity of the sites’ geographical conditions; (iii) after we commenced the foundation construction work for each of Nanjing Jade Garden and Golden Wheel Star Plaza, we discovered that the geographical conditions of these two projects were more complicated than the results of our previous on-site inspection; and (iv) the unexpected heavy rainfall and typhoon in Nanjing in 2011 and 2012 made it more difficult and time-consuming for us to deal with such complex geographical conditions. Our Directors confirmed that we had strictly followed the construction procedures and that such unexpected incidents were beyond our control.

Further, Nanjing Gongda Construction Supervision and Consultation Company (南京工大建設監理諮詢有限公司) (**“GCSC”**), the supervising company engaged by our Group to report on the construction progress of the Nanjing Jade Garden and Golden Wheel Star City projects, advised us that (i) they agreed with points (i) to (iv) in the above paragraph and are of the view that these unexpected incidents were beyond our Group’s control; (ii) the most difficult part of the construction projects, the foundation construction work, has been completed and approximately 60% and 30% of the whole construction work (based on the construction costs) of Nanjing Jade Garden and Golden Wheel Star Plaza, respectively, has been completed as of 30 September 2012; (iii) the current construction progress of these two projects is in accordance with our current development schedule and Nanjing Jade Garden and Golden Wheel Star Plaza are expected to be completed by June 2013 and September 2013, respectively; and (iv) in order to strengthen our internal control, we specifically request GCSC to expand their scope of work and have weekly meetings with us to report the construction progress.

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According to the Land Contracts, the construction work of Nanjing Jade Garden and Golden Wheel Star Plaza is required to be completed by June 2012 and December 2012, respectively. According to the Land Contracts, if we fail to complete the construction of these projects before the relevant deadlines, we will be required to pay to the Nanjing Land and Resource Bureau (南京市國土資源局) (the “**Land Bureau**”) a daily late fine of 0.05% of the proportionate consideration calculated based on the incomplete portion of the projects under the relevant land use right contracts. If the delay extends beyond one year, the relevant local land authorities are entitled to forfeit part of the land on which the construction has not been completed without making any payment to us. We have attempted to seek extension approvals from the relevant authorities for Nanjing Jade Garden and Golden Wheel Star Plaza with no success. According to the extension approval we obtained for Nanjing Jade Garden, the relevant authorities will not grant another extension approval for this project. Our PRC legal advisors, Jun He Law Offices, conducted an interview with the Land Bureau and understood that the relevant authorities declined to accept our application for extension to the completion deadline for Nanjing Jade Garden because we have already extended the construction deadline for this project once on 19 May 2010. We have made an application for the extension to the construction deadline of Golden Wheel Star Plaza, being 31 December 2012, in late November 2012 and are awaiting reply from the relevant authorities at the Latest Practicable Date. If we are not granted the extension for Golden Wheel Star Plaza by 31 December 2012, we cannot comply with the construction completion deadline as stipulated in the Land Control of this project, the potential consequences of which are disclosed above.

We plan to complete the construction work of Nanjing Jade Garden and Golden Wheel Star Plaza by June 2013 and September 2013, respectively, which will be within one year after the respective deadline of each project specified in the Land Contracts. The foundation construction work for these two projects has been completed. As advised by our PRC legal advisors, we have also obtained all necessary approvals required for these two projects at the current stage. We commenced pre-sale of Nanjing Jade Garden in July 2012 and expect to commence the pre-sale of Golden Wheel Star Plaza in January 2013. If the pre-sale of Golden Wheel Star Plaza does not commence in January 2013, we will make a voluntary announcement after the Listing to provide our investors with the then updated information. Given that (i) we do not expect to conduct any further site inspections or other preparation work which might cause a further delay in the completion of these two projects; (ii) we will have weekly meetings with GCSC and the construction companies to ensure that the construction progress is on schedule until these projects are completed; and (iii) we have implemented a policy that requires the project managers to oversee the construction progress on a daily basis and report the construction progress to the Supervisory Committee on a monthly basis, our Directors believe that Nanjing Jade Garden and Golden Wheel Star Plaza will be completed according to their respective schedules. If we cannot complete these two projects according to the current schedules, the Land Bureau may impose penalties on us due to late delivery of these two projects to purchasers, and the portion of the lands on which the construction work has not been completed by the respective deadline may be forfeited. According to the pre-sale contracts of Nanjing Jade Garden, we are required to pay a daily fine of 0.01% of the payment made by our purchasers if we fail to deliver the properties by the end of November 2013. Based on the pre-sale proceeds recorded for Nanjing Jade Garden as of the Latest Practicable Date, if we fail to deliver the properties in time, the daily fine we are required to pay to our purchasers

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will be approximately RMB16,000 and the amount of the total fine will depend on the period of the delay. Please also refer to the section headed “Risk Factors — We may not be able to meet our project development schedules and complete our projects on time, or at all” in this prospectus.

