

### OVERVIEW

The Group is principally engaged in property development and property investment businesses in Suzhou, the PRC and through investment in an associated company, in property investment business in Beijing, the PRC. The Group strives to develop high quality residential properties in Suzhou. Over the years, the Group has received various awards and certificates in recognition of the high quality of its developed properties, excellent property management services provided, honorable design and architectural layout and security and safety of its developed properties. In addition, 中國建築技術研究院(北京) (China Construction Technical Research Center (Beijing)), in its published magazine “建築技術及設計” (“Construction Techniques and Design”) had also accredited Suzhou Garden Villa, a property development project of the Group, for its modern design and high quality of building materials which enabled the residents to enjoy a convenient and unique life style. Currently, all of the Group’s property development projects are in Suzhou. The Group’s associated company also holds and operates the Beijing Landmark Towers (北京亮馬河大廈) in Beijing. The Group plans to develop properties in Beijing, as well as explore property development and/or property investment opportunities in other cities in Jiangsu Province of the PRC in future.

The chairman and founder of the Group, Mr. CF Tao has been engaging in property development and property investment businesses in the PRC since 1978. Major PRC projects completed under his participation include Nanjing Jinling Hotel (南京金陵飯店) in Nanjing and Beijing Landmark Towers (北京亮馬河大廈) in Beijing. Please refer to the section headed “Directors, Senior Management and Staff” to this prospectus for detailed descriptions of the experience of Mr. CF Tao.

SGVDM, the major operating subsidiary of the Group, is a property developer positioning itself as a niche market player in Suzhou, which had the highest GDP in Jiangsu Province in 2003 according to the statistics released by the 蘇州市統計局 (Suzhou Municipal Statistics Bureau). The properties developed by SGVDM are mainly residential and commercial properties catered and targeted for middle to high end markets.

Over the years, SGVDM has developed in Suzhou, the Suzhou Garden Villa (錦華苑) and the Suzhou Garden Court (錦麗苑). Different variety of properties, including high-rise apartments, duplex apartments, villas, Classical Courtyard Houses and shopping arcades, have been developed by SGVDM. A variety of comprehensive services are also provided to the residents in these complexes as value-added amenities.

Suzhou Garden Villa comprises three phases, including two blocks of 16-storey apartments, four blocks of 18-storey apartments, eight villas, twelve Classical Courtyard Houses and a shopping arcade. A watercourse, being connected to the Grand Canal (京杭運河), is constructed within and surrounding the complex. The watercourse runs through and links up the common area of the complex to give a “watercourse” view from the apartments. Bridges and ancient style pavillions have been built in the public areas surrounding the apartments and villas and the Directors believe that such would enable the residents to experience a relaxing environment as well as a portrait of ancient classical Suzhou style.

The shops in the shopping arcade are currently occupied by different types of tenants, such as restaurants and cafes. Further, there is an open square of approximately 1,400 sq.m. in front of the shopping arcade, overseeing the watercourse, in which recreational activities can be held regularly for the residents. Parties and functions for the festive seasons such as mid-Autumn festival and Christmas are also organized for enjoyment by the residents. The Directors believe that such design and arrangement provide the residents with a pleasant environment, as well as the alternative to participate and enjoy events organized during the festive seasons.

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The villas in the Suzhou Garden Villa are linked up by the watercourse. The Directors believe that the Group has added values to the design of the villa by integrating such design and style. The Directors further believe that the design of the Suzhou Garden Villa as recognized by The American Institute of Architects and 中國建築技術研究院 (北京) (China Constructing Technical Research Centre (Beijing)) enables the residents to enjoy a convenient and unique lifestyle.

Suzhou Garden Court comprises one block of 11-storey apartments, six blocks of 6-storey apartments, one block of 4-storey apartments, one block of 10-storey duplex apartments, one block of 9-storey duplex apartments, 7 villas and one block of 6-storey commercial and residential complex with apartments and shops. There is a fitness centre in the complex with an area of approximately 1,701 sq.m. comprising an indoor swimming pool, an outdoor swimming pool, and various fitness facilities. The Group also intends to invite other target tenants, including supermarket, bakery shop, coffee shop, beauty salon, pharmacy, DVD shop etc, for the complex. According to the Group's planning and positioning of the Suzhou Garden Court, its design and layout is specifically targeted to cater for middle to high end customers. The features, such as the duplex apartments and villas, are specifically aimed to attract particular segment of customers according to their living and life style. The Directors believe that grouping together this mixture of apartments offer more variety to its target segment customers.

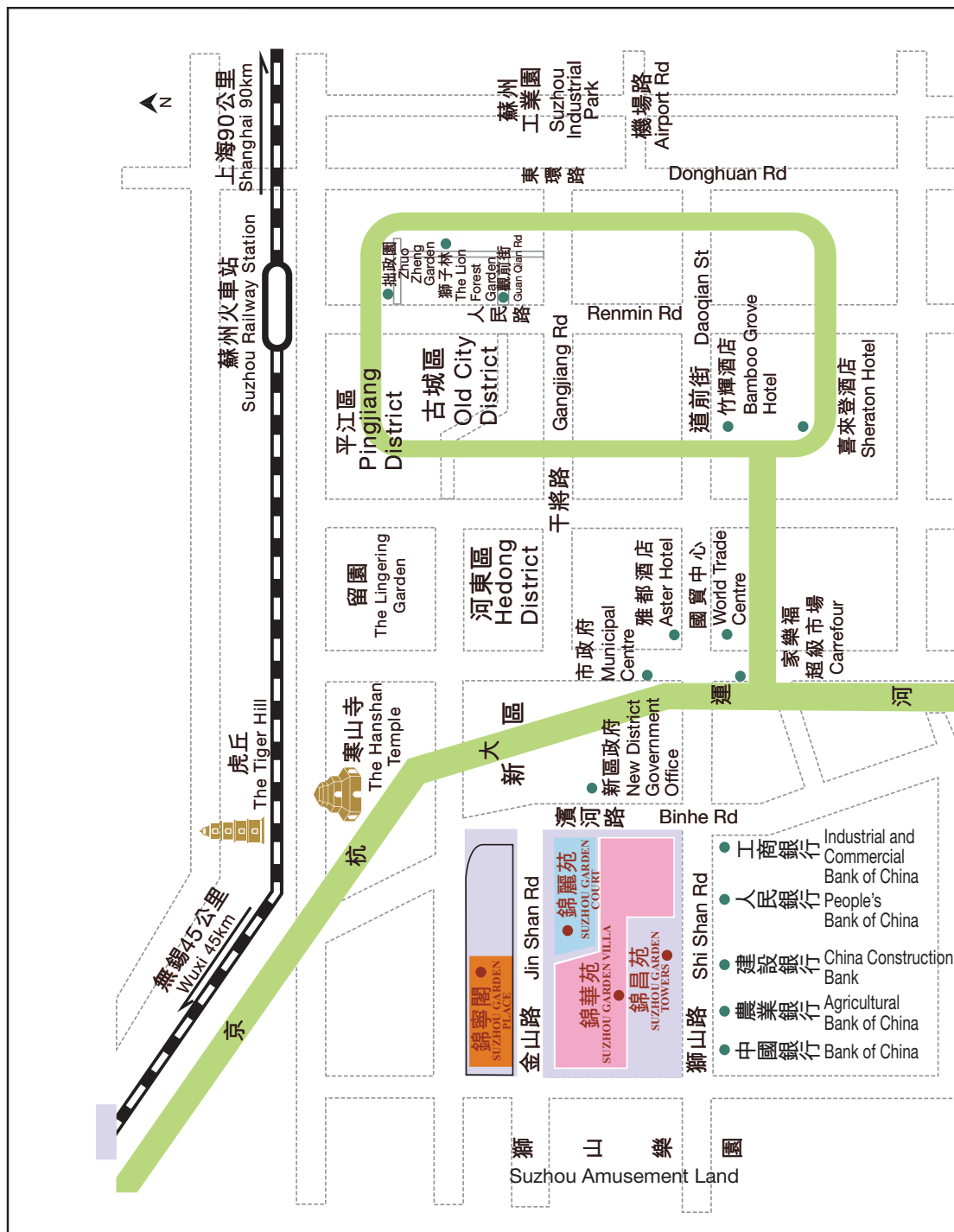
The Group and 蘇州市國土資源局 (Suzhou Land Resources Bureau) entered into a 國有土地使用權出讓合同 (Assignment of the Right to Use State Land Contract) dated 10 October 2005, pursuant to which 蘇州市國土資源局 (Suzhou Land Resources Bureau) has agreed to assign to the Group the land use right of a piece of land in Suzhou with a total site area of approximately 41,579 sq.m. subject to and on the terms and conditions of the 國有土地使用權出讓合同 (Assignment of the Right to Use State Land Contract). Commencement of the construction is targeted to be in May 2006 and the project is expected to be completed in the second half of 2007. The Group has a 100% interest in the project.

The Group also entered into two letters of intent in March 2005 and April 2005 respectively, with two independent PRC entities with regard to two property development projects in Suzhou with site areas of approximately 17,100 sq.m. and 10,000 sq.m. respectively. Currently, the Group is still in the process of discussions with the relevant parties in respect of detail arrangement for the projects. The Group may or may not proceed with the above projects. Should there be any progress in respect of these projects, the Group will comply with the then requirements of the Listing Rules.

Please refer to the sub-section headed "Description of the Group's property projects" in this section to this prospectus for detailed descriptions of the properties developed and to be developed by SGVDM.

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Map of the city area of Suzhou, the PRC where SGVDM's property projects, namely 錦華苑 (Suzhou Garden Villa), 錦麗苑 (Suzhou Garden Court), 錦寧閣 (Suzhou Garden Place) and 錦昌苑 (Suzhou Garden Towers) are situated



Note: The above map is not in scale.

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In view of China's accession to WTO in 2001 and the Summer Olympic Games to be held in Beijing in 2008, which might stimulate the property market in Beijing, the Group has decided to expand the property investment business and property development business in Beijing.

BLTCL, which wholly owns and operates the Beijing Landmark Towers in Beijing, is an associated company of the Group. During the Track Record Period, BLTCL demonstrated a relatively steady income generated from the operation of the Beijing Landmark Towers. Beijing Landmark Towers, which is wholly owned by BLTCL, comprises one block of 23-storey office tower and one block of 28-storey office tower erected over a single-level and a 3-level basements respectively and one block of 12-storey 4-star hotel together with a 12-storey service apartment block erected over a 3-storey commercial podium plus 2-level and 4-level basements respectively. Apart from rental of offices and operations of a 4-star hotel and service apartment, BLTCL also operates a souvenir shop in the shopping arcade. There are several restaurants in the hotel offering a variety of cuisines and a shopping arcade. The Directors believe that such a balance mix creates a pleasant environment to attract corporate and individual tenants and travellers. Due to the strategic location of the Beijing Landmark Towers, the Group has acquired NH Investments as its first step of expanding its business into Beijing. After acquiring NH Investments, BLTCL began to contribute to the Group's results. Please refer to the section headed "History and Development" to this prospectus for detailed description.

Situated adjacent to the embassy districts in Beijing, the Directors believe that the Beijing Landmark Towers has gained appreciation and recognition from its tenants such as the embassies and international corporations. As at 31 August 2005, office tenants of BLTCL included embassies, multinational enterprises and organizations while service apartment tenants of BLTCL included expatriates from different countries.

Apart from investing in BLTCL, the Group also plans to develop properties in Beijing in the near future. The Group has, for this purpose, set up a representative office in Beijing for NH Land in January 2005. Ms. Shen Feng Luan, an experienced senior engineer who had participated in a variety of property development projects involving foreign investments in the PRC, has also been recruited as the chief representative of the Beijing representative office of the Group for this purpose. Description about Ms. Shen's experience is set out in the section headed "Directors, Senior Management and Staff" to this prospectus.

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Map of the city area of Beijing, the PRC where  
北京亮馬河大廈 (Beijing Landmark Towers) are situated



Note: The above map is not in scale.

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Based on the statistics released by the 江蘇省統計局 (Jiangsu Statistics Bureau), Jiangsu Province ranked the second, the fifth and the seventh in terms of GDP, total population and per capita disposable income of urban household respectively among all provinces in the PRC in 2003. Thus, leveraging on its extensive experience in the property market in Suzhou, the Group is actively exploring property development opportunities in other cities of Jiangsu Province.

In addition to Mr. CF Tao, who has been engaging in the property development and property investment businesses in the PRC since 1978, most of the Group's management have extensive experience in property development and/or property investment businesses in the PRC. Please refer to the section headed "Directors, Senior Management and Staff" to this prospectus for detailed descriptions of the experience of the Directors and senior management of the Group.

### COMPETITIVE ADVANTAGES

The Directors believe that the Group has the following principal competitive advantages:—

#### 1) A quality and niche property developer in Suzhou

The Directors believe that the Group has been recognized as a quality property developer in Suzhou over the years. The Directors believe that developing niche and quality properties with a variety of designs, together with the provision of quality property management services and a secured and safe environment for living will attract the Group's targeted purchasers. The Group's targeted purchasers include middle to high end customers. Over the years, SGVDM has developed various styles of properties and received various awards and certificates, in recognition of the overall quality and design of its completed properties. Such awards granted to SGVDM include 重點服務僑港資企業 (Key enterprise invested by overseas Chinese, Hong Kong and Macau) granted by 江蘇省人民政府蘇州市人民政府僑務辦公室 (Jiangsu Province Government and Suzhou Municipal Government Office for Overseas Nationals) and "Honor Award for Architecture 2000" granted by The American Institute of Architects Hong Kong Chapter. Detailed list of the awards is set out in the sub-section headed "The Group's PRC-incorporated subsidiaries and associated company" in this section to this prospectus.

These awards and certificates have proven the recognition of Suzhou Garden Villa, in terms of its design and quality, as well as its provision of quality property management services, which in turn enhance the Group's competitiveness in the Suzhou property market.

#### 2) Possession of properties under development at prime locations in Suzhou

The Directors believe that with properties under development located in major commercial areas of Suzhou New District, the Group is in an advantageous position amongst fellow property developers in Suzhou, in terms of pricing, revenue growth and potential profitability.

**3) Steady dividend income from Beijing Landmark Towers Co., Ltd. (北京亮馬河大廈有限公司) which contributes stable cash inflow to the Group**

After acquiring the entire interest in NH Investments, the Group indirectly holds 30.05% of BLTCL and is therefore entitled to dividend payment from it. BLTCL has a track record dividend payout ratio of over 85% for the three years ended 31 December 2004. Net profit of BLTCL for the three years ended 31 December 2004, based on the audited accounts of BLTCL as prepared under the PRC generally accepted accounting principles, were approximately RMB45.29 million, RMB32.76 million and RMB67.53 million respectively, which demonstrates a steady income stream. The Directors expect that in future, steady dividend income from BLTCL will contribute a stable cash inflow to the Group, which can support the Group's future projects.

**4) Experienced management team with a wide range of exposure in the property industry in the PRC**

The executive Directors and senior management team of the Group have extensive experience and exposure in the property industry in the PRC. The Directors believe that the Group can leverage on the management's knowledge and experience to continue to develop quality new projects, to strengthen the business relationship with customers and contractors, as well as to expand the Group's geographic coverage, all of which in turn will enable the Group to capture market opportunities and grow steadily.

The chairman of the Group, Mr. CF Tao has been engaging in property development and property investment businesses in the PRC since 1978. Major PRC projects completed under his participation include Nanjing Jinling Hotel (南京金陵飯店) in Nanjing and Beijing Landmark Towers (北京亮馬河大廈) in Beijing. Senior management of the Group also include executives with extensive experience in property development and/or property investment. Please refer to the section headed "Directors, Senior Management and Staff" to this prospectus for detailed descriptions of the experience of the Directors and senior management of the Group.

**5) Synergy from the Group's Suzhou local partner**

The minority shareholder of SGVDM, namely SNDDC, is a state-owned enterprise and has played a significant role in the development of Suzhou New District. The joint venture with SNDDC enables the Group to receive specific local expertise and experience in the PRC market which in turn stimulates the Group's planning strategy and enhances operation of its property development business in Suzhou. Further details of SGVDM are set out in the sub-section headed "The Group's PRC-incorporated subsidiaries and associated company" in this section to this prospectus.

**6) Publicity of the Group's senior management in Suzhou**

Mr. CF Tao, the chairman of the Board and one of the Controlling Shareholders, was accredited in 1995 by The People's Government of Suzhou Municipality the title "Honorary Citizen" for his contributions to the development of Suzhou. Over the years, Mr. CF Tao has made contributions to the town planning process of Suzhou. In 1995, Mr. CF Tao escorted a delegation, comprising the then Party Secretary and senior planning officials of Suzhou, to New York to seek professional advice from reputable architects on the town planning of Suzhou. Mr. CF Tao had also supported and sponsored two projects involving the planning and development of Suzhou. One of such projects, namely "Suzhou International Planning Workshop" was conducted in 1996 by eight city planning and landscape experts from international well known firms such as Edaw with the Suzhou Construction Committee and



Suzhou City Planning Bureau. The other project was conducted in 1997 by various students from the Graduate School of Design, Harvard University, U.S.A., namely “Redevelopment in Suzhou, China”. Mr. Paul Tao, an executive Director, is a committee member of 中國人民政治協商會議江蘇省蘇州市第十一屆委員會 (The 11th Committee of Suzhou City, Jiangsu Province Chinese People’s Political Consultative Conference). The Directors believe that such status of the Group’s senior management would add value to the Group’s profile in promoting its business.

### **BUSINESS STRATEGIES OF THE GROUP**

The Group’s business strategies include the following:–

#### **1) Focusing and consolidating its property development business in Suzhou**

In view of various housing reform measures implemented by the PRC government, such as the abolishment of the policy of welfare housing allocation, the increasing property prices in Suzhou during the period from year 2000 to 2004, and the fact that Suzhou had the highest GDP in Jiangsu Province during 2001 to 2003 the Group will focus its property development business in Suzhou with emphasis on quality and variety in design.

Moreover, the Directors believe that the Group’s focus and capability of developing quality properties with a pleasant and scenic living environment, as well as the provision of a variety of stylish designs, differentiate the Group from those developers catering to the mass market.

#### **2) Expanding to property development business in addition to property investment businesses in Beijing**

Beijing, the capital of the PRC, is generally perceived to be the centre of politics and culture in the PRC and is attractive to investors. In view of China’s accession to WTO in 2001 and the 2008 Summer Olympic Games to be held in Beijing, which might stimulate the property market in Beijing, the Group has decided to expand to property investment business and/or property development business in Beijing.

After acquiring NH Investments, BLTCL has also begun to contribute to the Group’s results, which include rental and operation income generated from the office towers, service apartments, hotel and shopping arcade of Beijing Landmark Towers.

Apart from investing in BLTCL, the Group also plans to develop properties in Beijing in the near future. The Group has, for this purpose, set up a representative office in Beijing for NH Land in January 2005. Furthermore, senior management with extensive property development experience are being recruited with a view to implementing the development plans of the Group in Beijing. Biographies of the senior management of the Group are set out in the section headed “Directors, Senior Management and Staff” to this prospectus.

#### **3) Exploring opportunities to expand to property development and/or property investment businesses into other cities in Jiangsu Province, the PRC**

The Directors believe that by taking advantage of the Group’s established name in Suzhou and the Group’s network in Jiangsu Province, as well as leveraging on the Group’s management expertise and experience in property development and property investment, the Group intends to explore opportunities to expand its property development and/or property investment



businesses into other cities in Jiangsu Province, the PRC. The Group's management will identify target cities in Jiangsu Province with reference to the potential development prospects of property markets in those cities. Factors including the economic growth, per capita GDP and income of urban household, per capita gross living space, demand and supply of the local property market in those cities will be considered. Upon preliminary identification, the Group will designate a team to conduct further in-depth analysis to investigate project feasibilities in the target cities.

#### **4) Striking a balance between maintaining a sufficient land bank and achieving capital efficiency**

According to the “Regulation on the Grant of State-Owned Land Use Rights through Tendering, Public Auction and Public Trading” (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the MLR which had become effective on 1 July 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commercial/residential properties in the PRC can only be granted by government by way of tender, auction or public trading through the local land exchange.

Since such state-owned land use rights mentioned above have to be granted by way of tender, auction or public trading through the local land exchange according to the new regulation, the Directors expect that going forward, the cost of purchasing land in the PRC is expected to be on an upward trend. Moreover, under the aforesaid regulation, the whole amount of land cost has to be settled before granting of land use rights. Thus the Directors believe that this would create pressure on working capital and financial positions of property developers and it would not be capital efficient to maintain an excessive land bank in view of maintaining an optimal cashflow for the Group. Hence, the Group would use its best endeavors to strike a balance between maintaining sufficient land bank for development and achieving capital efficiency, so as to maximize the Group's profit as well as maintaining an optimal cashflow balance.

### **THE GROUP'S PRC-INCORPORATED SUBSIDIARIES AND ASSOCIATED COMPANY**

The Group has set up subsidiaries or joint ventures with strategic partners in the PRC from time to time to engage in property development and/or investment projects. The Group's existing PRC-incorporated subsidiaries and associated company include the following:

#### **1) Suzhou Garden Villa Development & Management Co., Ltd. (蘇州錦華苑建設發展管理有限公司)**

SGVDM is a sino-foreign cooperative joint venture established by NH Development and SNDDC on 19 September 1991 with an approved operating period of 70 years commencing from its date of establishment. The registered capital of SGVDM is US\$12.15 million which was fully paid up and is owned as to 95% by NH Development and as to 5% by SNDDC. In 2003, 蘇州新新餐飲康樂有限公司 (Suzhou Sing Sing Catering & Entertainment Co., Ltd., “Sing Sing Catering”), which was also owned as to 5% by SNDDC and 95% by NH Development, was merged to SGVDM in accordance with a merger agreement made between the parties dated 20 June 2003. Pursuant to the merger agreement, the surviving company after the merger was SGVDM and all the capital, rights, liabilities, tax benefits, operating loss and other policy benefits of and/or enjoyed by Sing Sing Catering were succeeded by SGVDM and Sing Sing Catering ceased to exist. Pursuant to the articles of association of SGVDM, its profit is distributed in accordance with the proportion of the registered capital contribution made by each of NH Development and SNDDC to SGVDM.

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NH Development has 3 representatives (including Mr. CF Tao as the chairman of the board of directors of SGVDM) on the board of directors of SGVDM which comprises a total of 4 directors. The general manager and other senior management of SGVDM are appointed by the board of directors of SGVDM.

Currently, the Group carries out all property development business in Suzhou through SGVDM. Over the years, SGVDM has developed various kinds of properties in Suzhou (details of which can be found in the sub-section headed “Description of the Group’s property projects” to this prospectus), including various types of apartments, villas and commercial complex.