Based on our current construction plan, we estimate that the maximum fine that the Land Bureau would charge us for the Late Completion would be approximately RMB22.4 million. However, our PRC legal advisors, Jun He Law Offices, conducted an interview with the Land Bureau which is, according to Jun He Law Offices, the most relevant and a competent governmental authority overseeing the performance of the relevant land use contracts, with respect to the Late Completion and understand that (i) the Land Bureau is aware that delay in completion of construction is not uncommon in Nanjing; (ii) the Land Bureau generally would not strictly enforce the terms of the relevant land use right contracts in relation to fine or forfeiture of land and there has been no precedent cases in Nanjing for forfeiture of land by the Land Bureau due to late completion; and (iii) the Land Bureau would not impose any fine or forfeit the land due to the Late Completion taking into account the current status of Nanjing Jade Garden and Golden Wheel Star Plaza. Based on the above, Jun He Law Offices, our PRC legal advisors, advised us that the Land Bureau would not seek to forfeit the relevant land use right and the risk that the Land Bureau would impose a late fine is minimal. Based on the above, our Directors believe that it is not necessary to make any provision for the estimated maximum fine of RMB22.4 million.

In addition, according to 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》) (the “**Notice**”), property development companies with records of postponing the construction commencement or completion date are restricted from obtaining bank loans for new projects or extension of credit facilities. As advised by our PRC legal advisors, Jun He Law Offices, the Late Completion does not fall under the scope of “postponing the construction commencement or completion date” as stipulated in the Notice, given the fact that such delay was due to unforeseeable complexity of the local geographical conditions which caused us to spend longer time on-site inspections and other preparation work. As a result, we are not subject to the restrictions on obtaining bank loans for our new projects or extending our credit facilities.

As of the Latest Practicable Date, we had not recorded any revenue from Nanjing Jade Garden and Golden Wheel Star Plaza.

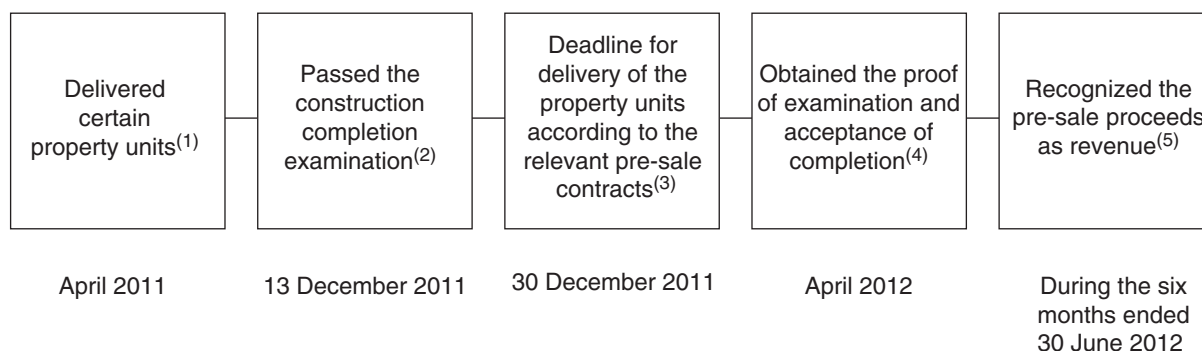
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### Delivery of Certain Property Units in Golden Wheel Time Square to our Purchasers before Passing the Construction Completion Examination

We delivered certain property units in Golden Wheel Time Square to our customers in April 2011 before they passed the construction completion examination on 13 December 2011. The following flow chart illustrates the sequence of events from the stage of delivery of certain property units to the stage of revenue recognition:



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*Notes:*

1. As advised by Jun He Law Offices, our PRC legal advisors, according to the Construction Law (建築法), the Real Estate Administration Law (城市房地產管理法) and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), a property developer is not permitted to deliver the properties of a construction project before it passes the construction completion examination, and a construction project is considered to have passed the construction completion examination only after the construction work has been completed and a construction completion examination report has been jointly issued by the relevant parties including the project development company, the project design company, the construction company, the inspection company and the construction supervisory company.
2. Golden Wheel Time Square passed the construction completion examination on 13 December 2011, which was jointly conducted by the relevant project development company, the project design company, the construction company, the inspection company and the construction supervisory company and as advised by Jun He Law Offices, is legally entitled under the applicable PRC laws and regulations to deliver the properties.
3. Our Directors confirmed that the delivery of the relevant property units in April 2011 was mainly due to misunderstanding our then project manager of Golden Wheel Time Square and not for the purpose of meeting the deadline for delivery as stipulated in the relevant pre-sale contracts.
4. We obtained the proof of examination and acceptance of completion issued by Zhuzhou Construction Quality and Safety Supervision and Administration Department (株洲市建設工程質量安全監督管理處) in April 2012.
5. According to our accounting policies, revenue from sale of properties in the ordinary course of business shall be recognized when the respective properties have been completed (as evidenced by obtaining the proof of examination and acceptance of completion from the relevant authorities) and delivered to the purchasers (as evidenced by delivering the keys of completed properties to the purchasers). As a result, the proceeds from the pre-sale of Golden Wheel Time Square were recognized as revenue during the six months ended 30 June 2012 after we obtained the proof of examination and acceptance of completion from the relevant authorities and delivered the properties to the purchasers in April 2012.