The Group has received various awards and certificates over the years, including the following, which has proven recognition for the quality, design and management services provided of its completed properties:

Year of award	Awards/certificates	Awarding authority
1994	蘇州市房地產開發企業三十強 (The top 30 enterprises for real estate development in Suzhou)	蘇州市建設委員會蘇州市統計局 (Suzhou Construction Committee, Suzhou Statistics Bureau)
1995	優良證書 (錦華苑一期花園別墅) (Certificate of Merit (Suzhou Garden Villa Phase I - Villas))	蘇州市建築工程質量監督站 (Suzhou City Construction Works Quality Supervision Station)
1995	優良證書 (錦華苑一期高房住宅) (Certificate of Merit (Suzhou Garden Villa Phase I - High-Rise Residential Buildings))	蘇州市建築工程質量監督站 (Suzhou City Construction Works Quality Supervision Station)
1995	一九九四至九五年度治安安全單位 (1994-1995 Security safe unit)	蘇州市人民政府 (Suzhou Municipal Government)
1996	蘇州市物業管理優秀住宅小區 (Excellent property management residential district in Suzhou)	蘇州市房產管理局 (Suzhou Real Estate Administration Bureau)
1996	江蘇省城市物業管理優秀住宅小區 (Excellent property management residential district in Jiangsu Province)	江蘇省建設委員會 (Jiangsu Province construction committee)
1997	優良證書 (錦華苑二期高房公寓) (Certificate of Merit (Suzhou Garden Villa Phase II - High-Rise Apartments))	蘇州市建築工程質量監督站 (Suzhou City Construction Works Quality Supervision Station)
1997	96-97年度治安安全單位 (96-97 Security safe unit)	蘇州市人民政府 (Suzhou Municipal Government)
1998	優良證書 (錦華苑三期) (Certificate of Merit (Suzhou Garden Villa Phase III))	蘇州市建築工程質量監督站 (Suzhou City Construction Works Quality Supervision Station)
1998	蘇州新區外商公寓安全保衛先進單位 (Advanced safeguard unit for foreign investors’ apartments)	蘇州新區公安局 (Suzhou Public Security Bureau for New District)
2000	Honor Award For Architecture 2000	The American Institute of Architects Hong Kong Chapter

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Year of award	Awards/certificates	Awarding authority
2004	重點服務僑港資企業 (Key enterprise invested by overseas Chinese, Hong Kong and Macau)	江蘇省人民政府、蘇州市人民政府 僑務辦公室 (Jiangsu Province Government, and Suzhou Municipal Government, Office for Overseas Nationals)

### 2) Beijing Landmark Towers Co., Ltd. (北京亮馬河大廈有限公司)

BLTCL is a Sino-foreign equity joint venture established by 中國北京市旅遊公司 (Beijing Travel and Tourism Corporation), 北京國際信託投資公司 (Beijing International Trust and Investment Corporation), NH Investments and SL Realty Management Services (HK) Ltd. (香港新土地置業管理有限公司) in January 1986. Its approved operating period will expire in October 2020, subject to further renewal. The registered capital of BLTCL is US\$28 million and has been fully paid up. On the date of establishment, 中國北京市旅遊公司 (Beijing Travel And Tourism Corporation), 北京國際信託投資公司 (Beijing International Trust and Investment Corporation), NH Investments and SL Realty Management Services (HK) Ltd. (香港新土地置業管理有限公司) held 30%, 20%, 25% and 25% equity interest in BLTCL respectively.

Since its establishment, BLTCL has undergone several restructuring exercises. Miripa Investments (Liberia) Inc. (“Miripa”), a company entirely owned by Mr. CF Tao, acquired 5.05% interest in BLTCL through NH Investments, which acted as a trustee to hold 5.05% equity interest in trust for Miripa from 4 May 1995 to 31 December 2000 and the said 5.05% interest was subsequently acquired by NH Investment from Miripa on 31 December 2000 at the consideration of HK\$12,154,666.50, which was determined with reference to the net book value of BLTCL. As a result of the aforesaid transfer, the equity interest in BLTCL held by NH Investments has since then increased from 25% to 30.05%.

As at the Latest Practicable Date, BTG, NH Investments and RMSL hold 50%, 30.05% and 19.95% equity interest in BLTCL respectively. Realty Management Services (Pte) Ltd. is an Independent Third Party.

After the acquisition of the entire issued share capital of NH Investments on 13 July 2005, with NH Investments holding 30.05% equity interest in BLTCL, BLTCL has become an associated company of the Company and has contributed to the Group’s results from 13 July 2005 onwards. NH Investments has 2 representatives (including the vice chairman of the board of directors of BLTCL) on the board of directors of BLTCL which comprises a total of 7 directors. The general manager and other senior management are appointed by the board of directors of BLTCL.

After acquiring NH Investments, the Group shares the results of BLTCL which holds and operates the Beijing Landmark Towers. Beijing Landmark Towers which was completed in 1990 comprises one block of 23-storey office tower and one block of 28-storey office tower erected over a single-level and a 3-level basements respectively, 12-storey 4-star hotel together with a 12-storey apartment block erected over a 3-storey commercial podium plus 2-level and 4-level basements respectively. Apart from rental of offices and operations of the 4-star hotel and service apartment, BLTCL also operates a souvenir shop in the shopping arcade.

**Outlook of Beijing Landmark Towers**



Awards/certificates obtained by or in relation to BLTCL/Beijing Landmark Towers since its establishment include the following:

Year of award	Awards/certificates	Awarding authority
1990	環境美飯店 (Decent environment hotel)	首都綠化委員會辦公室 (Office of Capital Greenery Committee) 北京市旅遊事業管理局 (Beijing City Tourism Administration Bureau) 北京日報社 (Beijing Daily newspaper and Zhong Guo) 中國花卉報社 (Hua Hui newspaper)
1993	中國500家最大服務業(旅遊業)(第55位) (The 500 largest companies in service industry (Tourism) in China (Ranking 55))	“管理世界雜誌 (Management World)” Magazine and 國務院發展研究中心 (State Council Development and Research Centre)
1994	全國外商投資先進飯店 (National foreign invested outstanding hotel)	中國外商投資企業協會 (China Association of Enterprises with Foreign investment)
1995	中外企業家的樂園 (Paradise for domestic and foreign entrepreneur)	中外企業家協會 (Association of domestic and foreign entrepreneur)
1998	1997年全國外商投資先進飯店 (National foreign invested outstanding hotel)	中國外商投資企業協會 (China Association of Enterprises with Foreign investment)
2004	國際認證聯盟論壇－「管理創新獎」 (IQNet Forum – Innovative Management Customer)	方圓標誌認證中心 (IQNet and Fang Yuan Biao Zhi certification centre)

During each of the three years ended 31 December 2004, BLTCL has distributed dividend annually with an amount equal to over 85% of its annual earnings. The Group expects that such trend will carry on in future such that the Group will receive stable cashflow from BLTCL.

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### 3) Suzhou New Heritage Planning and Design Consultancy Company Limited (蘇州新繼規劃設計諮詢顧問有限公司)

SNHPDC is a wholly-owned foreign equity company established by WML on 29 March 2004. Pursuant to an equity interest transfer agreement dated 26 August 2005 and made between WML as vendor and NH Properties as purchaser, the entire equity interest in SNHPDC was transferred from WML to NH Properties on 26 October 2005. SNHPDC has an approved operating period of 50 years commencing from its date of establishment. The registered capital of SNHPDC is US\$100,000 and has been fully paid up.

After acquiring the entire issued share capital of WML from Mr. CF Tao and Mr. SP Tao, SNHPDC has become an indirect wholly-owned subsidiary of the Company. The current business scope of SNHPDC is to provide property development consultative services.

### DESCRIPTION OF THE GROUP'S PROPERTY PROJECTS

Summary of property interests held by the Group as at 31 August 2005 are shown below:

Property	Locations	Completed property projects as at 31 August 2005			Property projects under development as at 31 August 2005		Commencement year	Completion year	Interest attributable to the Group (%)
		Approximate GFA held for investment (sq.m.)	Approximate GFA sold (sq.m.)	Approximate GFA remaining for sale (sq.m.)	Estimated approximate GFA under development (sq.m.)	Approximate GFA pre-sold (sq.m.)			
Suzhou Garden Villa	98 Shi Shan Road, New District, Suzhou, Jiangsu Province, the PRC				Not Applicable	Not Applicable			95
Phase 1		9,830 <sup>Note 1</sup>	21,477	380			1992	1995	95
Phase 2		256	24,892	157			1994	1996	95
Phase 3		2,120	23,432	–			1997	1998	95
Subtotal		12,206	69,801	537					
Suzhou Garden Court	1333 Bin He Road, New District, Suzhou, Jiangsu Province, the PRC	4,399 <sup>Note 2</sup>	50,309	4,597	Not Applicable	Not Applicable	2002	2004	95
Suzhou Garden Place	28 Jin Shan Road New District, Suzhou, Jiangsu Province, the PRC				7,530	–	2005	Expected to be completed in 2005	95
Suzhou Garden Towers	100 Shi Shan Road New District, Suzhou, Jiangsu Province, the PRC				40,355 <sup>Note 3</sup>	–	2005	Expected to be completed in 2006	95
Total		16,605	120,110	5,134	47,885	–			

Notes: 1. The GFA comprises GFA of a shopping mall amounting to approximately 9,500 sq.m. and GFA of residential properties amounting to approximately 330 sq.m..

2. The GFA comprises GFA of a shopping mall in a composite building amounting to approximately 4,399 sq.m., excluding the basement and a fire alarm control centre in the residential and commercial complex.

3. The estimated GFA comprises estimated GFA of commercial properties amounting to approximately 10,935 sq.m. and estimated GFA of residential properties amounting to approximately 29,420 sq.m..

4. Save as the above, all other GFA represent GFA of residential properties completed or to be completed.



### (I) Completed property development projects

The Group has obtained all approvals, permits and certificates required under the relevant PRC laws and regulation for its completed property development projects.

As at 31 August 2005, the Group's completed property development projects included:

#### (1) Suzhou Garden Villa (錦華苑)

Suzhou Garden Villa (錦華苑) is located at 98 Shi Shan Road, New District, Suzhou, Jiangsu Province, the PRC. The Group has received various awards and certificates over the years in various aspects, including the design, security control and quality for residential property district in relation to Suzhou Garden Villa.

#### High-rise apartments of Suzhou Garden Villa



#### Internal layout of a high-rise apartment of Suzhou Garden Villa



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## BUSINESS

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**Villas**



**Internal garden of a  
Classical Courtyard House (四合院)**



**Villa of Suzhou Garden villa**



**Some of the facilities provided to the residents of Suzhou Garden Villa**





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## BUSINESS

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### ***Phase 1***

Phase 1 consists of two blocks of 16-storey apartments, 8 villas, 2 Classical Courtyard Houses and a 2-storey shopping arcade, particulars of which are as follows :

	Approximate GFA (sq.m.)	No. of units
Apartment	19,400 <i>Note</i>	124
Villa (excluding pier beside the watercourse)	2,248	8
Classical Courtyard House (excluding courtyard area and pier beside the watercourse)	539	2
Shop	9,500	21
Total	<u>31,687</u>	<u>155</u>

*Note:* The basement in each block is excluded.

Construction of the project commenced in 1992 and was completed in 1995. As at 31 August 2005, a Classical Courtyard House and an apartment were still held by the Group for sale. In addition, the whole shopping arcade and 3 apartments were held by the Group for investment purpose. Save as the above, all completed properties have been sold.

### ***Phase 2***

Phase 2 consists of two blocks of 18-storey apartments and 10 Classical Courtyard Houses, particulars of which are as follows:

	Approximate GFA (sq.m.)	No. of units
Apartment	22,492 <i>Note</i>	138
Classical Courtyard House (excluding courtyard area and pier beside the watercourse)	2,813	10
Total	<u>25,305</u>	<u>148</u>

*Note:* The basement in each block is excluded.

Construction of the project commenced in 1994 and was completed in 1996. As at 31 August 2005, an apartment was still held by the Group for sale. In addition, 2 apartments were held by the Group for investment purpose. Save as the above, all completed properties have been sold.

### ***Phase 3***

Phase 3 consists of two blocks of 18-storey apartments, particulars of which are as follows:

	Approximate GFA (sq.m.)	No. of units
Apartment	25,552 <i>Note</i>	144

*Note:* The basement in each block is excluded.

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## BUSINESS

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Construction of the project commenced in 1997 and was completed in 1998. As at 31 August 2005, 13 apartments were held by the Group for investment purpose. Save for the aforesaid, all completed properties in Suzhou Garden Villa have been sold.

**(2) Suzhou Garden Court (錦麗苑)**

Suzhou Garden Court (錦麗苑) is located at 1333 Bin He Road, New District, Suzhou, Jiangsu Province, the PRC.

**Apartments of Suzhou Garden Court**



**Villas of Suzhou Garden Court**



**A scene in Suzhou Garden Court**



The project consists of one block of 11-storey apartments, six blocks of 6-storey apartments, one block of 4-storey apartments, one block of 10-storey duplex apartment, one block of 9-storey duplex apartment, 7 villas and one block of 6-storey complex with apartments and shops, particulars of which are as follows:

	<b>Approximate GFA</b> <i>(sq.m.)</i>	<b>No. of units</b>
Apartment	37,901	260
Duplex apartment	8,668	36
Villa	3,352	7
Residential and commercial complex		
– Apartment	4,985	60
– Shop	4,399 <sup><i>Note</i></sup>	15
Total	<u>59,305</u>	<u>378</u>

*Note:* Basement and a fire alarm control centre in the residential and commercial complex are excluded.

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Construction of the project commenced in 2002 and completed in 2004. As at 31 August 2005, 12 apartments and 5 villas were still held by the Group for sale. In addition, all of the shops in the residential and commercial complex were held by the Group for investment purpose. As at the Latest Practicable Date, three contracts had been entered into to sell three of the five villas, the completion of which will be after the Listing Date as disclosed in the sub-section headed “Three contracts for SGVDM to sell properties” under this section to this prospectus. Save as the above, all completed properties have been sold.

### (II) Property under development by the Group

As at 31 August 2005, the Group’s property development projects under development include :

#### (1) Suzhou Garden Place (錦寧閣)

Suzhou Garden Place (錦寧閣) is located at 28 Jin Shan Road, New District, Suzhou, Jiangsu Province, the PRC.

According to the Group’s planning, the project is expected to consist of one block of 11-storey apartments, particulars of which are as follows:

	<b>Expected approximate GFA (sq.m.)</b>	<b>Expected no. of units</b>
Apartment	<u>7,530</u>	<u>60</u>

Construction of the project has been commenced in May 2005 following the granting of construction commencement permit by the relevant government department and is expected be completed in December 2005. Pre-sales of Suzhou Garden Place has been commenced in September 2005, following the granting of pre-sale permit by the relevant government department. The total development costs (including site clearance and land development costs) required to complete the development of the project are budgeted to be approximately RMB25.8 million. As at 31 August 2005, total development costs incurred amounted to approximately RMB11.2 million.

#### (2) Suzhou Garden Towers (錦昌苑)

Suzhou Garden Towers (錦昌苑) is located at 100 Shi Shan Road, New District, Suzhou, Jiangsu Province, the PRC.

According to the Group’s planning, the project is expected to consist of two blocks of 22-storey apartments each erected over a 2-storey commercial podium with shops and carparks, particulars of which are as follows:

	<b>Expected approximate GFA (sq.m.)</b>	<b>Expected no. of units</b>
Residential	29,420	212
Commercial	10,935	8 <sup>Note</sup>
Total	<u>40,355</u>	<u>220</u>

*Note: Number of carparks are excluded.*

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## BUSINESS

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Construction of the project has been commenced in March 2005 following the granting of construction commencement permit by the relevant government department and is expected to be completed in late 2006. Pre-sales of Suzhou Garden Towers is expected to commence in April 2006, upon the granting of pre-sale permit by the relevant government department. The total development costs required to complete the development (including site clearance and land development costs) of the project are budgeted to be approximately RMB121.5 million. As at 31 August 2005, total development costs incurred amounted to approximately RMB35.4 million.

### **(III) Properties held for future development**

The Group and Suzhou Land Resources Bureau (蘇州市國土資源局) entered into an Assignment of the Right to Use State Land Contract (國有土地使用權出讓合同) dated 10 October 2005, pursuant to which Suzhou Land Resources Bureau (蘇州市國土資源局) has agreed to assign to the Group the land use right of a piece of land in Wuzhong District (吳中區) of Suzhou. The land comprises a portion for residential purpose with a site area of approximately 34,895.20 sq.m. and a portion for commercial purpose with a site area of approximately 6,683.8 sq.m., which in aggregate is approximately 41,579 sq.m. subject to and on the terms and conditions of the Assignment of the Right to Use State Land Contract. The Group plans to develop a residential and commercial property project comprising a total GFA of approximately 62,000 sq.m. on the land and the Group is in the process of setting up a wholly-owned PRC company for the project. The project is expected to include residential properties with GFA of approximately 45,000 sq.m., comprising about 400 apartments, and shopping arcade with GFA of approximately 17,000 sq.m..

The total acquisition cost for this land is approximately RMB75.4 million. As at the Latest Practicable Date, the Group has paid an aggregate of approximately RMB30.1 million. It is intended that the remaining portion of the land cost amounted to approximately RMB45.3 million, which is to be settled in equal proportion before 31 December 2005 and 10 April 2006 respectively, will be financed by the proceeds from the Share Offer. The estimated total cost for construction of the project is approximately RMB124 million. It is intended that 70% the construction cost will be financed by bank borrowings with the remaining 30% will be financed by internal resources of the Group.

Land use right of the land is expected to be granted by the Suzhou Land Resources Bureau by April 2006 upon settlement of the total land cost. The tentative commencement date of construction is targeted to be May 2006 and the project is expected to be completed in second half of 2007. It is expected that a gross profit margin of about 26.0% may be achieved. The Group has a 100% interest in the project.

### **(IV) Future development plans where the relevant land use rights have not yet been obtained**

The Group plans to develop the property development projects described below once land use rights for the relevant sites are obtained. There is no guarantee that the land use rights for the relevant sites could be obtained.

#### **(1) Letter of intent for property development project in New District, Suzhou, Jiangsu Province, the PRC**

On 9 March 2005, the Group signed a letter of intent with an independent PRC entity regarding the joint development of a site located in New District, Suzhou, the PRC. The Group intends to obtain controlling shareholding in this project. The site area of

the property development project is expected to be approximately 10,000 sq.m.. The Group plans to develop properties comprising a total GFA of approximately 30,000 sq.m. comprising 260 apartments along with an educational complex with a GFA of approximately 3,000 – 4,000 sq.m.. The estimated development cost of the project is approximately RMB110 million. It is intended that the preliminary stage expense, design fee and half of the construction cost will be financed by internal resources of the Group and the remaining construction cost will be financed by bank borrowings as required. According to the letter of intent, the PRC entity will need to apply for a change of land use right and the Group will provide supporting works, including preparation of development plan, budget estimate and so forth. The tentative commencement date of construction would be March 2006 and is expected to be completed in second half of 2007. It is expected a gross profit margin of about 33.5% may be achieved. The profit sharing among shareholders is expected to be in the same proportion of the respective shareholding interests in the project held by each of the shareholders.

The relevant application for a change of use of the land use right for this project may or may not be approved and thus the Group may or may not be able to enter into development of this project. The Group will comply with the then Listing Rule requirements should there be any further progress in respect of the project.

**(2) Letter of intent for property development project in Pingjiang District (平江區), Suzhou, Jiangsu Province, the PRC**

On 1 April 2005, the Group signed a letter of intent with another independent PRC entity regarding co-operation of the development of a site located in Pingjiang District, Suzhou, the PRC. The Group intends to obtain controlling shareholding in this project. The site area of the property development project is expected to be approximately 17,100 sq.m.. The Group plans to develop a high class Suzhou-style boutique hotel comprising 30 rooms with a GFA of approximately 5,600 sq.m. and 13 villas with a GFA of approximately 6,000 sq.m.. The estimated development cost of the project is approximately RMB200 million. It is intended that the preliminary stage expense, design fee and half of the construction cost will be financed by internal resources of the Group and the remaining construction cost will be financed by bank borrowings as required. In accordance with the letter of intent, the independent PRC entity will be responsible for obtaining project listing (立項) and arranging for the relocation of existing residents. The Group will be responsible for the overall planning and design of the project, the selection and invitation of overseas professionals to join the project and for engaging the hotel developer and operator. The tentative commencement date of the construction would be in July 2006 and the project is expected to be completed in second half of 2007. It is expected that a gross profit margin of about 28.0% may be achieved. The profit sharing among shareholders is expected to be in the same proportion of the respective shareholding interests in the project held by each of the shareholders.

The relevant acquisition of the land use right for this project may or may not be successful and thus the Group may or may not be able to develop this project. The Group will comply with the then Listing Rule requirements should there be any further progress in respect of the project.



### OPERATIONS OF THE GROUP

#### (a) Property development

As at the Latest Practicable Date, all of the Group's property development projects in Suzhou are developed by SGVDM, the Group's 95%-owned subsidiary. All of the Group's future property development projects in Beijing will be developed by NH Land. It is intended that all of the Group's future property development projects in Jiangsu Province, including Suzhou, will be developed by NH Development and NH Properties.

The Group has designated a specific project team to be in charge of the overall planning, structuring and management of all property development projects. This team will supervise the whole property development process from the beginning to completion, including the following stages:

*i. Project planning and land acquisition*

In the planning process of a development project on a potential site to acquire, the Group would organize a special task force to collect market survey and data on recent property transactions with an aim to analyze the types of properties with market demand in the near future. Then the Group would identify a particular target segment of customers and position the project. Such would form the basis for the Group to formulate a project positioning plan which includes project feasibility study reports and detailed budgets. The Group would then arrange to acquire the sites. The Group will also consider to engage in development projects with strategic partners on a case by case basis from time to time.

The site-selection and project positioning analysis involves the following process: (i) field survey with analyses of price of properties, possible competition and geographical location in the relevant area; (ii) analysis of the target customers within the area; (iii) demographic analysis; and (iv) deciding appropriate marketing strategies.

According to the "Regulation on the Grant of State-Owned Land Use Rights through Tendering, Public Auction and Public Trading" (招標拍賣掛牌出讓國有土地使用權規定) promulgated by the MLR which had become effective on 1 July 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commercial/residential properties in the PRC can only be granted by government by way of tender, auction or public trading through the local land exchange.

According to PRC statutory requirements, the government will award the land use rights to the candidate who either can comply, to the maximum extent, with the terms of the tender, or tendered the maximum price among those candidates who can comply fully with the terms of the tender in a tendering process for land use rights. The Group has an in-house team of experts with solid knowledge and experience in property development and investment. This enables the Group to appropriately position itself while acquiring land, especially for tendering for reconstruction projects.

After obtaining the relevant land, the Group will prepare and file the relevant documents with preliminary concept design to the relevant government authority to obtain project listing approval (立項).



*ii. Project financing*

The Group has three main sources of funding for its property development projects, namely through internal resources, bank financings and/or proceeds from pre-sales. The policy of the Group is to give priority to funding by internal resources in the acquisition of land. Construction cost will be financed by bank borrowings. Proceeds from pre-sales will also be used to offset the bank borrowings.

*iii. Architectural and interior design works*

The Group normally appoints, international reputable architectural and landscape design firms to undertake architectural and landscape design works for its projects. The Group will give specific instructions and recommendations on the overall direction and idea, derived from its strategic positioning on the particular project based on market research and feasibility analysis, to the architects in charge of the overall planning of the building structure and layout of the development projects which would be documented in the “Architect’s brief”. Approval will be granted by relevant authorities upon satisfaction on the overall planning.

*iv. Construction works*

The Group normally engages contractors (“Main Contractor(s)”) to carry out construction works, including site clearance, construction, electrical and mechanical engineering works, etc. During the Track Record Period, the Group has complied with the statutory requirement, namely “Tender Law of the PRC” (中華人民共和國招標投標法), which became effective on 1 January 2000, in appointing its Main Contractors. Normally, the Group would demand the Main Contractors to use a lump-sum contract. No subsequent adjustment in the contract lump-sum, due to rise in price of materials or labour on the Main Contractor’s side, would be accepted. During the Track Record Period, the Group did not have any disputes with any of the Main Contractors. Upon obtaining approval for the detailed concept design and the working drawings, engagement of the Main Contractor and confirmation of the availability of funding for construction, approval by relevant authorities will be granted and construction works can then commence.