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In July 2011, we were notified by Zhuzhou Housing and City Construction Bureau (株洲市住房和城乡建设局), a competent governmental authority overseeing the construction of the local real estate projects, that we are required to pay a fine of RMB1.2 million for violating the Construction Law and Regulation on the Quality Management of Construction Projects for this non-compliance incident. As advised by our PRC legal advisors, Jun He Law Offices, such notice was a pre-requisite procedure before the issuance of the formal penalty decision. On 20 September 2011, we received the formal penalty decision requiring us to pay a fine of RMB100,000 within 15 days and we paid such amount in full on 23 September 2011. Up to the Latest Practicable Date, we had not received any other formal penalty decision or any notice or order from the relevant local authorities in respect of the remaining fine of RMB1.1 million. Based on the above, our PRC legal advisors are of the view that the risk that we would be required to pay the remaining fine of RMB1.1 million in full is remote. As a result, our Directors believe that it is not necessary to make any provision for the remaining amount of RMB1.1 million.

As advised by our PRC legal advisors, Jun He Law Offices, given that as provided in the pre-sale contracts, (a) upon delivery of the property units of Golden Wheel Time Square in April 2011, the risk of loss had been transferred from our Group to our purchasers and (b) our purchasers were notified that property units might be delivered prior to passing the construction completion examination, it is very unlikely that our Group will be held to be liable for damages if the purchasers bring a claim against our Group for delivery of the units before passing the construction completion examination. Our Directors have also confirmed that we would not breach any of the pre-sale contracts if we had delivered the property units of Golden Wheel Time Square only after they passed the construction completion examination on 13 December 2011. Assuming that we failed to deliver the property units before 30 December 2011 as required under the relevant pre-sale contracts, we would be required to pay to our purchasers a daily fine of 0.05% of the amount paid by the purchasers.

This non-compliance incident was mainly due to the misunderstanding of our then project manager of Golden Wheel Time Square about the timing of delivery of the property units. Golden Wheel Time Square, which consists of two main buildings and one podium building, was our first project in Zhuzhou. We engaged an external construction supervising company to conduct inspections on its construction progress. In March 2011, the podium building passed the construction completion examination conducted by the construction supervising company. Our PRC legal advisors reviewed the pre-sale contracts in respect of the podium building and noted that the property units are ready for delivery “upon passing the construction completion examination”. The pre-sale contracts were based on standard template prescribed by the local authority which, as confirmed by our PRC legal advisors, Jun He Law Offices, such contracts did not provide a clear definition of “passing the construction completion examination” or specified document(s) that should be obtained. On 1 April 2011, the construction supervising company issued a confirmation letter to us certifying that the construction work of the podium building had been completed. The then project manager of



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this project, based on his understanding of the pre-sale contracts, misunderstood that the confirmation from an external construction supervising company would be a sufficient proof for “passing the construction completion examination”, and reported to our senior management that the podium building was ready for delivery. Although our Directors confirmed that our senior management was aware of the relevant PRC laws and regulations in relation to the delivery of construction property, they approved the delivery of the property units of the podium building due to their trust in the project manager’s experience in the property development business in Zhuzhou.

Our PRC legal advisors further advised that, under the applicable laws and regulations, a construction project can be delivered so long as it passes the construction completion examination and no other approvals or certificates, such as the property ownership certificate, are required at the time of delivery. Our PRC legal advisors have advised that due to different interpretations of pre-sale contracts and different local practices, it is not uncommon for property developers in certain cities (including Zhuzhou) to consider a confirmation letter issued by an external construction supervising company as a sufficient proof of “passing the construction completion examination”. However, such local practices are not in compliance with the laws and regulations at the state level.