The Main Contractors can, with consent of the Group, sub-contract part of their works, such as water and electricity installations, cable television installations, landscaping work etc., to sub-contractors. However, the Main Contractors have the obligation to supervise the sub-contractors’ works and retains the primary liability in all respects as stipulated in the Main Contractor’s contract. Stage payment will be made to the Main Contractors by the Group in accordance to the terms and conditions as stipulated in the construction contract signed between the Group and the Main Contractors.

Currently, the Group has two existing contracts with a Main Contractor of each of Suzhou Garden Place and Suzhou Garden Towers where the term of contract will expire on 15 December 2005 and 23 June 2006 respectively. The Group has included penalty terms in the contracts with the 2 Main Contractors for any delay in completion.

All of the Group’s existing contractors were located in the PRC. During the Track Record Period, the Group’s cost incurred to its five largest contractors accounted for approximately HK\$7.9 million, HK\$52.7 million, HK\$47.8 million and HK\$40.7 million, representing approximately 28.2%, 69.3%, 60.8% and 78.0% of the Group’s total cost incurred, respectively, whilst the Group’s cost incurred to its single largest contractor

accounted for approximately HK\$3.8 million, HK\$40.2 million, HK\$24.1 million and HK\$21.7 million, representing approximately 13.5%, 52.9%, 30.7% and 41.6% of the Group's total cost incurred, respectively. None of the Directors, their associates, and shareholders of the Company who own more than 5% of the issued share capital of the Company or any of their respective associates had an interest in any of the five largest contractors during the Track Record Period.

v. *Quality control*

The Group places a strong emphasis on quality control so as to meet the statutory requirements and to comply with the original design which is expected to match with the market demand. The Group currently has an in-house project team of 1 qualified architect and 4 engineers to set the standards and ensure that the projects are completed on time and within budget.

Developers have to obtain planning permit and construction permit before carrying out construction works in accordance with statutory requirements. The Group's project team will ensure the relevant permits are obtained at specific time slots and stages. Each stage of the construction process will be closely monitored to ensure compliance with the relevant laws and regulations.

The Group employs independent construction supervisor (工程監理) to supervise the progress of the Main Contractors in accordance with the statutory requirements. During the Track Record Period, the same independent construction supervisor was contracted by the Group to carry out construction supervision.

vi. *Pre-sales*

The Group aims to commence pre-sales of a property as soon as the development project has reached a stage where pre-sales is permitted by the PRC laws. Approval by relevant authorities has to be obtained prior to any pre-sales. The Group has complied with the relevant PRC statutory requirement, namely PRC Law of the Administration of Urban Real Estate (城市房地產管理法), the Administrative Measures Governing the Pre-sale of Urban Real Estate (城市商品房預售管理辦法) and Jiangsu Administrative Regulation Governing the Transactions of Urban Real Estate (江蘇省城市房地產交易管理條例), to obtain relevant permits throughout the Track Record Period.

Promotion activities of the Group are carried out by in-house sales and marketing staff. The Group's usual ways of promotion activities include the following:

- (1) setting up sales pavilion with quality sample units for display in the site area for potential purchasers' visit and evaluation;
- (2) publishing advertisements in local newspapers;
- (3) setting up posters, banners and lightboxes at appropriate places within the site area which could be easily visualized by the public;
- (4) inviting media to interview the Group and sending press release to media; and
- (5) carrying out direct marketing such as mailing to prospective customers.

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The Group has complied with statutory requirement to use a standard pre-sale contract set out by the government. Such standard pre-sale contracts include typical terms, such as GFA of the property sold, purchase price per sq.m., method of payment, date of delivery of the completed property and so forth. In most cases, the Group generally demands approximately 20% to 30% of the value of property sold as a non-refundable pre-payment from the purchasers upon signing of the pre-sale contracts.

The Group normally sets the price of properties after taking into account factors such as the general prevailing market conditions, costs of development, expected investment returns and so forth. Subject to the prevailing market conditions and demand, the Group's policy is to make a progressive upward pre-sale price adjustment of around 5–10% for each increment during the pre-sale period.

*vii. Payment methods and end-user financing*

Except for demanding a non-refundable deposit upon signing of the pre-sale contracts, the Group allows the purchasers to choose among several options of payment methods, including single lump-sum payment, instalment payments or payments with mortgage facilities offered by banks.

The Group usually collaborates with several banks, such as Bank of China, Agricultural Bank of China, Construction Bank of China and Industrial and Commercial Bank of China, to offer mortgage facilities to the purchasers. The Group provides guarantee to the mortgagee banks and relevant institution in respect of mortgage loans advanced to property purchasers for properties developed by the Group from the date of draw-down of the mortgage loans by the property purchasers to the date when the relevant ownership certificates and certificates of others' interests for housing are granted by the relevant government departments to the property purchasers. Some mortgagee banks would request the property purchasers to submit the certificates of others' interests for housing ownership to the mortgagee banks for their custody. During the Track Record Period, the Group did not provide full-term guarantees for mortgages in respect of properties developed by the Group. Based on the Directors' experience, the guarantee period is normally around 6 months but could last up to 27 months. Certain amount of the mortgage loan will be retained by the mortgagee banks until the ownership certificates and certificates of others' interests for housing ownership are granted to the property purchasers by the relevant PRC government department. The relevant outstanding retained amounts as at 31 December 2002, 31 December 2003, 31 December 2004 and 30 June 2005 were approximately HK\$5,306,000, HK\$9,552,000, HK\$2,272,000 and HK\$581,000 respectively. There were no default payment by property purchasers nor any amount of loss during the Track Record Period.

*viii. Completion and delivery*

The Group strives to deliver quality developed properties on a timely manner and endeavors to keep delivery of its developed properties within the time frame specified in the pre-sale or sales contracts. Upon passing the inspections by various PRC government departments, including planning, fire safety and environmental protection, for certifying the completion of construction and receiving full payment from its customers, the Group will hand over the keys in respect of each property to its customers in accordance with the terms of the relevant sale and purchase agreement. The Group also assists the customers to obtain ownership certificates from relevant PRC government department. In case the customers are not granted with the relevant ownership certificates by the relevant PRC government authorities, then the Group has to bear the relevant loss suffered by the property buyers.

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### *ix. After-sales and property management services*

The property management services of Phase 1 of the Suzhou Garden Villa is provided by Jones Lang LaSalle Surveyors (Shanghai) Co., Ltd.. The property management services of Phase 2 and 3 of the Suzhou Garden Villa are provided by the Group. The property management services of Suzhou Garden Court is provided by 怡和高力物業服務(上海)有限公司蘇州分公司 (Colliers International Property Services (Shanghai) Company Limited, Suzhou branch).

The Group provides comprehensive 24-hours security and property management services. A variety of comprehensive services, such as tenants seeking, gardening, repair and maintenance, laundry and business centre services are also provided to the occupants.

### **(b) Rental operations**

The Group intends to hold its properties in accordance with prevailing market conditions with a view to maximizing its profit, when the first time the Group gets possession of that property. During the Track Record Period, the Group has neither changed its intention nor there were any reclassification between properties held for sale and investment properties. Since the Group has decided to focus on its property development business in Suzhou, the Group disposed of certain investment properties gradually during the Track Record Period. The total revenue from rental operation contributed approximately 12.3%, 11.6%, 1.1% and 1.6% of the Group's total revenue during the Track Record Period.

As at 31 December 2002, the Group held the following properties for investment purposes with an average yield ranging from approximately 8.0% to approximately 11.8%:

	Approximate GFA (sq.m.)	No. of units	Approximate average occupancy rate for the year
Apartments	13,774	81	78.0%
Shops and commercial properties	9,500	21	97.7%
Total	<u>23,274</u>	<u>102</u>	

As at 31 December 2003, the Group held the following properties for investment purposes with an average yield ranging from approximately 9.8% to approximately 12.0%:

	Approximate GFA (sq.m.)	No. of units	Approximate average occupancy rate for the year
Apartments	5,421	34	93.2%
Shops and commercial properties	9,500	21	100.0%
Total	<u>14,921</u>	<u>55</u>	

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As at 31 December 2004, the Group held the following properties for investment purposes with an average yield ranging from approximately 10.5% to approximately 12.5%:

	Approximate GFA (sq.m.)	No. of units	Approximate average occupancy rate for the year
Apartments	2,706	18	53.7%
Shops and commercial properties	9,500	21	100.0%
Total	<u>12,206</u>	<u>39</u>	

As at 30 June 2005, the Group held the following properties for investment purposes with an average yield ranging from approximately 10.7% to approximately 12.8%:

	Approximate GFA (sq.m.)	No. of units	Approximate average occupancy rate for the period
Apartments	2,706	18	31.0%
Shops and commercial properties	13,899	36	44.4%
Total	<u>16,605</u>	<u>54</u>	

As at 31 August 2005, the Group held the following properties for investment purposes with an average yield ranging from approximately 10.7% to approximately 12.8%:

	Approximate GFA (sq.m.)	No. of units	Approximate average occupancy rate for the period
Apartments	2,706	18	31.0%
Shops and commercial properties	13,899	36	25.0%
Total	<u>16,605</u>	<u>54</u>	

The Group has planned to renovate the shopping arcade in Phase I Suzhou Garden Villa in the near future, therefore the shops with their tenancies expired were not renewed or leased before the renovation.

Details of the Group's property interests are set out in Appendix V to this prospectus.

Other than through its own sales and marketing staff, the Group also looks for tenants for its self-owned properties through channels such as appointing local agents.

### OPERATIONS OF BLTCL

#### (a) Rental of office towers

Through NH Investments, the Group is indirectly interested in 30.05% equity interest in BLTCL and therefore shares the results of BLTCL. Such include rental of one block of 23-storey office and one block of 28-storey office, with an average construction area of approximately 989 sq.m. per floor. The office towers inside the Beijing Landmark Towers are linked to the hotel and apartment blocks by a convenient overhead bridge. Although the operation results of BLTCL does not form part of the Group's Track Record Period results and the operations of BLTCL are carried out by the management and staff of BLTCL, Mr. CF Tao, the Chairman of the Group and a founder of BLTCL, has been supervising the strategic planning and overall management of BLTCL and the Beijing Landmark Towers since its establishment in 1990. Mr. CF Tao is the vice chairman of BLTCL's board of directors. The Directors believe that Mr. CF Tao will continue to contribute and exercise his influence on the overall business direction of BLTCL in future.

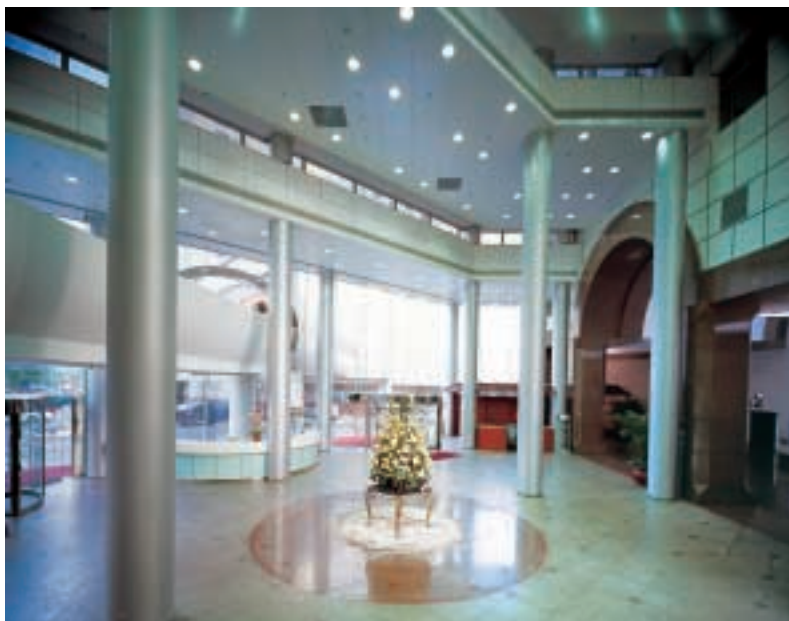
As at 31 August 2005, the occupancy rate of the office towers was approximately 98% of the net rentable area. The average occupancy rates of the office towers during the Track Record Period were approximately 98%, 95%, 99% and 97% respectively of the net rentable area. Currently, major tenants of the office towers include internationally known names such as The German Centre for Industry & Trade, the British Council, Daimler Chrysler Group and Beijing World Trade Centre Club. Beijing Landmark Hotel which is part of the Beijing Landmark Towers complex is a member of the World Hotels.