### **Lease Registration**

We did not register the leases in respect of certain leased properties of Golden Wheel Time Square with the relevant local authorities until 12 June 2012 (the “**Non-Registration**”). We were not able to complete such registration because we did not obtain the property ownership certificates for these properties before 12 June 2012. As advised by our PRC legal advisors, Jun He Law Offices, we are allowed to enter into lease agreements with our tenants before obtaining the property ownership certificates and would not be subject to any fine or penalty imposed by the relevant local authorities as a result. However, according to the applicable PRC laws and regulations, we are required to complete the relevant registration for these leases within 30 days after we entered into such lease agreements. Such non-compliance incident was mainly due to a lack of comprehensive internal control measures to require the responsible department to keep our senior management informed of the legal status of our property projects. For the year ended 31 December 2011, the rental income derived from these leased properties was approximately RMB22.2 million. As advised by our PRC legal advisors, Jun He Law Offices, the relevant lease agreements for such leased properties are valid and binding and were not affected by the Non-Registration. Our Directors confirm that, during the period of the Non-Registration, we had not received any penalty notice from the relevant authorities. Our PRC legal advisors further advised that, since we have completed the registration for all these leased properties, we will not be subject to any fine or penalty imposed by the relevant local authorities due to the Non-Registration. Our PRC legal advisors further advised that such rental income generated from Golden Wheel Time Square, prior to passing the construction completion examination and receiving the property ownership



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certificate, will not be subject to confiscation or any other penalty imposed by the relevant local authorities because: (i) there is no relevant penalty stipulated under the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) or any other applicable PRC law or regulation; and (ii) during the registration process, the relevant authorities did not confiscate any such rental income or impose any other penalty on our Group. We also obtained a confirmation letter dated 18 September 2012 issued by Zhuzhou Real Property Administrative Bureau (株洲市房產管理局), a competent authority, confirming that (i) we had completed the registration in respect of our leased properties of Golden Wheel Time Square on 12 June 2012; (ii) we will not be subject to any fine or penalty due to the Non-Registration; and (iii) rental income generated from Golden Wheel Time Square, prior to passing the construction completion examination and receiving the property ownership certificate, will not be subject to confiscation or any other penalty.

### Housing Funds

Our PRC subsidiaries did not set up their respective housing fund accounts with the relevant local housing funds authorities until April 2012. As a result, we failed to make housing fund contributions for our employees before these accounts were set up. In addition, we understand that some of our employees were unwilling to participate in the housing fund contribution scheme. Pursuant to the relevant PRC laws and regulations, we have an obligation to make full contribution to the housing funds for our employees since the commencement date of their employment with us. As advised by Jun He Law Offices, our PRC legal advisors, we may be required by the relevant local authorities to pay in full for the housing fund contributions in full within a stipulated deadline, but there will be no other penalties to be imposed on us. As of the Latest Practicable Date, we had not received any notice from the relevant local authorities in this regard.

Pursuant to the relevant PRC laws and regulations, our Directors estimate that, as of the Latest Practicable Date, our total outstanding housing fund contributions for our employees amounted to approximately RMB2.5 million, for which we had made a full provision as of 30 June 2012. As advised by our PRC legal advisors, our employees would not be required to pay their own portion of the housing fund contribution before our relevant housing fund accounts were set up in April 2012. Since our relevant housing fund accounts were set up in April 2012 and up to Latest Practicable Date, we had fully and duly paid the housing fund contributions for all of our employees, and these employees had fully and duly paid their own portions as well.

### Intra-Group Loans

During the Track Record Period, we obtained certain loans in our name and subsequently granted the same to Nanjing Golden Wheel Real Estate (an entity which was then wholly-owned by the Wong Family) for the land acquisition and development of Golden Wheel New Metro. Pursuant to the General Provisions of Loans (《貸款通則》) issued by PBOC in June 1996, we are not permitted to grant such loans to Nanjing Golden Wheel Real Estate. Such non-compliance was mainly due to a lack of understanding of our senior management on the restrictions on inter-company loans under the relevant laws and regulations. Any interest

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received by us from Nanjing Golden Wheel Real Estate may be forfeited by the relevant government authorities and we may be subject to a fine of not more than five times of such interests. As advised by our PRC legal advisors, Jun He Law Offices, the General Provisions of Loans apply to lending with or without written loan agreement. However, our PRC legal advisors are of the view that we will not be subject to any fine in connection with the interest recognized in connection with the loans as (i) Nanjing Golden Wheel Real Estate did not pay us any interest; (ii) the loan agreements between the parties did not include any clause as to interest payment and there is no supplemental agreement; and (iii) the loans were waived in June 2012 and the loan agreements were terminated.

Our Directors confirmed that our Group did not intentionally breach any of the applicable laws and regulations. As advised by our Directors: (i) the above non-compliance incidents were mainly due to the lack of comprehensive internal control measures and internal communication and PRC legal advisors were not readily accessible to us at that time; and (ii) the senior management were not informed of such non-compliance incidents in a timely manner when required. Our Directors also advised that they have taken appropriate remedial actions and preventive measures to avoid any non-compliance issue going forward as set out in the sub-section headed “— Internal Control” below.