#### Internal layout of an office in the office towers of the Beijing Landmark Towers





### **Lobby of the office towers of the Beijing Landmark Towers**



#### **(b) Hotel and service apartment operations**

BLTCL also directly operates one block of 12-storey 4-star hotel, namely Beijing Landmark Hotel, together with a 12-storey service apartment block erected over a 3-storey common podium plus 2-level and 4-level basements respectively, with a shopping arcade and several multi-purpose function rooms. BLTCL also operates a supermarket and a bookstore in the shopping arcade.

The hotel currently has 461 guest rooms, primarily catering for business and leisure travellers. There are several restaurants in the hotel offering a variety of cuisines and a shopping arcade. There are a total of 248 service apartments ranging from 1 to 3 bedrooms and all equipped kitchens.

As at 31 August 2005, the occupancy rate of the service apartment was approximately 85% of the net rentable area. The average occupancy rates of the service apartment during the Track Record Period were 70%, 75%, 71% and 88%, respectively of the net rentable area.

#### **Internal layout of an executive suite of the hotel**





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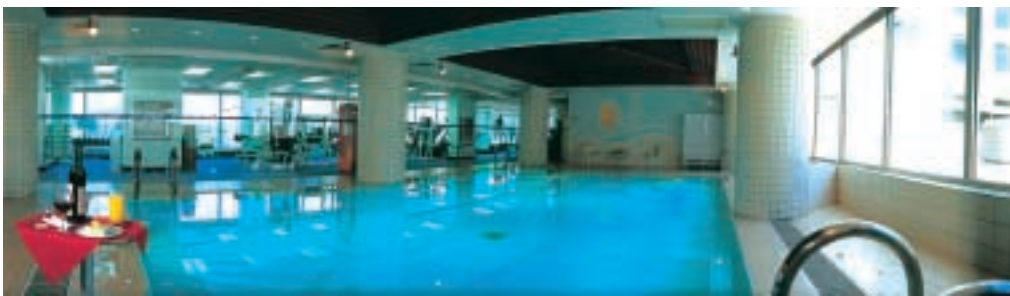
## BUSINESS

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**Internal layout of a service apartment**



**Swimming pool of the hotel**



**Fitness centre of the hotel**



**The ballroom**



### SALES AND MARKETING ACTIVITIES

#### Customers

During the Track Record Period, the Group's five largest customers accounted for 51.7%, 28.9%, 5.9% and 29.8% of the Group's total revenue respectively, whilst the Group's single largest customer accounted for 11.3%, 13.9%, 1.3% and 13.5% of the Group's total revenue respectively. None of the Directors, their associates, and shareholders who own more than 5% of the issued share capital of the Company or any of their respective associates had an interest in the Group's five largest customers during the Track Record Period.

#### Marketing and promotion strategy

Since the Group adopts a market-oriented strategy, positioning of the Group's properties are preliminarily determined in the planning stage of a development project where in-depth analysis are conducted to identify the types of properties matched with the forecast market demand. The Group will then brief the architects in respect of the corresponding design and layout of the properties to be developed. Description of promotional activities carried out upon pre-sale of properties can be found in the sub-section headed "Operations of the Group" in this section to this prospectus.

BLTCL, the Group's associated company, has clear positioning for each of the office towers, service apartments and hotel of Beijing Landmark Towers to facilitate the formulation of an optimal marketing strategy. In general, BLTCL sets its target of attracting anchor tenants with reputable brand names, demand for office space, as well as good potential for cross-selling and referral, such as promotion of, leasing of its service apartments and hotels. For the target customers of hotel, BLTCL sets its target of attracting business travelers with high in-house consumption powers and frequent travels. For the target customers of service apartments, BLTCL sets its target of attracting more business executives' tenants, with typical leasing period ranging from a few weeks to a few months. It is expected that such would generate a higher average room rates than longer term tenants.

### COMPETITION

The property development market in Suzhou is becoming increasingly competitive as evidenced by the increasing number of property developers. According to the Suzhou Statistics Bureau, number of property developers increased from 554 in 2001 to 735 in 2003. The Directors believe that the Group is competitive in terms of its experience and capability to develop properties offering a variety of designs, quality premises and the provision of quality property management services.

The property development market in Beijing is highly competitive. There are a large number of property developers, including a number of established domestic developers and foreign property developers. Increasing competition in the Beijing property development market may lead to an increase in competition for land, an increase in costs for the acquisition of land for development, an increase in supply of developed properties and the time for approval of new property development by the relevant government authorities may be lengthened.

The property development market in Jiangsu Province is becoming increasingly competitive as evidenced by the increasing number of property developers. According to the Jiangsu Statistics Bureau, number of property developers increased from 2,022 in 2001 to 2,380 in

2003. Increasing competition in Jiangsu Province may lead to an increase in competition for land, an increase in costs for the acquisition of land for development, an increase in supply of developed properties, and longer time for approval of new property development by the relevant government authorities.

### **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKINGS**

Mr. CF Tao and Mrs. Nancy Tao, the Controlling Shareholders, are founders of the Group. For the interest of the Company, Mr. CF Tao and Mrs. Nancy Tao (collectively, the “Covenantors”, or individually the “Covenantor”) entered into a non-competition deed with the Company on 16 November 2005 (the “Non-competition Deed”) pursuant to which each of Mr. CF Tao and Mrs. Nancy Tao has undertaken that during the term of the deed, he or she will not, and will procure that none of Mr. Richard Tao, Mr. Paul Tao, Ms. Miriam Tao and/or any person or party who is an associate of either Covenantor as defined in Chapter 1 of the Listing Rules (altogether, the “Associates”) and/or company in which either Covenantor or any of the Associates has either (i) an equity interest of more than 50% or (ii) an equity interest of 20% to 50% and in which he/she/it exercises significant influence over its management (“Associated Company”), subject to the exemptions set out below, participate, acquire or hold any rights or interest or otherwise be involved or engaged in or concerned with, directly or indirectly, any business, whether through entitlement of economic benefits by way of contractual arrangements or otherwise, which is in any respect in competition with or similar to the business as conducted by the Group from time to time within the PRC (the “Restricted Business”).

The Non-competition Deed will not prevent any of the Covenantors, the Associates and the Associated Company from (i) continuing to hold the properties which are currently owned by the Covenantors, the Associates and the Associated Company (particulars of such properties are set out in the list attached to the Non-competition Deed); (ii) acquiring or holding interests in any company, which is listed on a recognised stock exchange, engaging in the Restricted Business if such interests in aggregate held by the relevant Covenantor individually, or together with another Covenantor and/or the Associates and/or any Associated Company, do not exceed 10% of the issued share capital of such company and neither of the Covenantors, nor together with the Associates and/or any Associated Company, control the board of directors of such company; and (iii) acquiring or holding any interests relating to any project in which the Company has been offered by the relevant Covenantor, the opportunity to engage in the Restricted Business and the independent non-executive Directors have separately reviewed and unanimously resolved that the Group should decline such an opportunity to acquire or be involved or participate.

As at the Latest Practicable Date, the Covenantors and/or their Associates held, either directly or indirectly, a total of 48 apartments with a total GFA of approximately 7,983 sq.m. in Suzhou Garden Villa, together with a villa no.J505 with GFA of approximately 385 sq.m. in Suzhou Garden Court which is being purchased pursuant to a sale and purchase contract as particularised in the paragraph headed “Three Contracts for SGVDM to Sell Properties” in this section, for investment purposes (altogether, the “Excluded Business”). Although both of the Group’s investment properties and the properties in the Excluded Business may compete for the same group of tenants, the Directors are of the opinion that the Excluded Business would not lead to incapability of the Group in carrying on its business independently of and at arm’s length from the Excluded Business because the Group has its own team of sales and marketing staff to search for tenants while the Covenantors and their Associates have appointed an independent agent to search for tenants.

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Pursuant to the Non-competition Deed, each of the Covenantors has also undertaken that:

1. (save for the 48 apartments in Suzhou Garden Villa and a villa no. J505 in Suzhou Garden Court that are governed by paragraph 2 below) if he, she and/or any of the Associates and/or any Associated Company is offered or becomes aware of any opportunity directly or indirectly to engage in or become interested in a Restricted Business in the PRC, he/she/it shall: (i) promptly notify the Company in writing of such opportunity and provide such information as reasonably required by the Company and/or any member of the Group in order to come to an informed assessment of such opportunity; and (ii) use his/her/its best endeavours to procure that such opportunity is offered to the Company and/or any members of the Group on terms no less favorable than the terms on which such opportunity is offered to him/her/it; and
2. with regard to the 48 apartments in Suzhou Garden Villa owned by, and a villa no. J505 in Suzhou Garden Court to be owned by, the Covenantors, the Associates and/or the Associated Company in Suzhou Garden Villa, the Covenantors, the Associates and/or the Associated Company shall engage property agent(s) that is (are) independent and separate from SGVDM for the sale or leasing of any of the 49 properties in Suzhou Garden Villa and Suzhou Garden Court mentioned above and such property agent(s) shall first refer the potential purchasers or potential tenants to SGVDM for consideration of the properties of SGVDM before engaging the potential purchasers or potential tenants to consider any of the aforesaid 49 properties. If the potential purchasers or potential tenants referred by such property agent(s) purchase or lease the properties of SGVDM, SGVDM will pay to such property agent(s) commission at such rate as agreed between SGVDM and such property agent(s) on a case-by-case basis in accordance with the prevailing market practice.

The Company will make an announcement stating reasons in the event that the independent non-executive Directors have separately reviewed and unanimously decided that the Company should decline an opportunity to engage in, participate in or become interested in a Restricted Business offered by any Covenantor and/or any of the Associates and/or the Associated Company.

The term of the Non-competition Deed will commence on the Listing Date, subject to the fulfillment of the conditions set out in the section headed “Structure and conditions of the Share Offer” of this prospectus, and will terminate on the earlier of:

- (a) the day on which the Shares cease to be listed on the Stock Exchange or other recognised stock exchange;
- (b) the day on which the aggregate shareholding of the Covenantors and/or the Associates (together with any party acting in concert with them) in the Company is less than 30 per cent. (or such other amount as may from time to time be specified in the Code on Takeovers and Mergers of Hong Kong as being the level for triggering a mandatory general offer) of the entire issued share capital of the Company;
- (c) any of the Covenantors, or the Covenantors altogether, becoming the sole shareholder of the Company; or
- (d) the principal business of the Group ceases to be the Restricted Business.

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Pursuant to the Non-competition Deed, the Covenantors have confirmed that they will provide an annual confirmation in writing to the Company in respect of their compliance with the terms of the Non-competition Deed. Such annual confirmation from the Covenantors will be disclosed in the annual report of the Company.

The Directors have confirmed that as at the Latest Practicable Date, the Covenantors and their Associates have advised the Board that they did not intend to inject the Excluded Business into the Group and the Board did not intend to acquire the Excluded Business after Listing. This is because as indicated in the sub-section headed “Business Strategies” in the section headed “Business” to this prospectus, it is one of the Group’s strategies to focus on its property development business in Suzhou.