### Internal Control

We have set up a supervisory committee (“**Supervisory Committee**”) on 15 August 2012, which currently comprises two executive Directors, one independent non-executive Director, five senior management members from the finance department, construction management department and sales department, respectively, and two PRC legal consultants to meet every month to oversee, handle and liaise with various departments of our Group in relation to all regulatory and compliance related matters (including monitoring the construction progress of each project (including Nanjing Jade Garden and Golden Wheel Star Plaza and other projects under development)). The Supervisory Committee also reports to our Board on a quarterly basis. When necessary, we will also engage PRC legal advisors to obtain their legal advice to ensure that we are in compliance with all the applicable PRC laws and regulations.

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The table below sets forth the details of the members of our Supervisory Committee:

Name	Position in our Group	Responsible area
CHAN Wai Kin ( <i>chairman of the Supervisory Committee</i> )	Executive Director, Chief Financial Officer and Company Secretary	General compliance and financial control
JANATA David	Executive Director	General Compliance
HUI Yan Moon	Independent non-executive Director	General Compliance
QIAN Housen	Standing General Manager	Financial control
CAI Lijun	Standing General Manager	Project management
SUN Yang	Assistant General Manager	Sales and marketing
GU Xiaofang	General Manager of Golden Wheel Time Square	Supervision of the operation of Golden Wheel Time Square
JIANG Jian	Standing Deputy General Manager of Golden Wheel Xintiandi Mall	Supervision of the operation of Golden Wheel Xintiandi Mall
MA Yu	External Legal Consultant	Legal and regulatory compliance
LUAN Yungen	External Legal Consultant	Legal and regulatory compliance

The chairman of the Supervisory Committee, Mr. Chan Wai Kin, being our executive Director, chief financial officer and company secretary, is a member of the Hong Kong Institute of Certified Public Accountants and is experienced in auditing and accounting. Mr. Chan advised that, during his tenure at the audit firms, he audited a number of listed companies in Hong Kong including reputable Hong Kong listed companies engaged in PRC real estate development and was involved in reviewing the internal control systems of those companies.

Another executive Director in the Supervisory Committee is Mr. David Janata who joined our Group in 2005. He is the nephew of Mr. Wong Yam Yin. He has been mainly responsible for managing the relationship of our investors, namely, the Indonesian Shareholders. Mr. Janata was not involved in the day-to-day management of our business and operations at the material times of the non-compliance incidents. Therefore, he was not aware of or involved in the non-compliance incidents at the material times. We believe that Mr. Janata's experience in property development and his solid academic background would enhance the effectiveness of the Supervisory Committee.

Another member of the Supervisory Committee, Mr. Hui Yan Moon, our independent non-executive Director, has held the position of chief executive officer of Swing Media Technology Group Ltd., a company listed on the Singapore Stock Exchange, since May 2003. Therefore, we believe that Mr. Hui's experience in managing a listed company and knowledge in corporate governance practices enhance the effectiveness of the Supervisory Committee. For detailed biographies of Mr. Chan Wai Kin, Mr. David Janata, Mr. Hui Yan Moon and other senior management members in the Supervisory Committee, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

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We have engaged two external legal consultants, Mr. Ma Yu (馬育) and Mr. Luan Yungen (樂雲根) to join our Supervisory Committee. Both Mr. Ma and Mr. Luan are qualified PRC lawyers with experience and expertise in PRC real property law and regulations. As advised by Mr. Ma and Mr. Luan, they have advised a number of PRC property developers on contentious and non-contentious matters, internal control system for compliance with applicable law and regulations and legal risk management, and provided customized training sessions to their clients including our Group in different areas of the PRC law such as contract law, real property law and construction law. We have also decided to engage Nuo Fa Law Firm (諾法律師事務所) in Nanjing as a PRC law and regulations compliance advisor (the **“PRC Legal and Compliance Advisor”**) to advise on the relevant laws and regulations and our Group’s internal control systems and procedures from time to time in order to ensure that our Group complies with all the applicable PRC laws and regulations. In particular, our Group has instructed the PRC Legal and Compliance Advisor to assign a PRC lawyer as a secondee who will work for our Group on-site for at least 20 hours per week with a view to supervising, and providing advice on, our Group’s PRC legal and compliance matters more efficiently. We plan to continue to engage Nuo Fa Law Firm and arrange for its secondee to work for us for at least one year after the Listing. Thereafter, we will continue to retain a PRC legal and compliance advisor by either engaging an external law firm or employing an in-house legal counsel.

In addition, we will engage a professional internal control consultant for at least twelve months from the Listing. We are negotiating the terms of engagement with a professional, appropriately qualified internal control consultant and their appointment will take effect upon the Listing. The internal control consultant will advise on the internal control issues of our Group from time to time and provide its findings and reports to the Supervisory Committee and our independent non-executive Directors on a quarterly basis. A summary of its findings and reports will also be disclosed in our Company’s annual and interim reports post-listing.

Our audit committee which comprises three independent non-executive Directors will also review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements regularly. The audit committee will, upon due and careful inquiries, disclose its major view regarding our Company’s compliance and internal control related matters in its annual report after the Listing.

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We have also adopted the following measures to prevent reoccurrence of non-compliance incidents in the future:

Non-compliance Incident	Major reason(s)	Potential maximum penalty and view of our PRC legal advisors, Jun He Law Offices	Remedies and preventive measures	Factors determined by the Sponsor to support that the incident does not raise concern on our Directors' competence, integrity and character
Late completion of Nanjing Jade Garden <sup>(Note)</sup> and Golden Wheel Star Plaza	Due to local geographical conditions which resulted in extended site inspections and other preparation work.	<ul style="list-style-type: none"> <li>Maximum fine of approximately RMB8.8 million for Nanjing Jade Garden based on our expected completion date, and the completion deadline which has already been passed as at the Latest Practicable Date.</li> <li>Maximum fine of approximately RMB13.6 million for Golden Wheel Star Plaza based on our expected completion date, and the completion deadline which has not been passed as at the Latest Practicable Date.</li> <li>The relevant authority would not seek to forfeit the relevant land use right and the risk that the relevant authority would impose a late fine is remote.</li> </ul>	<ul style="list-style-type: none"> <li>We made an application for an extension for Golden Wheel Star Plaza from the relevant authorities in late November 2012.</li> <li>We have already stipulated a policy requiring project managers to oversee the construction progress (including the commencement and the expected completion date) of each project (including these two projects and other projects under development) on a daily basis and report construction progress to the Supervisory Committee on a monthly basis.</li> <li>The Supervisory Committee will monitor the construction progress of each project (including these two projects and other projects under development) and in the case of an expected delay, will advise on any appropriate remedial action (such as increasing work force on-site to expedite the construction progress), determine if a formal written application should be made to extend the relevant completion deadline and will follow up with the relevant party to obtain the approval.</li> <li>We will also disclose major developments regarding the construction progress of these two projects in our voluntary monthly announcements, interim and annual reports (as applicable) after the Listing.</li> <li>To enhance our internal communication and keep track of the updated status of each project, we have set up an enhanced computer system ("Enhanced Computer System") which tracks the status of the various certificates, permits and other required approvals, and the construction progress of each property project. Our project managers and department heads are given access to the Enhanced Computer System. We have also stipulated a policy to require each project manager to log in to the Enhanced Computer System to monitor the status of the project on a daily basis and sign off in a logbook after their log-in to the system.</li> </ul>	<ul style="list-style-type: none"> <li>The breach was not conducted intentionally given that our Group had communicated with the relevant authorities about the then circumstances.</li> <li>The non-compliance was caused by the previous lack of comprehensive internal control measures to require the responsible department to keep our senior management informed of the construction status of our property projects.</li> <li>Our senior management did not have immediate access to updated information due to the lack of a centralized information system to keep track of the status of our property projects.</li> </ul>

**Note:** We have already extended the construction deadline for Nanjing Jade Garden in May 2010 because of the local geographical conditions. According to the extension approval we obtained for Nanjing Jade Garden, the relevant authorities will not grant another extension to us for this project.

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Non-compliance Incident	Major reason(s)	Potential maximum penalty and view of our PRC legal advisors, Jun He Law Offices	Remedies and preventive measures	Factors determined by the Sponsor to support that the incident does not raise concern on our Directors' competence, integrity and character
Delivery of certain property units of Golden Wheel Time Square before passing the construction completion examination	Our then project manager of Golden Wheel Time Square was under a misconception about the timing of delivery of properties and reported to our senior management that the podium building was ready for delivery. Based on their trust on the then project manager taking into account his experience, our senior management approved the delivery.	<ul style="list-style-type: none"> <li>• Fine of RMB100,000 which has been paid on 23 September 2011 and potential fine of up to RMB1.1 million</li> <li>• The risk that we would be required to pay the remaining fine of RMB1.1 million in full is remote.</li> </ul>	<ul style="list-style-type: none"> <li>• We have already enhanced our policy requiring that our sales team should not commence any pre-sale or make any delivery of a project without having obtained an approval from the Supervisory Committee.</li> <li>• The Supervisory Committee will be responsible for ensuring that all required certificates, permits and other regulatory approvals have been obtained and all regulatory procedures have been completed before pre-sale and/or delivery of any of our project.</li> <li>• Implementation of the Enhanced Computer System.</li> </ul>	<ul style="list-style-type: none"> <li>• The breach was not conducted intentionally given that our senior management made the decision to approve the delivery based on their trust on the then project manager.</li> <li>• The non-compliance was caused by the previous lack of comprehensive internal control measures to require the responsible department to keep our senior management informed of the legal status of our property projects.</li> <li>• Our senior management did not have immediate access to updated information due to the lack of a centralized information system to keep track of the status of our property projects.</li> </ul>