The Directors are also of the opinion that with the Non-competition Deed in place to prohibit the Covenantors, the Associates and the Associated Companies from engaging in the “Restricted Business” without unanimous consent from independent non-executive Directors, and, by limiting the scope of business that the Covenantors, the Associates and the Associated Companies could be engaged in as mentioned above, the Group’s business can be clearly delineated from those of the Covenantors, the Associates and the Associated Companies and the Group is capable of carrying on its business independently of, and at arms length from those of the Covenantors, the Associates and the Associated Companies.

### **RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDER**

Mr. SP Tao, aged 88, is a Singapore citizen and not a resident in Hong Kong. He is the brother of Mr. CF Tao.

Although Mr. SP Tao was one of the directors of certain subsidiaries of the Company, he has never participated in daily management of those companies. Mr. SP Tao is neither a director of any member of the Group nor participates in the daily management of the Group. Mr. SP Tao is a director of BLTCL.

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### CONNECTED TRANSACTIONS

A number of transactions have been, and will continue to be, carried out between the Group and certain connected persons (within the meaning of the Listing Rules) of the Company. The table below gives a summary of the continuing connected transactions of the Company after the Shares are listed on the Main Board.

#### Summary of the Group's continuing connected transactions

Transaction	Applicable Listing Rule	Exemption/ Waiver sought	Annual caps (if applicable)
1. Motor vehicle lease agreement between NH Management and HY Automotive Holdings Limited	Rule 14A.33(3)	Exempted from the reporting, announcement and independent shareholders' approval requirements	Not applicable
2. Tenancy agreement between NH Management and Fontwell Holdings Limited	Rule 14A.33(3)	Exempted from the reporting, announcement and independent shareholders' approval requirements	Not applicable
3. Licence agreement between NH Management and Fontwell Holdings Limited	Rule 14A.33(3)	Exempted from the reporting, announcement and independent shareholders' approval requirements	Not applicable
4. Two tenancy agreements between Mr. Richard Tao and SGVDM	Rule 14A.33(3)	Exempted from the reporting, announcement and independent shareholders' approval requirements	Not applicable
5. Landscaping and maintenance contract between SGVDM and 蘇州新繼園林綠化有限公司 (Suzhou New Heritage Trees & Landscaping Co., Ltd.)	Rule 14A.33(3)	Exempted from the reporting, announcement and independent shareholders' approval requirements	Not applicable
6. Agreement between SGVDM and 上海克拉克海奇健身有限公司 (Clark Hatch Fitness Centers (Shanghai) Ltd.) (as supplemented by a supplemental agreement made between the same parties on 18 September 2005)	Rule 14A.33(3) for the 1st year ending 31 December 2005  Rule 14A.34 for each of the subsequent 2 years ending 31 December 2007	Exempted from the reporting, announcement and independent shareholders' approval requirements  Waiver from the announcement requirement	Not applicable  For each of 2 years ending 31 December 2007, the annual caps are RMB1,369,500, and RMB1,503,900 respectively



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Details of the above continuing connected transactions of the Group after the Shares are listed on the Main Board are set forth below.

### **A. Exempt Continuing Connected Transactions**

#### *1. Motor vehicle lease agreement*

On 1 February 2005, NH Management, a subsidiary of the Company, entered into a motor vehicle lease agreement with HY Automotive Holdings Limited for the lease of two private motor vehicles. Under the said lease agreement, NH Management has agreed to lease two private motor vehicles for a term of one year commencing from 1 February 2005 at an aggregate rental of HK\$16,000 per month, with the insurance costs, repair and maintenance costs, licence fees and fuel charges payable by HY Automotive Holdings Limited. Pursuant to the motor vehicle lease agreement, the term of lease shall be automatically renewed for each of the subsequent years thereafter on the same terms and conditions, except that the monthly rental thereof shall be mutually agreed by the parties.

As HY Automotive Holdings Limited is wholly-owned by two companies ultimately and beneficially owned by Mr. CF Tao, Mrs. Nancy Tao, Ms. Miriam Tao, Mr. Richard Tao and Mr. Paul Tao, the transactions contemplated under the motor vehicle lease agreement will constitute a continuing connected transaction of the Company under the Listing Rules after the Shares are listed on the Main Board.

The Directors consider that the transactions contemplated under the motor vehicle lease agreement are on normal commercial terms. In respect of the annual aggregate rental of HK\$192,000 payable by NH Management during the term of the agreement, the applicable percentage ratio(s) will, on an annual basis, be (i) less than 0.1% or (ii) equal to or more than 0.1% but less than 2.5% and the annual aggregate rental is less than HK\$1 million. Accordingly, the transactions contemplated under the motor vehicle lease agreement fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

#### *2. Tenancy agreement*

On 21 March 2005, NH Management as tenant entered into a tenancy agreement with Fontwell Holdings Limited as landlord for the lease of Room 2301, 23rd Floor, Fortis Bank Tower, Nos.77-79 Gloucester Road, Hong Kong and Nos.117-119 Jaffe Road, Hong Kong for the use by the Group at a monthly rental of HK\$49,000, exclusive of government rates and management fees, for a term of one year commencing on 1 February 2005 and expiring on 31 January 2006.

As Fontwell Holdings Limited is ultimately and beneficially owned by Mr. CF Tao, Mrs. Nancy Tao, Ms. Miriam Tao, Mr. Richard Tao, Mr. Paul Tao, Mr. SP Tao and Ms. Chevalier Veronica Tao (daughter of Mr. SP Tao), the transactions contemplated under the tenancy agreement will constitute continuing connected transactions of the Company under the Listing Rules after the Shares are listed on the Main Board.

The monthly rental under the tenancy agreement have been reviewed and found by DTZ Debenham Tie Leung Limited to be fair and reasonable and on normal commercial terms. The Directors consider that the transactions contemplated under the tenancy agreement are on normal commercial terms. In respect of the annual rental of HK\$588,000 payable by NH



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Management during the term of the agreement, the applicable percentage ratio(s) will, on an annual basis, be (i) less than 0.1% or (ii) equal to or more than 0.1% but less than 2.5% and the annual rental is less than HK\$1 million. Accordingly, the transactions contemplated under the tenancy agreement fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### 3. *Licence agreement*

On 21 March 2005, NH Management as licensee entered into a licence agreement with Fontwell Holdings Limited as licensor for obtaining the licence to use by the Group of car parking spaces nos. 28 and 51 on the 2nd Floor of Fortis Bank Tower, Nos.77-79 Gloucester Road, Hong Kong and Nos.117-119 Jaffe Road, Hong Kong at a monthly licence fee of HK\$7,000, exclusive of government rates and management fees, for a term of one year commencing from 1 February 2005 to 31 January 2006.

As Fontwell Holdings Limited is ultimately and beneficially owned by Mr. CF Tao, Mrs. Nancy Tao, Ms. Miriam Tao, Mr. Richard Tao, Mr. Paul Tao, Mr. SP Tao and Ms. Veronica Tao (daughter of Mr. SP Tao), the transactions contemplated under the licence agreement will constitute continuing connected transactions of the Company under the Listing Rules after the Shares are listed on the Main Board.

The monthly licence fee under the licence agreement has been reviewed and found by DTZ Debenham Tie Leung Limited to be fair and reasonable and on normal commercial terms. The Directors consider that the transactions contemplated under the licence agreement is on normal commercial terms. In respect of the annual licence fee of HK\$84,000 payable by NH Management during the term of the agreement, the applicable percentage ratio(s) will, on an annual basis, be (i) less than 0.1% or (ii) equal to or more than 0.1% but less than 2.5% and the annual rental is less than HK\$1 million. Accordingly, the transactions contemplated under the licence agreement fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### 4. *Two tenancy agreements*

On 2 November 2004, through an agent, Mr. Richard Tao, one of the executive Directors, as landlord entered into a tenancy agreement with SGVDM, pursuant to which SGVDM has leased from Mr. Richard Tao the premises known as Unit 8B, Jin Shing Apartment, No. 38 Shi Shan Road, New District, Suzhou, the PRC at a monthly rental of RMB14,904, exclusive of all outgoings, for a term of 2 years commencing on or before 4 December 2004.

On the same day, through the same agent Mr. Richard Tao as landlord entered into another tenancy agreement with SGVDM, pursuant to which SGVDM has leased from Mr. Richard Tao the premises known as Unit 8D, Jin Shing Apartment, No. 38 Shi Shan Road, New District, Suzhou, the PRC for a monthly rental of RMB12,420, exclusive of all outgoings, for a term of 2 years commencing on or before 4 December 2004.

As Mr. Richard Tao is an executive Director, the transactions contemplated under the two tenancy agreements will constitute continuing connected transactions of the Company under the Listing Rules after the Shares are listed on the Main Board.

The monthly rentals under the two tenancy agreements have been reviewed and found by DTZ Debenham Tie Leung Limited to be fair and reasonable and on normal commercial terms. The Directors consider that the transactions contemplated under the two tenancy agreements are on normal commercial terms. In respect of the annual aggregate of the two rentals in the total sum of RMB327,888 payable by SGVDM during the term of the two tenancy agreements, the applicable percentage ratio(s) will, on an annual basis, be (i) less than 0.1% or (ii) equal to or more than 0.1% but less than 2.5% and the annual rental is less than HK\$1 million. Accordingly, the transactions contemplated under the two tenancy agreements fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and are therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### 5. *Landscaping and maintenance contract*

On 17 February 2005, SGVDM entered into a landscaping and maintenance contract with 蘇州新繼園林綠化有限公司 (Suzhou New Heritage Trees & Landscaping Co., Ltd.) ("SNHTL"), pursuant to which SNHTL provides landscaping and maintenance services to SGVDM in respect of phases 2 and 3 and commercial centre of Suzhou Garden Villa for an annual fee of RMB44,000 for a period of one year commencing on 1 January 2005 to 31 December 2005.

Mr. CF Tao and Mr. Paul Tao, two of the executive Directors, wholly own a company which owns 95% equity interest in SNHTL, a sino-foreign equity joint venture company established in the PRC. Accordingly, SNHTL is an associate of a connected person of the Company, such landscaping and maintenance contract will constitute a continuing connected transaction for the Company after the Shares are listed on the Main Board.

The Directors consider that the transactions contemplated under the landscaping and maintenance contract are on normal commercial terms. In respect of the annual fee of RMB44,000 payable by SGVDM during the term of the contract, the applicable percentage ratio(s) will, on an annual basis, be (i) less than 0.1% or (ii) equal to or more than 0.1% but less than 2.5% and the annual rental is less than HK\$1 million. Accordingly, the transactions contemplated under the landscaping and maintenance contract falls within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### **B. A Non-exempt Continuing Connected Transaction**

*An agreement made between SGVDM and 上海克拉克海奇健身有限公司 (Clark Hatch Fitness Centers (Shanghai) Ltd.) in November 2004 (as supplemented by a supplemental agreement dated 18 September 2005 made between the same parties)*

In November 2004, SGVDM entered into an agreement with 上海克拉克海奇健身有限公司 (Clark Hatch Fitness Centers (Shanghai) Ltd.) ("Clark Hatch Shanghai") (which was subsequently supplemented by a supplemental agreement dated 18 September 2005 made between the same parties) (collectively, the "Fitness Club Agreement"), pursuant to which SGVDM provides Clark Hatch Shanghai with the sports and fitness club house with facilities located on the 3rd Floor, Block 11, Suzhou Garden Court (the "Club House"), and Clark Hatch Shanghai provides cleaning, maintenance, repair, operation and janitorial services for the Club House, for a term of 3 years commencing on 1 January 2005. During the term, Clark Hatch Shanghai is required to pay SGVDM a monthly rental in a sum (i) of RMB60,000 or (ii) equal to 30% of the monthly gross revenues (before taxes) received by Clark Hatch Shanghai from the operation of Club House, whichever is higher.