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Non-compliance Incident	Major reason(s)	Potential maximum penalty and view of our PRC legal advisors, Jun He Law Offices	Remedies and preventive measures	Factors determined by the Sponsor to support that the incident does not raise concern on our Directors' competence, integrity and character
Failure to complete lease registration for the leased properties of Golden Wheel Time Square	Lack of comprehensive internal control measures to require the responsible department to keep our senior management informed of the legal status of our property projects.	<ul style="list-style-type: none"> <li>• We were allowed to enter into the lease agreements with our tenants before obtaining the property ownership certificates and were not subject to any fine or penalty by the relevant local authorities as a result thereof.</li> <li>• We will not be subject to any fine or penalty by the relevant local authorities for our failure to complete lease registration.</li> <li>• Such rental income generated from Golden Wheel Time Square, prior to passing the construction completion examination and receiving the property ownership certificate, will not be subject to confiscation or any other penalty by the relevant local authorities.</li> </ul>	<ul style="list-style-type: none"> <li>• All these leases have been registered.</li> <li>• We have already expanded the scope of the duties and responsibilities of the merchants department to the related registration of leases.</li> <li>• The merchants department shall also ensure that the relevant property ownership certificates have been obtained before entering into any lease agreement.</li> <li>• The merchants department will provide monthly report to the Supervisory Committee showing the number of leases entered into by our Group and the relevant registration status.</li> <li>• The Supervisory Committee will review, on a monthly basis, if the relevant leases have been properly registered in accordance with the applicable laws and regulations.</li> <li>• We have provided our merchants department with additional training on applicable laws and regulations in this regard.</li> <li>• Implementation of the Enhanced Computer System.</li> </ul>	<ul style="list-style-type: none"> <li>• The breach was not conducted intentionally.</li> <li>• The non-compliance was caused by the previous lack of comprehensive internal control measures to require the responsible department to keep our senior management informed of the legal status of our property projects.</li> <li>• Our senior management did not have immediate access to updated information due to the lack of a centralized information system to keep track of the status of our property projects.</li> </ul>

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Non-compliance Incident	Major reason(s)	Potential maximum penalty and view of our PRC legal advisors, Jun He Law Offices	Remedies and preventive measures	Factors determined by the Sponsor to support that the incident does not raise concern on our Directors' competence, integrity and character
Failure to make housing fund contributions for our employees	Our PRC subsidiaries failed to set up their respective housing fund accounts with the relevant local housing funds authorities until April 2012 and some of our employees were unwilling to participate in the housing fund.	<ul style="list-style-type: none"> <li>• Full payment of the housing fund contributions of approximately RMB2.5 million within a stipulated deadline.</li> <li>• We may be required by the relevant local authorities to pay in full the housing fund contributions within a stipulated deadline, but there will be no other penalties to be imposed on us.</li> </ul>	<ul style="list-style-type: none"> <li>• We have already set up the respective housing fund accounts.</li> <li>• We have made a full provision for the outstanding housing fund contributions of approximately RMB2.5 million.</li> <li>• Since our relevant housing fund accounts were set up in April 2012 up to the Latest Practicable Date, we had fully and duly paid the housing fund contributions for all of our employees.</li> <li>• To ensure full participation from all our employees, we have stipulated a policy requiring the human resources department to obtain a consent from a new employee to participate in the housing fund before he or she commences to work for the Group. Employment will not commence until the consent is signed by the new employee.</li> <li>• The human resources department will provide, on a monthly basis an updated list of employees to the Supervisory Committee.</li> <li>• The Supervisory Committee will review, on a monthly basis, if the housing fund accounts have been properly set up for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• The breach was not conducted intentionally given that some employees were unwilling to participate in the housing fund.</li> <li>• The non-compliance was caused by the previous lack of comprehensive internal control measures to ensure compliance with the requirements on housing fund contribution.</li> </ul>
Granting loans to Nanjing Golden Wheel Real Estate	Lack of understanding of the restriction on inter-company loans under the relevant laws and regulations by our senior management.	<ul style="list-style-type: none"> <li>• We will not be subject to any fine or penalty by the relevant authorities.</li> </ul>	<ul style="list-style-type: none"> <li>• We have not received any interest and the loans had been waived by June 2012.</li> <li>• We have prohibited inter-company loans (either among our subsidiaries or to other third party companies) to be made in the future.</li> </ul>	

We have prepared a checklist of all necessary regulatory procedures and approvals required for land acquisition and project development. Our Supervisory Committee will follow this checklist and closely monitor the whole progress of the transaction and ensure all such procedures are duly complied. For projects involving state-owned entities, we have also strengthened our internal control system and established review and approval procedures to ensure that the relevant regulatory requirements will be complied with by such counterparties. Our Supervisory Committee will also be responsible for safe keeping all the relevant applications, approvals and other documents.