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As Clark Hatch Shanghai is a Sino-foreign equity joint venture enterprise of the PRC, owned as to 90% by Clark Hatch (China) Limited, which in turn is beneficially owned as to 50% by an Independent Third Party and as to 50% by Mr. Paul Tao, the transactions contemplated under the Fitness Club Agreement will constitute continuing connected transactions for the Company under the Listing Rules after the Shares are listed on the Main Board.

The Directors (including the independent non-executive Directors) and the Joint Sponsors consider that the transactions contemplated under the Fitness Club Agreement have been entered on normal commercial terms, in the ordinary and usual course of business, and the terms of the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole, and that the proposed annual caps for the transactions mentioned below are fair and reasonable. Based on the consideration and analysis of the budget provided by Clark Hatch Shanghai for the revenues of the Club House for each of the 3 years ending 31 December 2007, the Directors anticipate that the annual caps for the annual rental to be received by the Group from Clark Hatch Shanghai under the Fitness Club Agreement for the 3 years ending 2007 will be RMB864,000, RMB1,369,500 and RMB1,503,900 respectively. In respect of the maximum annual rental to be received from Clark Hatch Shanghai for the year ending 31 December 2005, the applicable percentage ratio(s) will be equal to or more than 0.1% but less than 2.5% and the maximum annual rental is less than HK\$1 million. Accordingly, the transactions contemplated under the Fitness Club Agreement for the year ending 31 December 2005 fall within the de minimis exemption under Rule 14A.33(3) of the Listing Rules and therefore exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. However, in respect of the maximum annual rental to be received from Clark Hatch Shanghai for each of the 2 years ending 31 December 2007, the applicable percentage ratio(s) will be more than 0.1% but less than 2.5% and the annual rental is more than HK\$1 million but less than HK\$10 million. Accordingly, the transactions contemplated under the Fitness Club Agreement for each of the 2 years ending 31 December 2007 are subject to the reporting and announcement requirements under the Listing Rules.

The Directors believe that the announcement of the continuing connected transaction under the Fitness Club Agreement for each of the 2 years ending 31 December 2007 in full compliance with the Listing Rules would be impractical, unduly burdensome and increase the administrative costs of the Group, given the fact that particulars of the transactions contemplated under the Fitness Club Agreement are disclosed in this prospectus. Accordingly, the Company has applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under Rule 14A.47 of the Listing Rules in respect of the transactions contemplated under the Fitness Club Agreement for the 2 years ending 31 December 2007. The Company confirms that it will comply with the reporting requirement set out in Rules 14A.45 and 14A.46 of the Listing Rules in respect of the transactions contemplated under the Fitness Club Agreement for each of the 2 years ending 31 December 2007.

### **FINANCIAL ASSISTANCE FROM CONNECTED PERSONS FOR THE BENEFIT OF THE GROUP**

The Group has obtained banking facilities from two banks. These banking facilities are secured by security provided by certain connected persons of the Company, who have not required the provision of any security from the Group for such financial assistance provided to the Group. Upon the listing of the Shares on the Main Board, the security provided by these connected persons of the Company for the aforesaid banking facilities will be replaced by the Company's corporate guarantee, as the banks have issued letters of consent for agreement in principle to release the relevant guarantees, mortgages, pledges and/or charges upon the Listing. Particulars of such financial assistance are summarized below.

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### *1. Banking facilities from Asia Commercial Bank Limited*

By a facility letter dated 1 November 2005, Asia Commercial Bank Limited has granted to WML, an indirect wholly-owned subsidiary of the Company, banking facilities to the total extent of approximately HK\$74.26 million, which comprises (i) four separate tranches of overdrafts to the extent of HK\$17,000,000, HK\$10,000,000, US\$1,000,000 and US\$2,600,000 respectively and (ii) two fixed loans with the respective principal amounts of HK\$7,335,231.96 (repayable by 56 monthly instalments) and HK\$11,839,761.87 (repayable by 58 monthly instalments) outstanding as at 1 November 2005.

To secure the aforesaid banking facilities:

- (a) Fontwell Holdings Limited, a company ultimately and beneficially owned by Mr. CF Tao, Mrs. Nancy Tao, Ms. Miriam Tao, Mr. Richard Tao, Mr. Paul Tao, Mr. SP Tao and Ms. Chevalier Veronica Tao (daughter of Mr. SP Tao), has mortgaged the 23rd Floor of and Car Parking Space Nos.28 and 51 on the 2nd Floor of Fortis Bank Tower at 77-79 Gloucester Road and Nos.117-119 Jaffe Road, Hong Kong, with all the rentals therefrom assigned, to Asia Commercial Bank Limited;
- (b) CLCL, a company beneficially and ultimately owned by Mr. CF Tao, Mrs. Nancy Tao, Ms. Miriam Tao, Mr. Richard Tao and Mr. Paul Tao, has mortgaged Units Nos.1 and 2 on the 19th Floor of Professional Building, Nos.19-23 Tung Lo Wan Road, Hong Kong, with all the rentals therefrom assigned, to Asia Commercial Bank Limited;
- (c) pledge of fixed deposit in name of NH Investments in Hong Kong dollars for not less than HK\$17,000,000;
- (d) pledge of fixed deposit in name of Mr. CF Tao in US dollars for not less than US\$3,600,000; and
- (e) the Company has given a corporate guarantee for HK\$30,000,000 in favour of Asia Commercial Bank Limited.

None of Fontwell Holdings Limited, CLCL, Mr. CF Tao or Mrs. Nancy Tao has required the provision of any security from the Group for the above financial assistance given for the benefit of WML.

### *2. Loan contract with The Bank of East Asia Limited, Shanghai branch*

By a loan contract dated 8 October 2005, The Bank of East Asia Limited, Shanghai branch has granted to NH Group a loan of US\$3,200,000.

To secure the loan, Mr. CF Tao has charged a deposit of US\$3,200,000 in favour of The Bank of East Asia Limited.

Mr. CF Tao has not required the provision of any security from the Group for the above financial assistance given for the benefit of NH Group.

Each of the above financial assistance provided by the connected persons of the Company for the benefit of the Group is on terms favourable to the Group where no security over the assets of the Group is required. Therefore, each of the above financial assistance falls within the exemption under Rule 14A.65(4) of the Listing Rules and is therefore not subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

**THREE CONTRACTS FOR SGVDM TO SELL PROPERTIES**

In addition to the transactions mentioned above, SGVDM, an indirect non-wholly owned subsidiary of the Company, has entered into three sale and purchase contracts in Chinese with three connected persons respectively for the purpose of selling to them three respective villas in the Suzhou Garden Court, with the sales to be completed before 31 December 2005, which is after the Listing Date. Particulars of the three sale and purchase contracts are summarized as follows:

**1. Sale and purchase contract with Lakeside Consultants Limited**

Date of the contract:	20 July 2005
Vendor:	SGVDM
Purchaser:	Lakeside Consultants Limited, a company incorporated in BVI, which is legally and beneficially owned as to 100% by Mr. Richard Tao, an executive Director, and is therefore a connected person of the Company immediately after the Shares commence trading on the Main Board
Property:	Villa no.J505, Suzhou Garden Court
Purchase price:	RMB6,090,000 (of which a total sum of RMB3,063,157 was paid with the balance in the sum of RMB3,026,843 to be paid before 30 December 2005)
Date of completion:	before 31 December 2005

**2. Sale and purchase contract with Lanick Group Limited**

Date of the contract:	20 July 2005
Vendor:	SGVDM
Purchaser:	Lanick Group Limited, a company incorporated in BVI, which is legally and beneficially owned as to 100% by Mr. Paul Tao, an executive Director, and is therefore a connected person of the Company immediately after the Shares commence trading on the Main Board
Property:	Villa no.J601, Suzhou Garden Court
Purchase price:	RMB8,300,000 (of which a total sum of RMB4,237,080 was paid with the balance in the sum of RMB4,062,920 to be paid before 30 December 2005)
Date of completion:	before 31 December 2005

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### 3. Sale and purchase contract with Eastside Properties Limited

Date of the contract:	20 July 2005
Vendor:	SGVDM
Purchaser:	Eastside Properties Limited, a company incorporated in BVI for the purpose of property holding, which is legally owned as to 100% by Ms. Miriam Tao in trust for the entire benefit of Mrs. Nancy Tao, a Controlling Shareholder, and is therefore a connected person of the Company immediately after the Shares commence trading on the Main Board
Property:	Villa no.J602, Suzhou Garden Court
Purchase price:	RMB9,520,000 (of which a total sum of RMB5,051,483 was paid with the balance in the sum of RMB4,468,517 to be paid before 30 December 2005)
Date of completion:	before 31 December 2005

Each of the purchase prices under the above three sale and purchase contracts have been reviewed and found by DTZ Debenham Tie Leung Limited to be fair and reasonable and in line with market prices. The Directors and the Joint Sponsors are of the view that the three sale and purchase contracts are on normal commercial terms which are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned. Completion of the three sale and purchase contracts by SGVDM which take place after the Listing Date will merely be in performance of transactions which were already entered into prior to the Listing Date. For such reason and on the basis that particulars of the three sale and purchase contracts are disclosed in this prospectus, the Company considers that completion of the sales under the above three sale and purchase contracts after the Listing Date shall not constitute connected transactions of the Company for the purpose of the Listing Rules. Therefore, the above three sale and purchase contracts are not subject to any announcement or independent shareholders' approval requirements applicable to connected transactions under the Listing Rules.

The Directors are of the opinion that related party transactions during the Track Record Period as disclosed in note 31 in Appendix I to this prospectus were conducted on arm's length basis and on normal commercial terms.

### INSURANCE

Property damages and third party liabilities of the Group's properties under construction are covered by insurance policies maintained by the main contractors for properties under construction of the Group. The Group also maintains insurance coverage on the properties owned by the Group. The insurance policies are purchased on a voluntary basis as there is no statutory mandatory provision in any of the laws, rules and regulations in the PRC which require a property developer to maintain insurance in this respect. In addition, the Group maintains insurance coverage on employer's liabilities.

The Directors confirmed that there were no material claims under any of the insurance policies maintained by the Group or its associated company during the Track Record Period and as at the Latest Practicable Date.



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## BUSINESS


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### LEGAL PROCEEDINGS

In February 2002, the Intermediate People's Court of Suzhou Municipality (蘇州市中級人民法院) rejected SGVDM's appeal to overturn one of the rulings of the People's Court in Hugiu District of Suzhou Municipality (蘇州市虎丘區人民法院) that SGVDM shall pay housing allowances in the total amount of RMB29,812.50 to one of its former employees in a labour dispute with that employee. SGVDM did not accept the rejection and on 4 March 2002 it applied to the Intermediate People's Court of Suzhou Municipality (蘇州市中級人民法院) for a retrial of the appeal. Although the ground for the application for retrial was submitted by SGVDM on 23 April 2002, the Intermediate People's Court of Suzhou Municipality (蘇州市中級人民法院) has not yet decided to accept the application. Nor has the Court proceeded to commence hearing of SGVDM's application. Despite the application, on 8 May 2002 SGVDM paid all the amounts pursuant to the order of the People's Court in Hugiu District of Suzhou Municipality (蘇州市虎丘區人民法院). If the Intermediate People's Court of Suzhou Municipality (蘇州市中級人民法院) proceeds to hear SGVDM's application for retrial, SGVDM will apply to withdraw its application for retrial.

Save as disclosed above, as at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

### INTELLECTUAL PROPERTY

The Group has registered with the Trade Marks Registry of Hong Kong, and has also applied to the PRC Trademark Office for registration, of the trademarks “” and “新澤”. Further details of the Group's intellectual property rights are set out in the paragraph headed “Intellectual property rights” in Appendix VII to this prospectus.