In addition, we have provided and will continue to provide customized training sessions to our directors, senior management and staff members of our Group companies as and when appropriate, which will cover relevant PRC laws and regulations relating to the property industry, the Listing Rules, our internal control policies and procedures and general risk management skills, to raise their awareness of the importance of internal legal compliance and to strengthen their risk management skills.



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Our Directors believe that our internal control measures are adequate and effective as required by the Listing Rules.

### Internal control consultant's review

We have engaged an internal control consultant to assess, based on the procedures discussed and agreed between the internal control consultant and us, the enhanced internal control policies and controls (the “**Enhanced Policies and Measures**”) over the business processes which are related to our Group's historical non-compliance incidents and implemented by our Group since August 2012. The internal control consultant performed the following review work in relation to the Enhanced Policies and Measures:

- conducting interviews with the relevant management, staff members and key process owners, and inspecting the relevant documentation in order to understand the Enhanced Policies and Measures;
- performing walkthrough tests to confirm their understanding of the relevant processes and controls and to determine whether the controls have been implemented as described by our Group;
- performing sampling tests to assess whether the controls are operating as described by and in accordance with our Group's operating policies and procedures for the selected samples; and
- identifying findings based on the results of the walkthrough tests and sample tests performed in the steps mentioned above.

The sample size of the review work performed by the internal control consultant is as follows:

Control frequency	Sample size as agreed with our Company (From June 2012 or the actual implementation date of the Enhanced Policies and Measures to October 2012)	
Daily or many times a day		5
Weekly, Monthly or Quarterly		2
Annually		1

Following their review work, the internal control consultant did not identify, based on the samples of transactions reviewed, any significant exceptions from the Enhanced Policies and Measures.

### Sponsor's view

Having considered the above internal control measures (including the Enhanced Policies and Measures) of our Group, the Sponsor is of the view that our Group's internal control

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measures (including the Enhanced Policies and Measures) will be adequate and effective to ensure our Group's compliance with the applicable laws and regulations. During its due diligence process and having taking into account the following matters as confirmed by our Directors, the Sponsor has not identified any material matter which will raise its concern as to the competence, integrity and character of our Directors:

- our Directors did not intentionally cause our Group to breach any of the applicable laws and regulations as reflected in the reasons for the non-compliance incidents;
- the non-compliance incidents as summarized above, which were mainly caused by the previous lack of comprehensive and effective internal control system, did not involve any element of fraud or dishonesty;
- our Directors were not informed of the aforesaid historical non-compliance incidents in a timely manner at the material times due to the previous lack of comprehensive internal control measures;
- our Directors have shown their willingness and commitment to ensure our Group's compliance in the future by: (i) agreeing on and implementing the enhanced internal control policies measures; (ii) arranging various customized training sessions targeted for our Directors, senior management and different departments, attending the suitable training sessions and making plans for the continuous training; (iii) communicating internally about the non-compliance issues and the enhanced internal control policies and measures; (iv) engaging the internal control consultant to assess the Enhanced Policies and Measures; (v) setting up the Supervisory Committee, members of which have experience and expertise in property industry and corporate governance, and include professional PRC legal counsels who have expertise in PRC property law and regulations and have advised a number of PRC property developers on various matters; (vi) engaging external legal counsels who have assigned a secondees to our Group; and (vii) having independent non-executive Directors' commitment to review the internal control policies and measures of the Group in the future; and
- Mr. Wong Yam Yin (being the chairman of our Board and an executive Director) and Mr. Wong Kam Fai (being the chief executive officer of our Company and an executive Director) established our Group in 1994 and have been responsible for managing our Group for the past 18 years. Under their management and leadership and by virtue of their competence and efforts, our Group has established a proven track record in the property development sector. For instance, our Group has been recognized by Nanjing Metro as a long-term partner in its commercial property projects and having strong commercial property operational capabilities with a dedicated operational team. Moreover, the contribution of Mr. Wong Yam Yin, Mr. Wong Kam Fai and Mr. Wong Kam Keung, Barry (being an executive Director) to our Group has been acknowledged by All China Federation of Industry & Commerce Real Estate Commission, Jiangsu province (江蘇省工商聯房地產商會).